

ADVANCES IN TAXATION

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ADVANCES IN TAXATION VOLUME 25

ADVANCES IN TAXATION

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ABOUT THE EDITOR

Since 2011, Dr John Hasseldine has been Professor of Accounting and Taxation in the Peter T. Paul College of Business and Economics at the University of New Hampshire. Previously, he was Chair and Head of the Accounting and Finance Department at the University of Nottingham Business School. John, a Kiwi, qualified as a chartered accountant in New Zealand and is a Fellow of the Association of Chartered Certified Accountants (FCCA) based in London.

John has served on three government committees in the UK and was a contributor to the Mirrlees Review of the UK tax system conducted by the Institute of Fiscal Studies. He has been an external expert at the International Monetary Fund, a visiting professor at the University of New South Wales, Sydney, and a keynote speaker at several international tax conferences. He travels widely, speaking at national and global conferences, including one on VAT organized by the OECD, World Bank and IMF, and a conference on dealing with the national tax gap held at the U.S. Library of Congress in Washington DC. He is a co-author of *Comparative Taxation: Why Tax Systems Differ*, Fiscal Publications, 2017.

John received his PhD in Accounting in 1997 from the Kelley School of Business at Indiana University-Bloomington, and his Master of Commerce in Accounting and Bachelor of Commerce from the University of Canterbury, Christchurch, New Zealand.

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INTRODUCTION

TAX AVOIDANCE, TAX POLICY, TAX ADMINISTRATION, AND TAX COMPLIANCE

Together with acknowledging the members of the editorial board, I should like to expressly thank the ad hoc expert reviewers listed below for their valuable and timely reviewing activity during 2017–2018.

May Bao (University of New Hampshire)
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In Volume 25, there are eight chapters that span issues in tax avoidance, tax policy, tax administration, and tax compliance. In the lead chapter, Savannah Guo, Sabrina Chi, and Kirsten Cook examine short selling as one external determinant of corporate tax avoidance. Tax-avoidance activities may convey a signal of bad news. They predict that, when short-interest levels are high, managers have incentives to reduce firm tax avoidance in order to reduce the associated stock price crash risk. Consistent with their prediction, they find that short interest is negatively associated with subsequent tax-avoidance levels and this effect is incremental to other factors identified by prior research. They conclude that short selling significantly constrains corporate tax avoidance.

The second chapter in this volume examines FIN48 on earnings management activity, by focusing on changes in the deferred tax asset valuation allowance (DTVA). Bauman and Bowler employ a sample of publicly traded US firms over the period of 2003–2010. A regression model and an analysis of the frequency of DTVA-based earnings management reveal no evidence of a systematic change in behavior attributable to FIN48. However, further analysis shows that firms identified as managing earnings to meet analyst forecasts increasingly used discretionary DTVA changes relative to changes in tax cushion in the post-FIN48 period.

In the third chapter, Billings, Lee, and Lee study whether the lowering of dividend taxes as part of the US Jobs and Growth Tax Relief Reconciliation Act of 2003 (JGTRRA) resulted in an increase in dividend payouts at the expense of R&D spending. They find that R&D investments responded negatively to higher levels of dividend payout in the post-JGTRRA tax regime compared with the pre-regime. They also find that R&D intensity and financial constraint moderate this negative relation with the relation only holding for firms in low R&D-intensity industries and firms facing high levels of financial constraint. The implication for tax policy is that even though the tax cut on dividend receipts has the benefit of lowering the cost of equity capital, the benefit appears to have come at the expense of R&D investment.

The fourth chapter by Dowis and Englebrecht examines reasonable compensation in closely held corporations and the impact of gender, political affiliation, and family make-up on decisions made in the US Tax Court. With a time frame of judicial decisions spanning 1983 through 2014, they analyze the effect of gender, political affiliation, and family composition on US Tax Court decisions in reasonable compensation cases. They find that the judge's gender and tenure/experience are significant variables in the analyses. Their results also suggest a relationship between the duration of the case and the judge's decision.

A practice-related chapter by Pippin, Wong, and Mason reports on a survey of Americans living abroad on the impact of tax rules explicitly designed for these individuals. The authors analyze how individuals are affected by foreign tax reporting laws and how they perceive and evaluate the rules' consequences. A common belief is that many of the foreign reporting provisions were enacted in order to eliminate or reduce tax evasion. The results indicate that Americans living abroad experience the Foreign Account Tax Compliance Act (FATCA) as negatively impacting their lives.

The next three chapters in this volume all have an international focus. Akhand investigates the effects of the corporate sector on the effectiveness of selected tax compliance instruments in the context of large Bangladesh corporate taxpayers. He finds that their filing compliance is influenced by penalty, tax audit, and taxpayer services, while reporting compliance is influenced by tax audit, criminal prosecution, and tax simplification. He concludes that the effectiveness of tax compliance instruments, among other things, largely depends on the sector affiliation of corporate taxpayers.

Next, Chong and Arunachalam examine the determinants of enforced tax compliance behavior of Malaysian citizens with trust in the tax agency assumed

to be a mediating variable. They find that trust in government, trust in the tax administrator, and the power of the Inland Revenue Board of Malaysia all influenced enforced compliance. However, tax morale and tax amoral behaviors did not influence enforced compliance.

In the last chapter of the volume, Bitzenis and Vasileios investigate the effect of the economic downturn in Greece on the factors determining the level of tax morale through primary data from a European Union-funded research project on the Greek shadow economy. Their findings provide input to the policy discussions on transferring activities from the shadow to the official economy, a goal which is part of Europe 2020 strategy.

John Hasseldine
Editor, *Advances in Taxation*