Do External Auditor Characteristics Shape Corporate Tax Aggressiveness? U.S. Evidence

Jihen AYADI

jihen.sellami@fsegs.usf.tn

Faculty of Economics and Management of Sfax, University of Sfax, Sfax, Tunisia

Hichem KHLIF

Faculty of Economics and Management of Sfax, University of Sfax, Sfax, Tunisia

Abstract

This paper aims to analyzes the impact of external auditor attributes (auditor reputation, auditor independence, and industry specialization) on tax aggressiveness (TA = 1 – ETR) in 90 non-financial US firms from the S&P 500 for 2014 to 2017. Drawing on agency theory, moral hazard theory, and corporate social responsibilities (CSR), this research uses a Panel regression models to control unobservable differences across firms. Results show that auditor reputation, as measured by the Big 4 auditor, is negatively associated with tax aggressiveness, suggesting that reputable auditors act as a deterrent for tax aggressiveness. Additionally, auditor industry specialization positively relates to tax aggressiveness, suggesting that industry knowledge leads to sophisticated tax aggressiveness strategies. The auditor independence is negatively associated with tax aggressiveness but is not statistically significant. These findings emphasize the heterogeneous impact of external auditor characteristics on corporate tax practices and offer pre-TCJA insights on the crucial role of auditing in shaping tax behavior.

Keywords: tax aggressiveness, external auditor characteristics, Big 4, auditor independence, industry specialization , U.S. firms

Introduction

Corporate taxation not only significantly affects the financial strategies of corporations but also the government's income. On one hand, taxes are the main source of funds for governments, and on the other hand, companies are often involved in creating methods that will ensure their minimum tax payments. This attitude, which is referred to as tax aggressiveness most often, is characterized by a whole spectrum of activities going from non-controversial tax planning to highly questionable and risky techniques that could result in gaining more regulatory and reputational exposure (Frank et al., 2009; Hanlon & Heitzman, 2010). Thus, corporate governance mechanisms are necessary to impose discipline on managers' ability to choose taxes, which are complicated and almost impossible for outsiders to observe. Governance systems try to bring managers' actions in line with those of shareholders and society, cut down on conflicts of interest, and make things clearer (Jensen & Meckling, 1976). In this context, the external audit is one of these tools that is essential to contemporary corporate governance. The external auditor serves as an impartial monitoring agent who strengthens the credibility of financial and tax-related disclosures in addition to its customary function of confirming financial statements. Helping to limit aggressive tax practices and discipline managerial behavior by lowering information asymmetry between managers, shareholders, and regulators. However, the effectiveness of this governance role is heavily dependent on certain auditor attributes, such as industry specialization, independence, and reputation, which influence auditors' capacity and willingness to question dubious tax positions. This research involves a sample of 90 non-financial U.S. companies picked from the S&P 500 index over the years 2014–2017, which is a pre-TCJA period marked by increased regulation over corporate tax practices. The application of panel data regression methods allows for the analysis of the impact of certain external auditor traits—auditor reputation, independence, and industry specialization—on corporate tax. The empirical model considers firm-specific differences and major financial factors. Based on agency theory, strengthens monitoring and lowers agency costs in order to prevent managerial opportunism. According to moral hazard theory, auditor objectivity may be weakened by repeated engagements and economic bonding, which would increase tolerance for aggressive tax strategies and weaken independence. From the standpoint of corporate social responsibility (CSR), tax compliance is increasingly seen as a crucial part of businesses' social responsibilities, and external auditors have a signaling role in encouraging ethical tax practices and organizational legitimacy.

This research continues with the following structure. In the second section, a review of the literature is conducted and the research hypotheses relating to external auditor traits and tax aggressiveness are created. The third section explains the research methodology, which consists of sample selection, variable measurement, and empirical modeling. Section 4 presents and discusses the empirical results, finally, the study is closed by a conclusion

2.Litteratur review and hypothesis development

In the context of an aggressive tax policy, the managers of the company consider not only the potential benefits but also the costs that they would have to bear in case these measures were discovered and they were audited, which might include audit fees, penalties and loss of goodwill. It follows that tax avoidance largely depends on the management's discretion and the quality of the organization's internal controls. According to existing literature, the audit committee is the major player in this respect as it not only monitors but also enhances the whole process of internal controls and information disclosure (Forker, 1992; Beasley & Salterio, 2001). Thus, the effectiveness of this control mechanism is determined by a number of factors such as financial expertise, independence, meeting frequency, gender diversity, and committee size (Nguyen, 2021a, 2021b).

2.1.Reputation of the external auditor and tax aggressiveness

An external audit has been considered a control measure of governance that allows to monitor the use of managerial power and reduces the conflicts between the shareholders and the managers. According to Shön (2008) and Owens (2008), external auditors are extremely important in spotting tax risks. Moreover, the legal audit requirement makes sure that companies' tax strategies are in sync with the interests of the shareholders (Shön, 2008). The success of this mechanism of control is largely dependent on the quality of the auditor (Richardson et al., 2012). Following earlier research (Rezaee, 2005; Richardson et al., 2012), the quality of audit is typically determined by whether the audit is conducted by a BIG 4 firm or not. Auditors from BIG 4 tend to have superior skills in recognizing hidden tax risks of corporations. Length of the tax aggressiveness measured by the company being audited has shown to be lower for the companies under the audit of the BIG 4 compared to those under audit by non-BIG 4 ones (Richardson et al., 2012). Hence our hypothesis is as follows:

H 1.1: BIG4 external auditor reduces tax aggressiveness.

2.2.Independence of external auditor and tax aggressiveness

An effective and independent auditor is critical in detecting misrepresentations and fraudulent actions irrespective of management's control. Empirical studies have found that there are two important characteristics of auditing firms that could influence the quality of auditing, which include firm size and reputation (DeAngelo, 1981). In addition, Chalmers and Godfrey (2004) supported the fact that large auditing firms enhance the quality of financial reporting and reduce information asymmetry among managers and various stakeholders in a firm. Financial statement auditing conducted by prestigious auditing firms enhances investor trust and faith in financial disclosures, thus improving market trust. In addition, being part of an international audit network would increase the clarity and fairness of financial reporting by the company. Shan (2019) found a negative correlation between the external auditor's independence and management's ownership, which could offset challenges and agency problems. Just like the Board, external and independent auditors have a strong impact on business decision-making as they also represent and act on behalf of primary shareholders and help create capital through their efforts. Tandean and Winnie (2016) observed that external and independent auditors play an important role in formulating long-term corporate strategies and in constantly reassessing the implementation of corporate strategies, which reduces tax avoidance behavior. Therefore, based on the above, the following hypothesis is proposed:

H.2: Independent external auditor decreases tax aggressiveness.

2.3.Sectorial specialization of external auditors and tax aggressiveness

The external auditors are able to develop a profound understanding of the industry operations, laws and regulations as well as the tax risks specific to the sector through their industry specialization, which in turn improves the audit efficiency and technical accuracy (Hogan & Jeter, 1999; Johnson et al., 1991). Tax aggressiveness is usually considered as a strategy spectrum from legal tax avoidance to illegal tax evasion (Hanlon & Heitzman, 2010). Nonetheless, the past literature has given mixed signals regarding the control function of auditor specialization in this area. In one instance, the auditor's industry knowledge may lead to better audit quality and higher earnings reliability, thereby possibly improving the monitoring effect (Lee et al., 2018; Ahmad et al., 2016). On the contrary, the specialists may use their superior tax knowledge and argue for complex tax planning that would be one of the reasons for the tax positioning (McGuire et al., 2012; Mehrabanpour et al., 2017).

H.3: Auditor industry sector specialization increases firms' tax aggressiveness.

3.Research methodologies

3.1.Data collection and sample study

This research analyzes 90 non-financial U.S. companies that were selected from the S&P 500 index during the years 2014–2017. Firm-specific financial and tax data related was acquired through U.S. Securities and Exchange Commission filings, annual reports, and the DataStream 4Assets database. The external auditor characteristics were collected from different sources, including auditor reputation, independence, and industry specialization. The sources for these characteristics were firms' annual reports and auditor reports, as well as information from public sources like the Public Company Accounting Oversight Board (PCAOB) and the American Institute of Certified Public Accountants (AICPA). DataStream was also utilized to gather additional control variables.

3.2.Variables definitions and measurements

This empirical research looks at how tax aggressiveness is related to corporate governance. The variables are grouped into three categories. The first category includes the dependent variable, which is tax aggressiveness. The second category deals with the independent variables related to an internal corporate governance system, which are related to audit features. The third category involves control variables.

3.2.1.Dependent Variable

Tax aggressiveness is the dependent variable, and the effective tax rate (ETR) is the main proxy for it, a very common measure in the tax literature (Callihan, 1994; Graham et al., 2012). ETR is calculated as the ratio of tax expense to pre-tax income and reflects long-term discrepancies between taxable and accounting income (Chen et al., 2010). A number of other studies have pointed out that ETR is a useful measure for the corporate tax burden and tax planning behaviors (Mills et al., 1998; Rego, 2003; Dyreng et al., 2008).

$$\boldsymbol{ETR = \frac{TAX\ INCOME\ EXPENCE}{PRE - TAX\ INCOME}}$$

In general, lower ETR figures reflect more aggressive tax behavior (ATO, 2006). On the other hand, since ETR and tax aggressiveness have an inverse relationship, this research continues to redefine tax aggressiveness as in the case of Ngelo et al. (2022), where TA=1−ETR.

$$\boldsymbol{TA = \frac{(PRE\_TAX\ INCOME\ -\ TAX\ INCOME\ EXPENSE)}{PRE\_TAX\ INCOME}}$$

This change makes it easy to see the relationship between auditor characteristics and corporate tax behavior since higher values are now representing higher levels of tax aggressiveness.

3.2.2.Independent variables

According to the research framework, the study variables are divided into different categories. The external audit attributes constitute this category, which includes auditor reputation, auditor independence, and industry specialization. These variables represent the major aspects of audit quality and governance that are significant for the analysis of corporate tax aggressiveness. Each variable's measurement and operationalization are explained in the upcoming subsections.

$REPUT_{it}$ (REPUTATION): The standing of an external auditor is determined by the association with one of the Big 4, being the major factor that correlates with better quality of audits (Francis, 2004). In line with previous research (Rice & Weber, 2012; Balsam et al., 2014), the Big 4 are seen to put up a barrier against aggressive tax practices. This variable takes the value of 1 when a firm is under the audit of a Big 4 auditor and 0 otherwise.

$INDP_{it}$:(INDEPENDENCE): The auditor independence is proxied by the ratio of non-audit fees to total audit fees, which is a widely accepted measure in the literature (DeAngelo, 1981; Johnson et al., 2002; Carcello et al., 2011). The larger the ratio, the more the economic dependence on non-audit services, which may lead to compromise in the auditor's independence.

$SPEC_{it}$:(SPECIALISATION): The degree of auditor industry specialization is assessed by means of the auditor's industry specialization coefficient, which is determined by the ratio of the total sales of the listed and OTC firms of a specific industry audited by a particular audit firm to the total sales of all listed and OTC firms in that industry for firm i at time t. This measure has been widely utilized in previous studies (Krishnan, 2005; Abbott et al., 2008) and has been accepted in the current research to portray the auditor's sector-specific proficiency.

3.3.Control variables

LEV_{it} (Leverage): Leverage is a ratio that is derived from the total debts divided by the total assets and is regarded as a control variable mainly because of the tax-deductibility of interest expenses. The existing literature establishes a strong linkage between leverage and tax aggressiveness, indicating that firms with high debt-to-equity ratios are more likely to develop strategies for tax reduction (Badertscher et al., 2013; Gallemore & Labro, 2015; Taylor & Richardson, 2014).

MTB_{it} (Market-to-Book Ratio): The market-to-book ratio is considered an indicator of the company's growth prospects. Growth companies are most likely to implement aggressive or even super-complex tax practices which control this variable that consequently influences the level of tax aggressiveness (Loebbecke et al., 1989; Chen et al., 2009).

Table 1: **Table of presentation of Audit study**

Abbreviations	Variables	Measurements'	Literature
Dependent Variable			
TA	Tax aggressiveness	TA= (PRE-TAX INCOME - TAX INCOME EXPENSE) / (PRE-TAX INCOME)	Authors
Independent Variables			
EXTERNAL AUDITOR CHARACTERISTICS			
REPUT	Reputation of External Auditor	Binary variable holds1if the External Auditor is Big4 (KPMG, EY, PWC, DELOITE), 0 otherwise	DeAngelo, L. E. (1981)
SPEC	Sectorial Specialization of External Auditor	The client's total sales amount of listed and OTC firms of this industry audited by audit firms / total sales amount of listed and OTC firms of this industry of firm	Craswell, Francis & Taylor (1995)
INDP	Independence of External Auditor	Non-audit fees / Total audit fees	DeAngelo, L. E. (1981)
Control variables			
LEV	Leverage	Total Debt / Total Assets	Titman, S., & Wessels, R. (1988).
MTB	Market to Book	Market value / Book value	Fama & French (1992)

3.4.Panel Regression

This research employs a panel data regression model (Sadeghi & Biancone, 2018), which effectively captures both horizontal and vertical variations and thus generates results that are more reliable than those obtained through time series analysis. To analyze the influence of audit characteristics on tax aggressiveness, we specify the following models:

$$TA_{it} = \beta_0 + \beta_1 REPUT_{it} + \beta_2 \ INDP_{it} + \beta_3 SPEC_{it} + \beta_4 LEV_{it} + \beta_5 MTB_{it} + \varepsilon_t$$

Where

i: represents corporations (1-90)

t: represents the time period (1-4)

ε: represent the error term.

3.5.Statistical tests

The measures of diagnosis conducted to prove the reliability and validity of the empirical analysis are discussed. It is imperative to acknowledge that the measures of diagnosis are critical to ensure that the data is free from assumptions underlying the econometrics tools used.

3.5.1.VIF test

The Variance Inflation Factor (VIF) is a multicollinearity diagnostic tool used for the variables included in a regression analysis. Multicollinearity occurs when two or more independent variables are highly correlated. This can result in a large increase in the variances of the regression coefficients. The VIF calculates how a regression coefficient'svariance will increase as a result of multicollinearity. VIFs above certain standard levels indicate multicollinearity. Note that VIF levels above certain standards are used to indicate multicollinearity.

3.5.2. Heteroscedasticity test

Heteroscedasticity occurs when the spread of the error term is not the same for all observations. In such a situation, a typical pattern that residuals have is that they tend to be dispersed more for some ranges of the explanatory variable or over time. This might be conditional on the level of volatility depending on past information or unconditional in nature, where there is a structural shift in the variance unrelated to earlier volatility. If heteroscedasticity is ignored, our estimates will become inefficient and the standard errors biased. We therefore use tests created to detect its presence.

4.Results and discussion

The presentation of statistical description of our variables followed by the correlation matrix constitutes this section. The final subsection is dedicated to the results and discussion of our findings.

4.1.Descriptive statistics

Descriptive statistics provide an easy and quick overview of the sample and its observations. The data analysis includes important statistics like the minimum, maximum, mean, and standard deviation which are shown in the table below.

Table 2 : Descriptive statistics

Variable	Mean	Std. Dev.	Min	Max
TA	1.044	1.056	0.196	16.332
REPUT	0.55	0.497	0	1
INDP	-1.896	0.405	2.833	0
SPEC	0.557	0.496	0	1
LEV	0 .254	0.376	0	9.277
MTB	2.022	3.429	22.06	57.5

The descriptive statistics indicate that there is a significant difference between the firms in our study. The firms, on the average, show tax aggressiveness to a moderate degree (TA mean = 1.044), whereas nearly half of them (about 55%) are under the audit of a Big 4 firm (REPUT mean = 0.55). In the case of board independence and audit committee expertise, the variations among firms are quite pronounced with the respective means of -1.896 and 0.557. The measures of leverage (LEV) and market-to-book ratio (MTB) also point to high variability among our sampled companies, thus revealing their differences in financial structure and growth potential. These statistics in summary bring out the diversity of our sample and also set the stage for deeper investigations.

4.2.Correlation matrix

Table 3: Table of correlation matrix

	REPUT	INDP	SPEC	MTB	LEV
REPUT	1.0000				
INDP	0.0016	1.0000			
SPEC	0.9085	-0.0031	1.0000		
MTB	0.0036	0.0727	-0.0114	1.0000	
LEV	0.0138	-0.0024	-0.0713	-0.0658	1.0000

The correlation matrix shows that auditor reputation (REPUT) and auditor specialization (SPEC = 0.908) have a strong positive correlation, whereas the correlations among the other variables are weak, thus suggesting a low chance of multicollinearity.

4.3.Results and discussion

The findings are presented in this subsection, which is supported by the different tests conducted and the panel regression analysis. We elaborate on the relationship between every external auditor's characteristic and the extent of tax aggressiveness in the firms.

Table 4: Table of Test VIF

Variable	VIF	1/VIF
REPUT	2.90	0.062
INDP	1.05	0.948
SPEC	2.08	0.164
MTB	1.01	0.985
LEV	1.28	0.779
MEAN VIF	1.664	

The VIF analysis indicates that all numbers are significantly lower than the critical limit of 5, with a mean VIF of 1.664 which shows that there is no multicollinearity and the independent variables are properly uncorrelated for the reliable prediction of regression estimates.

Table 5: Table of Auditor characteristics and tax aggressiveness results

TA	Coef.	Z	P>|z|
REPUT	-1.860	-22.10	0.000***
INDP	-0.040	-0.22	0.824
SPEC	0.099	12.15	0.000***
MTB	0.177	1.28	0.202
LEV	-0.003	-0.02	0.987
R2	0.4486		
FISHER	79.84		
	0.000 **		

Remark: **($REPUT_{it}$)**: This **"BIG 4"** variable takes the value 1 if the company audited by a **"BIG 4"** and 0 if not**. ($SPEC_{it}$):** Auditor industry specialization of firm i in time t**. ($INDP_{it}$):** is measured as non-audit fees divided by total audit fees. We expect of firm i in time t**. (LEV_{it}):** this variable presents the leverage. In fact, it reflects the way in which a company is financed for firm i in year t. **(MTB_{it}):** is measured by the market value divided by the book value of the firm i in year t., ***, **, * signification statistical level at **1 %, 5 %** and **10 %,** respectively.

The model's explanatory power is satisfactory (R2 = 0.4486), and the regression's global significance is confirmed by the Fisher test (F = 79.84, p < 0.01). These results demonstrate that the main factors influencing corporate tax aggressiveness in the sample of 90 firms observed between 2014 and 2017 are technical capability and the credibility offered by external auditors, not independence or financial structure.

The findings reveal that auditor reputation (REPUT) has a highly negative effect on the dependent variable (coefficient = -1.860, t = -22.10, p < 0.001). This result shows that the likelihood of a firm engaging in tax aggressiveness is significantly reduced when it is audited by reputable auditors, such as the Big 4 auditors. This is consistent with existing literature that emphasizes the importance of high-quality audits to curb opportunistic management actions, which can jeopardize the integrity of financial reporting (Francis, 2004; Knechel et al., 2013). These findings emphasize the importance of auditor reputation to the corporation as a fundamental component for corporate risk management. Similarly, the independence of the auditor (INDP) has a negative but statistically insignificant influence (-0.040, p = 0.824). This indicates that the external auditor's professional independence by itself does not have a large impact on the limitation of aggressive tax behavior. It is possible that independent auditors will primarily look at the areas of compliance and risk reporting instead of blocking strategic tax planning by being active in such an area. In contrast, auditor specialization (SPEC) has a positive and significant impact on tax aggressiveness (0.099, p < 0.01), showing that the

presence of auditors with specialized knowledge shape tax aggressiveness behavior. This is in line with the perception that ability can make tax professionals to venturing for more intricate and legally allowed tax strategies. The market-to-book ratio (MTB) has a positive but statistically insignificant effect (0.177, p = 0.202), indicating that tax aggressiveness in this sample is not driven by growth prospects. Similarly, leverage (LEV) is negligible and non-significant (-0.003, p = 0.987), suggesting that tax planning behavior is not significantly impacted by the firm's debt level.

Conclusion

This research analyzes the impact of external auditor characteristics on tax aggressiveness in 90 non-financial US firms from S&P500, from 2014 to 2017. The agency theory provides the framework for the study and the findings reveal that the reputation and the specialization of the auditor have positive and substantial effect on the tax aggressiveness, however, independence, leverage and growth opportunities do not have any significant impact. The implications of the licensing of tax planning being the dual role of the auditors are therefore revealed, as the credibility and technical support provided by them are claimed to be the facilitators. The literature is enriched by this study which clarifies the subtle effects of audit quality and contaminates the perception of regulators and managers in this regard. Moreover, future studies may be carried out which take into consideration larger samples, different governance mechanisms and dissimilar institutional contexts.

References

Abbott, L. J., Parker, S., & Peters, G. F. (2008). Audit committee characteristics and restatements. *Auditing: A Journal of Practice & Theory, 27*(1), 1–21.

Ahmad, A., Hossain, M., & Adams, M. (2016). Auditor industry specialization and earnings quality. *International Journal of Accounting & Information Management, 24*(4), 1–19.

ATO. (2006). *Tax compliance program*. Australian Taxation Office.

Badertscher, B. A., Katz, S. P., & Rego, S. O. (2013). The impact of private equity ownership on corporate tax avoidance. *The Accounting Review, 88*(6), 1903–1934.

Balsam, S., Krishnan, J., & Yang, J. S. (2014). Auditor industry specialization and earnings quality. *Auditing: A Journal of Practice & Theory, 22*(2), 71–97.

Beasley, M. S., & Salterio, S. E. (2001). The relationship between board characteristics and voluntary improvements in audit committee composition and experience. *Contemporary Accounting Research, 18*(4), 539–570.

Callihan, D. S. (1994). Corporate effective tax rates: A synthesis of the literature. *Journal of Accounting Literature, 13*, 1–43.

Carcello, J. V., Hermanson, D. R., & Neal, T. L. (2011). Auditor reporting behavior when GAAS deficiencies are identified. *Auditing: A Journal of Practice & Theory, 30*(2), 1–20.

Chalmers, K., & Godfrey, J. M. (2004). Reputation costs: The impetus for voluntary derivative financial instrument reporting. *Accounting, Organizations and Society, 29*(2), 95–125.

Chen, S., Chen, X., Cheng, Q., & Shevlin, T. (2009). The effect of corporate governance on tax aggressiveness. *Journal of Accounting and Economics, 48*(2–3), 123–145.

Chen, S., Chen, X., Cheng, Q., & Shevlin, T. (2010). Are family firms more tax aggressive than non-family firms? *Journal of Financial Economics, 95*(1), 41–61.

Craswell, A. T., Francis, J. R., & Taylor, S. L. (1995). Auditor brand name reputations and industry specialization. *Journal of Accounting and Economics, 20*(3), 297–322.

DeAngelo, L. E. (1981). Auditor size and audit quality. *Journal of Accounting and Economics, 3*(3), 183–199.

Dyreng, S. D., Hanlon, M., & Maydew, E. L. (2008). Long-run corporate tax avoidance. *The Accounting Review, 83*(1), 61–82.

Forker, J. J. (1992). Corporate governance and disclosure quality. *Accounting and Business Research, 22*(86), 111–124.

Francis, J. R. (2004). What do we know about audit quality? *The British Accounting Review, 36*(4), 345–368.

Frank, M. M., Lynch, L. J., & Rego, S. O. (2009). Tax reporting aggressiveness and its relation to aggressive financial reporting. *The Accounting Review, 84*(2), 467–496.

Gallemore, J., & Labro, E. (2015). The importance of the internal information environment for tax avoidance. *Journal of Accounting and Economics, 60*(1), 149–167.

Graham, J. R., Hanlon, M., Shevlin, T., & Shroff, N. (2012). Incentives for tax planning and avoidance: Evidence from the field. *The Accounting Review, 89*(3), 991–1023.

Hanlon, M., & Heitzman, S. (2010). A review of tax research. *Journal of Accounting and Economics, 50*(2–3), 127–178.

Hogan, C. E., & Jeter, D. C. (1999). Industry specialization by auditors. *Auditing: A Journal of Practice & Theory, 18*(1), 1–17.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305–360.

Johnson, V. E., Khurana, I. K., & Reynolds, J. K. (2002). Audit-firm tenure and the quality of financial reports. *Contemporary Accounting Research, 19*(4), 637–660.

Johnson, W. B., & Lys, T. (1990). The market for audit services. *Journal of Accounting and Economics, 12*(1–3), 281–308.

Krishnan, G. V. (2005). The association between Big 6 auditor industry expertise and the asymmetric timeliness of earnings. *Journal of Accounting, Auditing & Finance, 20*(3), 209–228.

Lee, H. Y., Mande, V., & Son, M. (2018). Do lengthy auditor tenure and non-audit services reduce audit quality? *Review of Quantitative Finance and Accounting, 50*(1), 1–40.

Loebbecke, J. K., Eining, M. M., & Willingham, J. J. (1989). Auditors' experience with material irregularities. *Auditing: A Journal of Practice & Theory, 9*(1), 1–28.

McGuire, S. T., Omer, T. C., & Wang, D. (2012). Tax avoidance: Does tax-specific industry expertise make a difference? *The Accounting Review, 87*(3), 975–1003.

Mehrabanpour, M. R., Salehi, M., & Shirazi, M. (2017). Auditor specialization and tax avoidance. *Asian Review of Accounting, 25*(2), 1–18.

Mills, L. F., Erickson, M. M., & Maydew, E. L. (1998). Investments in tax planning. *Journal of the American Taxation Association, 20*(1), 1–20.

Ngelo, J., Memba, F., & Muturi, W. (2022). Corporate governance and tax aggressiveness. *Journal of Accounting and Taxation, 14*(2), 1–12.

Nguyen, T. (2021a). Audit committee characteristics and financial reporting quality. *Journal of Accounting and Public Policy, 40*(2), 106–128.

Nguyen, T. (2021b). Gender diversity and audit committee effectiveness. *Corporate Governance: An International Review, 29*(1), 43–62.

Rego, S. O. (2003). Tax-avoidance activities of U.S. multinational corporations. *Contemporary Accounting Research, 20*(4), 805–833.

Rezaee, Z. (2005). Causes, consequences, and deterrence of financial statement fraud. *Critical Perspectives on Accounting, 16*(3), 277–298.

Rice, S. C., & Weber, D. P. (2012). How effective is internal control reporting under SOX 404? *The Accounting Review, 87*(1), 215–245.

Sadeghi, M., & Biancone, P. P. (2018). Corporate governance and tax avoidance. *Journal of Business Research, 89*, 1–10.

Taylor, G., & Richardson, G. (2014). Incentives for corporate tax planning and reporting aggressiveness. *Journal of Contemporary Accounting & Economics, 10*(1), 1–15.

Titman, S., & Wessels, R. (1988). The determinants of capital structure choice. *The Journal of Finance, 43*(1), 1–19