

Effect of tax avoidance on audit feesSeyed emadodin emamifar ^{1*}, Mohammad khodamoradi ^{2**}^{*}Department of Accounting, Persian Gulf International Branch, Islamic Azad university, khorramshahr, iran^{**}Department of Accounting, Izeh Branch, Islamic Azad university, Izeh, iran

Abstract: Pricing auditors for audit services use a variety of factors. The aim of this study was to examine the impact of tax avoidance on audit fees in listed companies on the Stock Exchange of Tehran. The statistical sample of 65 firms listed in the Tehran Stock Exchange during the period 1387 to 1393 is formed. To achieve this objective, the effective tax rate based on earnings and differences between accounting profit and taxable profit is used as a tax avoidance measure. The research hypotheses were tested using regression analysis. The findings show that the relationship between the effective tax rate on profits of accounting and auditing fees based there. In other words, by increasing the effective tax rate based on earnings also increased audit fees. But the difference between accounting profit and taxable profit and audit fees is a significant relationship was not found.

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Keywords: tax avoidance, audit fees, the effective tax rate based on earnings, differences in accounting profit and taxable profit.

Introduction

Independent audit by improving reliability and increasing the reliability of financial reporting process, the effectiveness and efficiency of capital markets will help this process. Audit quality depends on many factors, especially the independence of the auditor. Hence, reducing auditing and auditor independence on the quality of his influence consumer opinion. For this reason, professional associations pay attention to the threats to the independence of the audit. For the independence of the two dimensions are considered. Appearance was named after nominal independence, based on the avoidance of doubt situations that cause a reasonable person aware of all the terms and conditions with respect to fairness and audit. After esoteric, spiritual or intellectual gains depend on the auditor's observations and measurable or not (Shrytpnahy and reverence, 1384, 77). The applicant audit firms are pursuing different objectives, such as the audit report Myknnd. ahdafy to participate in auctions and tenders, aims to provide the tax administration, submit a report to the General Assembly of the shareholders and goals that applicants do, other stakeholders of the company, the first "good accounting system and secondly" a good audit is needed.

Statement of Problem

In recent years the tax on corporate performance, an important part of financial and economic sphere of literature are included. Accounting information environment in Iran in such a way that the tax is one of the pillars affecting financial reporting. The importance of this issue to the extent that the provisions of Accounting Standard Number 2 entitled,

"Statement of Cash Flows" for reporting cash flows relating to tax the separate classification performance is predicted. taxes have to be the subject can be seen in some financial variables. In this regard, the difference between accounting profits and taxable profits and the effective tax rate measure of tax avoidance noted (Arabmazar and peasants, 1388).

In the field of economic and financial literature, the difference between accounting income and taxable profit is a measure of audit risk (Hanlen, Krishnan and Mills, 2012). Next, this difference indicates that both low-quality earnings and earnings management audit risk increase (Hanlen and Hytzm, 2010; Krishnan and Viswanathan, 2008; Bell, Lndzmn and Shklfvr, 2001) and from another dimension, the difference between accounting and taxable profit affects credit risk (Ayers, laptops Lant and McGuire, 2010) according to this aspect, avoiding and evading taxes, increased audit risk and audit through Alzhmh increase the audit efforts they cover this risk. In the audit process, audit fees associated with customer risk factors, because these factors on activities implemented by the auditor during the audit process is effective. provide tax. Second, management practices to avoid the tax potential audit risk increases (Graham, Reid and Shklfrd, 2012).

necessity and importance of research

Tax avoidance economic burden that almost all countries in the world are grappling with. Several studies conducted in the field, suggests that this is still one of the main problems is economic. Today, one reasons more attention to tax avoidance, the federal deficit and raising concerns about the expansion of the underground economy and reduce tax revenue. Since

the tax as one of the most important sources of government revenue, fiscal policy plays an important role in the implementation of macro-economic variables such as inflation, unemployment, balance of payments affected, so check this issue from different perspectives and the identification of factors affecting auditing fees. Knowledge of these factors is useful both for the client and for the auditor. For many clients, the cost of the audit is significant digits. It is very important and heavy; it costs that they have to pay.

purpose research

The main objective of this study was to investigate the effects of tax avoidance by companies listed on the Tehran Stock Exchange is on audit fees.

hypothesis of the study

According to theoretical principles, and objectives of the research literature, research hypotheses were formulated as follows.

First hypothesis: the effective tax rate has a significant impact on audit fees.

The second hypothesis: The difference between accounting profits and taxable profits has a significant impact on audit fees.

variables

independent variables

Tax avoidance:

In order to empirically test the effect of tax avoidance on the remuneration of the auditor shall determine that an indicator variable tax avoidance measure. In this study follows the Mills (1998), Rigo and Wilson (2012), Dnahv and Nkl (2014) and Khani et al (1392) the following indicators will be used to measure tax avoidance.

The effective tax rate on earnings: the division of corporation tax charge on profit before tax in year t in years to come.

Differences between accounting profit and taxable profit: the difference between accounting profit (profit before tax) now i in year t and taxable profit (tax expense divided by the statutory tax rate) company i in year t is obtained.

dependent variable.

In this study, the dependent variable audit fees for calculation of the natural logarithm of audit fees is used (Nikbakht and shellfish, 1389; Rajabi and Mohammadi Khshvyy, 1387; Ferguson and Taylor 3, 2007; Griffin et al, 2009).

control variables

The control variables in this study, with regard to the legal environment and professional auditing in Iran and on the basis of previous studies, researchers like Dnahv and Nkl (2014), Hvytash 4 and colleagues (2008) and Hei 5 (2006) was conducted. These variables are as follows.

It is expected that the larger the company, the right to pay additional audit Alzhmh.

Ratio of total liabilities to total assets: are used to reflect the degree of financial leverage.

Profitability or losses, according to a report the loss, the risk of financial crisis (going concern) entity increases, the reflection losses in year t the first place and otherwise zero in the model is.

The ratio of market value to book value of equity divided by market capitalization (number of shares multiplied by the market value per share) to its carrying value is achieved.

Methods

The results of the study in terms of the application, the purpose of Ali-correlation, in terms of when the retrospective implementation process from the perspective of quantity and in terms of logic implementation, a sequence of induction and deduction (scientific research) is. This quasi-experimental study. In this study, the researcher has no control over the process of creating data. From another angle, this study is a positive study in which researchers seek to discover what it is and there is no prescriptive, but the cases were discovered, only recommendations are provided.

method of data collection

In this study, data collection was done in two stages. submitted to the stock exchange and other relevant data sources such as databases Tdbyrpdaz and modern achievements, the mining method has been used documents.

analysis data

The data analysis and hypothesis testing will be done by software excel and eviews. In this study, using quantitative methods, including the tools in descriptive statistics such as mean, standard deviation and Pearson correlation analysis of the data used. It is necessary to analyze the data reliability during the period under review to ensure data series. To evaluate the reliability of the test Levin, Lin and Chu used. Finally, to test the hypotheses of this study and to determine the effect of independent variables on the dependent variable econometric models will be used and assumptions related, through correlation analysis of multivariate regression tested.

main spatial and temporal study

Data for the period 1387 to 1393 extracted is of course to some calculations be sure to collect the 1385 data, but data from 1387 to 1393, finally (7 years old) can be used to estimate the model. Research companies are companies that are active in the market during the Mzyvr have worked Tehran Stock Exchange.

Key Words

Tax Avoidance

Tax avoidance, efforts to reduce tax payments.

Audit fees

Audit fees, a fee is to be disclosed in financial reports and financial statements related to fiscal years prior. Auditors determine the audit fees, audit activity was commissioned to do a work that fits the bill is progress. Each hourly rate of remuneration of the auditors on the basis of experience and skills and thus bear the responsibility that is different. According to investigations, the audit fees, including fees for work place (such as cost extra missions outside the center and transportation), other direct costs and overhead allocation, a total of...ryal estimated to be (Griffin et al., 2009)

structure research

In the first chapter overview about the study includes an introduction, research problem, the need for research, research and research stated purpose. The method described in the section on population, the sample size, the study was to collect data and define variables. In the data analysis and hypothesis testing and statistical methods used to analyze the data was expressed. The following definition of key words used in this study were discussed. The second chapter contains literature and previous research has investigated. In the third quarter, research include research hypothesis, the definition of variables and how to calculate them, society and sample, data collection and methods for the analysis of information was desired value. The fourth chapter, analysis and interpretation of the results of research hypotheses using excel software and is views. In the fifth chapter, discussion, limitations, and recommendations expressed in this research.

The financial

Basically, the main instrument governing tax respectively. The government taxes without unreasonable phenomenon, he adds. On the other hand tax already deemed necessary in people's daily lives as normal and flora. (1375, Hatami).

Tax issues from various aspects of economic, political and social impacts must be considered as well as tax transparent and My Tlbd principles as an element affecting the economy, which if not treated, leading to problems in the economy was. (1385 beret).

It is an important source of government taxes to finance government budget from taxes lead to economic dynamism and growth of flora. The costs arising from the taxation of investors and owners gets involved Not pleasant, because it reduces the efficiency of the government and the transfer of resources from the owner flora. The business units to avoid reducing investors' willingness to invest, to implement programs with the aim of avoiding tax-related adjustment costs and increase shareholder wealth tax on My Vrmd. But because the program with

ambiguity and secrecy is tax avoidance, risk management, opportunistic abuse of ambiguity there. Bnabravn question is whether avoiding tax reporting transparency and firm value is inversely related or not?

The role of taxes in the community

A) the costs of providing infrastructure to create economic and social development....

B) Adjustment of wealth among economic Dkh by applying the tax Nrk.

In this way we can prevent the formation of deep class division in society. In fact, from the perspective of macro-economic, financial Mdh Tryn one of the government's economic policies numerous tools. (1385 beret).

tax and its role in economy

For example, about ninety percent of government revenues through tax revenues is supplied Germany and Australia. Even in countries that are rich sources such as oil and gas, enjoys special tax status so that now the Iranian government about thirty-five percent of Dramd this. Saman 1389).

look on tax revenues

From a social perspective, the development of the financial sector and dependence on government tax revenues, the strengthening of democracy and people's supervision over the organs of government Tremblay My Bkshd development. In the tax-effectiveness and efficiency in their behalf maximum and minimum wastage of resources. While tax revenues than seventy percent of GDP in France, forty percent in South Korea, the United States and in Germany and the UK Seventy-five percent of sixty percent. This figure is in Iran to less than seven percent of gross domestic product (Journal Saman, 1387).

concept and definition of taxes and principles of defined tax

Services to the citizens of the state to offset carrying costs. Tax long and deep historical roots and its life is associated with the formation of the first government and public administration. Only the type and amount of taxes collected and how it is different and it never abandoned the principle is Nmy Shdh. or the king that the amount of money or goods a year, the government and the governors of various regions is granted to individuals. My Krd its domination collecting and paying it to the king and ruler of the area is no excuse not accepted. Therefore, in the present age is one of the Payh based governance, development and providing services to the people and the result is the tax. day. To pay taxes there are two attitudes, first attitude on the voluntary principle of conditionality to the use of taxes and government services respectively. The introduction of mandatory unconditional attitude and it emphasized stems. Hkvmt today proposed to tax the people's attitude, attitude

and unconditional obligation of the Democrats. Therefore, the taxes a considerable portion of wealth is transferred individuals to governments stems, Falyt to prevent this transfer of resources from the owner requests it comes into force by the management entities. To offset the tax expenses accrued in tax evasion, illegal acts can be justified through the processes They are put into effect, but Mafyt approved tax avoidance through laws and legal centers, business units is done in order to pay lower taxes (see Desai and Darmapala 2009). One of the examples of these exemptions in Iran, which according to its exemption under Article 132 Direct Tax Act, the taxable income declared by manufacturing, and mining activities in the cooperative and private parts of their activities Prvanh.

Principles of taxation

Adam Smith in *The Wealth of Nations*, has introduced four general rule for taxes. These rules are known to Adam Smith's four rules are as follows:

1. Justice: This means that taxes should be fair and objective of the fairness of taxes, taxpayer's ability to pay its suitability.
2. Convenience: It means that taxes should be timely and the most suitable criteria in terms of the taxpayers Msad–Tryn conditions for their collection and create minimal inconvenience.
3. Check: tax should be quite evident and indisputable that the tax amount and date of payment and the method of payment that is obvious to taxpayers. None of matters relating to monetary and excise Dakhvah not lost.
4. Saving: This means that the cost of collection of taxes, if possible, be reduced to a minimum.

In addition to the four principles of Adam Smith about the tax, social and economic effects should also be considered: (October Puran, 1387).

1. Economic impact: the tax should not be allowed to generate wealth and economic activities. Wealth and individual income tax collections in throughput. If the tax is damaging to the economy, in fact destroys the basis of tax revenue. In addition, the tax could be leveraged by some of the resources and economic activities will be encouraged and supported.
2. Social effects: results of the levy, collect and spend taxes on income relative condition of the society flora. Therefore collect and spend tax revenues have important social effects and be a consequence of the increase in social welfare.

A) tax returns: tax system should be adjusted so that the total could be generating enough income for government spending.

B) flexibility in designing a tax system favorable to without a problem and economic impact of the revision and reform. The tax system must be flexible in different economic conditions. The conditions of

economic growth and more tax revenues in the recession times less to impose entities.

C) tax source diversity: In a favorable tax system taxes must be obtained from various sources. If the tax be obtained from various sources, possible fluctuations One of these sources will have little effect on total revenues. But if the source of tax revenues is limited by the smallest changes in tax source, there will be fluctuations in government revenues.

D) simple and understandable principle of taxes: a tax system must be developed in such a way that all laws and regulations related to the clear and unambiguous and are being interpreted.

E) at least once: a tax efficient system that is designed to have a total economic sector is the least harmful effects.

C) compatible with other economic objectives: the tax system should be to other economic objectives, be consistent.

G) Enforcement: favorable tax system should be able to benefit from a robust and efficient administrative staff as well as the laws and regulations necessary steps to collect taxes.

The tax system human resources, equipment, tools, labor, financial and technological resources and information systems of the organization concerned is an essential component of system resources (beret, 1388).

concept of tax avoidance

Chargeable to profits tax firms, companies and stakeholders impose a significant cost. Company management to reduce the transfer of resources to the government and the adjusted tax expenses accrued for the benefit of owners, has been implementing programs to prevent tax avoidance transfer of resources from shareholders to the government addressing. And this leads to increasing wealth and the owner will return. (Desai and Darmapala, 2009).

During investigations in the economic sphere, the results indicated that the tax avoidance It is not always lead to an increase in shareholder wealth and a greater emphasis on agency costs due to tax avoidance lots of programs under this section tax avoidance theory, these programs perform non-transparent and opaque tax avoidance they are raised the possibility of abuse under management topics covering various tax programs, facilitated and increased. Non-avoidable costs due to tax avoidance programs include direct costs related to the implementation of programs of tax, non-tax costs and indirect costs, especially costs of representation may benefit from storage and adjusting the funding to the detriment of the conversion. Tax avoidance It is not always to the benefit of all shareholders, as part of the research conducted within the framework of agency theory and techniques results show managers opportunistic methods of tax

avoidance that their own self-interest to work My Gyrnd (Desai and Darmapala, 2006).

In the last two decades, various studies about why some firms than others of the programs have been addressing tax avoidance.

Early studies on the characteristics of firms as an indicator for opportunities, motivation and resources had been focused on for avoiding taxes that explain why some firms than others. (Regev 2003).

Conclusion

Tax avoidance economic burden that almost all countries in the world are grappling with. Several studies conducted in the field, suggests that this is still one of the main problems is economic. Today, one reasons more attention to tax avoidance, the federal deficit and raising concerns about the expansion of the underground economy and reduce tax revenue. Since the tax as one of the most important sources of government revenue, fiscal policy plays an important role in the implementation of macro-economic variables such as inflation, unemployment, balance of payments affected, so check this issue from different perspectives it is important (Desai et al., 2007).. Knowledge of these factors is useful both for the client and for the auditor. For many clients, the cost of the audit is significant digits. Although it is possible in large companies with high sales volume and liquidity of some public companies, the ability to pay these costs are easily possible, but most small businesses or those which do not benefit from the strong financial situation, figure these costs can is very important and heavy; it costs that they have to pay.

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