International Business Management 10 (5): 619-622, 2016
ISSN: 1993-5250

Examines the Relationship Between Some Elements of Corporate Governance on Corporate Tax Policy

[1]Mohamadreza Abdoli, [1]Mehdi Eskandari and [2]Samane Hoseinpoor
[1]Department of Accounting, Shahrood Branch, Islamic Azad University, Shahrood, Iran
[2]Department of Accounting, Barayand Institute of Higher Education, Shahrood, Iran

Abstract: The aim of this study was to investigate the relationship between some elements of corporate governance of listed companies in Fiscal policy is the Tehran stock exchange. The hypothesis of this study is based on the characteristics of the board adopting bold policies of tax. The sample study consisted 97 companies listed in Tehran stock exchange during the years 2008-2013 that were selected using systematic elimination. To ensure the reliability of the results of the regression analysis is used by default. Statistical method to test hypotheses, linear regression analysis logistics. The findings show that a positive correlation between the "duty of the members of the board of directors", "dual role of director" and "aggressive tax policy", there is bound to increase the members of the board of directors and the dual role of director policies more daring. Of the board of directors changes significantly with aggressive tax policy and the board of directors of different companies with different tax policies act boldly.

Key words: Board mandated, independent board of directors, corporate governance, corporate tax policy, analysis

INTRODUCTION

Tax and undeniably essential for a country and for a company, both sides have similar interest to tax as income from the perspective of a country from the perspective of a company to be considered as reducing net income (Mulyadi and Anwar, 2015). Aggressive tax policies, activities that management uses its authority and accrual accounting to reduce its earnings manipulation to reduce taxes (Desai and Dharmapala, 2006). Since, tax expenditures constitute one of the company's costs and lead to liquidation of the companies and reduces shareholders' dividends, taxes and the tax payable executives and shareholders are always considered. Therefore, tax policy (aggressive or conservative) including policies that work in the evaluation of managers by shareholders and the capital market are also considered. The stock market has always been to apply the legal rules of tax breaks for companies has shown a positive reaction so that this policy can represent in terms of costs and the emphasis is the representation theory. Tax policies are not in line with the interests of shareholders will impose costs as brokerage fees shot securities market reaction will follow. Several studies carried out in this respect confirmed that all stock market reaction to these kinds of policies are. On the other hand senior managers (the board) as the most important pillar of the company's financial and tax decisions are taken, they can tax policies (of the type of aggressive or conservative) influence. Therefore, in this study we are to influence the members of the board in terms of responsibility and outside as well as the separation of the executives and the independence to examine and policies aggressive tax of them specify the was a significant relationship that there is moreover be explained to their relationship.

Background research: Lanis and Richardson (2011) in their study of the composition of the board of directors on taxes and reducing tax policies Mthvarnh examined Dhd.ntayjlogit regression for a sample of 32 companies including 16 companies and 16 companies have aggressive behavior without treatment tax bold, indicating that there is a high share of foreign members of the board, the likelihood of aggressive behavior and reducing tax cuts Dhd.hdaql squares regression analysis Byangrhsasyt the level of 401, the main conclusions about the composition of the board and aggressive behavior tax confirms.

Osemeke examined the relationship between board characteristics such as (staff size, staff diversity) and corporate social responsibility in Nigeria is that the database contains 147 companies from 2003-2009 and is used random effects estimate for special effects test the

Corresponding Author: Mohamadreza Abdoli, Department of Accounting, Shahrood Branch, Islamic Azad University, Shahrood, Iran

board as the board of directors and diversity among the selected companies is used. The results of empirical analysis suggests that the diversity and size of the board are positive and important in terms of corporate social responsibility but executives and negative variation and their relation to corporate social responsibility is no important. The application of research organizations tend to have corporate governance. Managers with a focus on the interests of shareholders must reach understanding disorganization that causes irregularities in corporate law, tax mechanism together with the increasing cost of agencies and managers may contact you fit with the interests of various stakeholders under pressure.

Mulyadi and Anwar (2015) in his study examines the relationship between characteristics such as the number of board members, remuneration of directors, the number of outside corporate governance and management as a component of income tax by the company's management and the results of showed that corporate governance has a significant impact on earnings management and financial management.

MATERIALS AND METHODS

This research examines the question: is it possible to use the characteristics of board structure (components of corporate governance) the possibility of aggressive tax policy in the Tehran stock exchange listed companies predicted? Therefore, this study aimed to study on the basis of classification and the classification applied by way of the cross-correlation.

Hypotheses:

- H_1: ratio of board members on aggressive tax policy has a significant effect
- H_2: the board of directors of the changes on aggressive tax policy has a significant impact
- H_3: the dual role of the board has a significant influence on the policy of aggressive tax

Operational definition of variables

Dependent variable: Dependent variable bold policies of tax (TAG) is to be accepted if the asset management companies of tax assessment sheet during the period under review, the company file is not referred to the board of tax dispute resolution, otherwise the number 1 to the company number is 0.

Independent variables: Independent variables in this research are: of the Board of Directors must: measure of outside board members is determined by the following equation: the number of board members must now divided by the total number of board members in the last 5 years.

Changes of board of directors is divided by the number of the board of directors modified the company's total number of the company's board of directors for 5 years.

The dual role of the board-managing director: the chairman of the managing director is the number 1, otherwise the company will be number 0. To test the hypothesis, we used logistic regression models. To:

$$\begin{aligned} \text{tProb(TAGi = 1)} = F(&\beta_0 + \beta_1\text{EXE BOARD} + \beta_2\text{BOARD CHANGE} + \beta_3\text{Duality-CHAIRMAN} + \\ &\beta_4\text{OPINION} + \beta_5\text{TAX} + \beta_6\text{ROA} + \\ &\beta_7\text{LEVE} + \beta_8\text{TYPE OWNE} + \varepsilon) \end{aligned}$$

Where:

EXE BOARD	=	Board of duty
BOARD CHANGE	=	Than changes to the board of directors
BOARD-CHAIRMAN	=	Separation and the dual role of the board
OPINION	=	The independent auditor's opinion
TAX	=	Tax status of companies
ROA	=	Return on assets
LEVE	=	Leverage companies
TYPE OWNE	=	The type of property
ε	=	Random deviation
β_i	=	The effect of each independent variable on the TAG. Company i = i = 1, ..., n
β_0	=	Intercept of the regression line

If there is no corporate tax for bold policy, set it to zero or (bold tax policy) is one value.

RESULTS AND DISCUSSION

As Table 1 shows, the average corporate tax policy courageous 0.42 and the number of companies that have tax policies are bold is 40 and the average non-executive members of 3 people. Also, among the main variables had the dual role of the board is the highest standard deviation. To investigate the relationship between variables such as the dependent variable model is a dummy variable with values of zero and a linear logistic regression model used is necessary. For this purpose, the significance of the regression equation using the likelihood ratio test statistic is then import all the independent variables and control variables are introduced, the same effect on the dependent variable (bold policies of tax) using a significant the estimated coefficients is studied and analyzed. In logistic regression model to test the significance of the regression coefficients, Wald test was used instead of t-test and the

Table 1: Descriptive statistics of variables

Variables	Max.	Min.	Variation range	Sum	Average	SD
Aggressive tax policies	1.00	0.00	1.00	41.47	0.4276	0.44315
The proportion of board members	1.00	0.25	0.75	32.30	0.3330	0.28126
Changes of board of directors	1.00	0.00	1.00	13.49	0.1391	0.25440
The dual role of the board of directors	1.00	0.00	1.00	39.00	0.4021	0.49286
Type independent auditor's report	1.00	0.00	1.00	36.00	0.3711	0.48562
Financial leverage	1.07	0.32	0.75	64.55	0.6655	0.14979
Return on assets	84.07	-0.10	84.17	97.08	1.0008	8.52759
Type of ownership	1.00	0.00	1.00	27.00	0.2784	0.45052
Corporate tax status	1.00	0.00	1.00	38.00	0.3918	0.49068

SD = Standard Deviation

Table 2: The proportion board members obliged on aggressive tax policy has a significant impact

Variables	Line slope	SE	Wald	Degree of freedom	Sig.
Board the proportion obliged	4.517	1.085	17.330	1	0.000
C	-3.149	0.592	28.295	1	0.000

Table 3: Aggressive tax policy has a significant influence the proportion the board changes

Variables	Line slope	SE	Wald	Degree of freedom	Sig.
Changes the proportion board of directors	-0.033	0.963	0.001	1	0.973
C	-1.222	0.276	19.536	1	0.000

significance of the regression model using Cox and Snell factor that is measured to determine the coefficient estimates. Finally, based on the results of the Wald test for the significance of the coefficients of the regression model to test hypotheses or paid approve or reject it.

First hypothesis

The proportion board members obliged on aggressive tax policy has a significant impact: According to Wald statistic significant level of independent variables, independent of the board of directors required by the parent test (17.33) and (Sig. = 0.000) and <5% and show a significant relationship between the ratio of the board of directors shall aggressive tax policy. There are in Table 2.

Second hypothesis test

Aggressive tax policy has a significant influence the proportion the board changes: According to statistics, Wald and a significant level of independent variables, changes to the board of directors. The proportion the Wald statistic (0.001) (Sig. = 0.973) and >5% and shows the the proportion changes, the board of directors with bold tax policy there is no significant relationship (Table 3).

Third hypothesis

The dual role of the board has a significant influence on the policy of aggressive tax: According to statistics, Wald and a significant level of independent variables, dualism role of managing director the Wald statistic (16.13) and

Table 4: Dual role of managing director aggressive tax policies

Variables	Line slope	SE	Wald	Degree of freedom	Sig.
Dual role of director	2.449	0.610	16.130	1	0.000
C	-2.603	0.518	25.227	1	0.000

(Sig. = 0.000) and <5% at 95% confidence level we can say that the dual role of managing director aggressive Tax policies have a significant relationship (Table 4).

CONCLUSION

In this model study, the overall value of the coefficient of determination "Nickel crack" and "Cox and Snell" equal to 0.491 and 0.323 shows that (almost too high, too low) percentage of changes in tax policies, venture by varying the polarization of managing director, the board of directors the board is are obliged and the proportion changes in the logistic regression explained. In other words, the pattern between variables and tax policies, there is bold and aggressive tax policy can use variables to predict and after the arrival of the independent variables and variables of coefficients of determination check the values of "Nickel fluff" and "Cox and Snell" equals 0.605 and 0.398 which indicates 0.605 and 0.398 (approximately, upper limit and lower limit) percent of the changes in the policy of aggressive tax by changing the dual role of managing director, the board is are obliged, the changes in the board said, the auditor, the type of ownership, taxation, ROA and LEVE regression logistic explained. In this model, generally before control variables R^2 = 0.491 aggressive policy of the variance explained. In general, 85.6% of the cases correctly classified. And after the control variables R^2 = 0.605 aggressive policy of variance explained. Continue with forward after the entry control variables correctly predicted 88.7% of the cases.

Discuss findings and compare the results with theoretical basis and the results of previous research. The following results were compared with similar studies at home and abroad.

The first hypothesis showed that the proportion of board members on aggressive tax policy has a significant effect. Given that a significant coefficient (Sig. = 0.000) and <5% with 95% confidence we can say that there is a significant and positive correlation between the two variables. The results confirmed the evidence of this hypothesis, i.e., an increase of board members would tax policies are bold. The results of the study hypothesis with Lanis and Assadi is consistent with research by Ramsay (1999) does not match.

The second hypothesis suggests that a bold policy the proportion tax changes on the board of directors has a significant impact. Given that a significant coefficient (Sig. = 0.973) and >5% with 95% confidence it can be said there is no significant relationship between these hypotheses. This means that the hypothesis is not confirmed, i.e., the proportion not taking bold policy changes affect the board. The results of the study hypothesis with Assadi is consistent with research by Ramsay (1999) does not match.

The third hypothesis suggests that the dual role of the board has a significant influence on the policy of aggressive tax. Given that a significant coefficient (Sig. = 0.000) and <5% with 95% confidence we can say that there is a significant and positive correlation between the two variables. The results confirmed the hypothesis. In other words, the evidence of more dual role of managing director tax policy is more aggressive. The results of the study hypothesis correspond with Didar *et al.* (2013), Friese *et al.* (2008) and Chen *et al.* (2010).

REFERENCES

Chen, S., X. Chen, Q. Cheng and T. Shevlin, 2010. Are family firms more tax aggressive than non-family firms? J. Fin. Econ., 95: 41-61.

Desai, M.A. and D. Dharmapala, 2006. Corporate tax avoidance and high-powered incentives. J. Financial Econ., 79: 145-179.

Didar, H. and M.G. Reza and K. Mehdi, 2013. The effect of the tax gap mechanisms of corporate governance in companies listed on the Tehran stock exchange. Acc. Audit, 21: 409-430.

Friese, A., S. Link and S. Mayer, 2008. Taxation and Corporate Governance: The State of the Art. In: Tax and Corporate Governance. Schon, W. (Ed.). Springer-Verlag, Berlin Heidelberg, Germany, ISBN: 978-3-540-77275-0 pp: 357-425.

Lanis, R. and G. Richardson, 2011. The effect of board of director composition on corporate tax aggressiveness. J. Acc. Public Policy, 30: 50-70.

Mulyadi, M.S. and Y. Anwar, 2015. Corporate governance, earnings management and tax management. Procedia-Social Behav. Sci., 177: 363-366.

Ramsay, I., 1999. Director's duties in Australia: Recent developments and enforcement issues. Company Financial Insolvency Law Rev., 3: 260-285.