

ADVANCES IN TAXATION

ADVANCES IN TAXATION

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ADVANCES IN TAXATION
VOLUME 27

ADVANCES IN TAXATION

EDITED BY

JOHN HASSELDINE

University of New Hampshire, USA



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CONTENTS

<i>About the Editor</i>	<i>vii</i>
<i>List of Contributors</i>	<i>ix</i>
<i>Editorial Board</i>	<i>xi</i>
<i>Introduction</i>	<i>xiii</i>
Do Creditors Influence Corporate Tax Planning? Evidence from Loan Covenants	1
<i>Kirsten Cook, Tao Ma and Yijia (Eddie) Zhao</i>	
Tax-Related Accounting Restatements and Tax Contingency Reporting	43
<i>Paul N. Tanyi, J. Philipp Klaus and Hughlene Burton</i>	
Annual Report Readability and Share Repurchases Under a Temporary Tax Holiday	73
<i>Xin Zhao, Greg Filbeck and Ashutosh Deshmukh</i>	
Tax Planning Activities and Firm Value: A Dynamic Panel Analysis	103
<i>Alan K. Kirkpatrick and Dragana Radicic</i>	
Taxation, Pension Schemes, and Stakeholder Wealth	125
<i>Emmanouil Platanakis and Charles Sutcliffe</i>	
The Impact of Country-by-Country Reporting on Nonprofessional Investor Judgments	159
<i>Stephanie Walton and Michael Killey</i>	
The Effects of Individual Values on Willingness to Pay and Fairness Perceptions of Use Tax on Internet Purchases	197
<i>Lixuan Zhang, Eric Smith and Andrea Gouldman</i>	

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ABOUT THE EDITOR

Since 2011, Dr. John Hasseldine has been a Professor of Accounting and Taxation in the Peter T. Paul College of Business and Economics at the University of New Hampshire. Previously he was a 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 based in London.

John has served on three government committees in the United Kingdom and was a contributor to the Mirrlees Review of the U.K. 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 US Library of Congress in Washington DC. He is a coauthor of *Comparative Taxation: Why Tax Systems Differ* (Fiscal Publications, 2017), and an International Fellow at the University of Exeter Tax Administration Research Centre.

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 researchers have an important role to play in conducting and publishing rigorous quality research in the uncertain times facing the world's tax systems. There are many research questions to be addressed and *Advances in Taxation* invites submissions on a broad range of tax topics. I wish to thank the editorial board for their continued support. They have been called upon to promote *Advances in Taxation* and to engage in the reviewing process. And, importantly, I am also pleased to thank the 12 ad hoc expert reviewers listed below for their valuable and timely reviewing activity during 2019–2020.

May Bao (University of New Hampshire)
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In Volume 27, there are 7 chapters. In the lead chapter, Kirsten Cook, Tao Ma, and Eddie Zhao examine how creditor interventions after debt covenant violations affect corporate tax avoidance. Using a regression discontinuity design, they find that creditor interventions increase borrowers' tax avoidance. This effect is concentrated among firms with weaker shareholder governance before creditor interventions and among those with less bargaining power during subsequent debt renegotiations.

Next, Tanyi, Klaus, and Burton examine the relationship between tax-related accounting misstatements and changes in the uncertain tax benefits accrual account in the year of the disclosure of a misstatement. They find that the disclosure of a tax-related misstatement is associated with an increase in unrecognized tax benefits during that year and show that this increase in the year of disclosure is from uncertain tax positions taken in prior periods. In the third chapter, Zhao, Filbeck, and Deshmukh examine the moderating effect of

financial statement readability on share repurchases in response to a temporary reduction in repatriation tax. They find that firms with less readable financial statements initiated higher levels of share repurchases after the American Jobs Creation Act and provide timely evidence of potential firm response to the 2017 Tax Cut and Jobs Act.

In Chapter 4, Kirkpatrick and Radicic investigate the impact of tax planning activities on the firm value of FTSE100 firms. Their results suggest that tax planning activity by U.K. firms has a negative impact on firm value. Then in a separate U.K. based study, Sutcliffe and Platanakis estimate the tax and national insurance contribution (NIC) effects of a pension scheme's change from final salary to career average revalued earnings on the gross and net wealth of the sponsor, government, and 16 age cohorts of members, deferred pensioners, and pensioners. They also measure the size of the 12 income tax and NIC payments and reliefs for new members and the sponsor, before and after the rule changes.

The final two chapters in this volume have a behavioral research focus. Walton and Killey employ an experimental design to investigate the effect of disclosure availability and content on nonprofessional investor judgments in the context of public country-by-country reporting. They find that participants receiving an expanded disclosure are able to more accurately assess the state of the social contract between the organization and society, imposing sanctions if necessary. Lastly, Zhang, Smith, and Gouldman examine three individual values on the willingness to pay and perceived fairness of use tax on Internet purchases. They find that while a strong sense of national identity is significantly correlated with fairness perceptions of use tax, it is not significantly related to perception of willingness to pay use tax, suggesting that taxpayers with a high level of religiosity are more willing to pay use tax, although they do not perceive the use tax to be fair.

John Hasseldine
Editor, *Advances in Taxation*