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Feature Articles

This month's focus: **Tax Aggressiveness**

This paper reviews research into tax avoidance, surveying four main areas of the literature: (1) ownership structure and corporate tax avoidance, (2) association among debt ratio and debt policy, and corporate tax avoidance, (3) corporate tax avoidance monitoring mechanism, and (4) relationship between corporate social responsibility and tax avoidance. The paper summarizes research areas and questions examined to date and what we have learned from the work completed thus far. In addition, the study gives opinion as to the implementation about tax administration important issues.

Multinational companies have a difficult time in managing lower effective tax rates due to the implementation of action plans under the base erosion and profit shifting (BEPS) project. They need to examine tax planning and strategies, and to decide positions vis-à-vis tax rules and the authorities.

In this paper, I present a review of tax research, especially the relationship between tax aggressiveness and firm value. Some research in the US gives evidence that (1) while tax aggressiveness may persist it may not increase profitability, (2) the stock market misprices tax aggressiveness, and (3) good governance may reduce risk of tax aggressiveness. In Japan, some studies show that taxable income information has value relevance. However, compared to the US, the volume of research is very limited and many issues have yet to be addressed, such as what type of tax aggressiveness affects firm value or risk.