UNIVERSITI TEKNOLOGI MARA

VALUE RELEVANCE OF FINANCIAL INFORMATION AND CORPORATE TAX PLANNING AMONG PUBLIC LISTED COMPANIES IN MALAYSIA: THE MEDIATING ROLE OF AUDIT QUALITY

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ABSTRACT

In the business world, taxes are key factors shaping investment, strategy, and financial planning. Corporate tax planning arranges a company's affairs to minimise taxes and maximise returns through strategic and long-term decisions. This study examines corporate tax planning among Malaysian public listed companies, focusing on its relationship with earnings management, accounting conservatism and financial manipulation. The research also investigate the extent of corporate tax planning across different industries among public listed companies in Malaysia. Furthermore, the study explores the impact of the value relevance of financial information on corporate tax planning, with a particular emphasis on the mediating role of audit quality. Using a sample of 1,944 firm-year observations from companies listed on Bursa Malaysia between 2016 and 2021, the study employs secondary data and multiple linear regression analysis (E-Views 12) to assess the relationships between key financial determinants and corporate tax planning. A fixed effect model reveals significant relationships between earnings management, accounting conservatism, and financial manipulation with corporate tax planning. Moreover, the findings suggest that audit quality fully mediates the link between earnings management and tax planning. Partial mediation of audit quality is also found in the relationship between accounting conservatism and financial manipulation with corporate tax planning. These findings are valuable for financial analysts and regulators, as they provide insights into how financial reporting practices and audit quality influence corporate tax planning in Malaysia. This study contributes to the growing body of literature on corporate tax planning and highlights the importance of audit quality in ensuring transparency and compliance in tax-related decisions.

Keywords: Tax planning, audit quality, earnings management, accounting conservatism, financial manipulation

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CHAPTER 1
INTRODUCTION

1.1 Chapter Overview

This chapter provided an introduction to the study, setting the stage for a comprehensive analysis of corporate tax planning among public listed companies in Malaysia. It began with a detailed discussion of the background of the study, highlighting the importance of corporate taxation as a major source of government revenue and the various strategies companies use to minimise their tax liabilities. Following the background, the problem statement clearly defined the gaps in the existing literature and practical issues that this study aimed to address. It identified the lack of empirical research on the mediating role of audit quality in the relationship between financial determinants and corporate tax planning. The problem statement emphasised the practical implications of aggressive tax planning, such as reduced government revenue and economic instability, and set the stage for the research questions and objectives.

The motivations for this study were driven by the increasing number of accounting scandals and aggressive corporate tax planning practices, both globally and in Malaysia. This section explained the need for a deeper understanding of the interplay between financial reporting practices and corporate tax planning. The research objectives and questions were then presented, clearly outlining what the study aimed to achieve. The objectives included assessing the variance in Effective Tax Rates across different industries, examining the impact of financial reporting practices on corporate tax planning, and investigating the mediating role of audit quality. Corresponding research questions were developed to guide the study.

Finally, the significance of the study was discussed, emphasizing its contributions to both academic knowledge and practical policymaking. This section explained how the findings would help policymakers design more effective tax policies and provide valuable insights for businesses and regulators. The chapter concludes with an overview of the scope of the study, key definitions of terms and a summarising diagram (Figure 1.7) that visually depicts the content of the chapter.