

Investigating the relationship between board composition and effective tax rates in listed companies In Tehran Stock Exchange

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ABSTRACT

This study examines the number of non-executive directors in the board of directors on tax management in companies listed on the Tehran Stock Exchange. For this purpose, data related to ninety-two companies listed on

the Tehran Stock Exchange for the period 2008-2004 and the regression model of composite data has been used to test the hypothesis. Also, 20 SPSS, 7 Eviews and Excel softwares have been used to analyze the research results. The research results show that there is an effective tax interest rate. Not approved by the composition of the board.

Keywords: Number of board members, composition of the board, effective tax rate

INTRODUCTION

From the past until now, managers have sought to minimize the effective tax rate in the long run, in the direction of tax management.

If the manager can reduce the effective tax rate in the long run and pay less tax, he has managed the tax. The better this is done, the better the performance for the company's management; Because it will lead to an increase in net profit after tax and also a decrease in cash outflows for tax purposes. Also, effective corporate tax rates are often used by policymakers and stakeholders as a tool to draw conclusions about corporate tax systems; Because this rate provides appropriate information and a summary of the cumulative effects of various tax exemptions and changes in corporate tax rates. If management can reduce the effective tax rate in the long run and pay less tax, it has managed the tax.

The better this is done, the better the performance for the company's management, because it will lead to an increase in net profit after tax and also a decrease in cash outflows for taxes.

Minick and Noga [1] in the study O feature effects Companies sought the principles of corporate governance over tax management. They showed the plan Rewards act as an incentive for managers to invest in long-term plans and straw taxes. The findings also show that tax management benefits shareholders Construction and tax management is positively associated with increasing shareholder revenue.

Lannis and Richardson [2] concluded that the number of non-executive members of the relationship board It has a negative and significant effect with a bold tax procedure. In other words, the more non-executive members of the board of directors, the less the company turns to tax management (same resources).

Richardson [3] concluded that the number of non-executive members of the Board of Directors has a negative and significant relationship with the daring tax procedure. In other words, the more non-executive members of the board of directors, the less the company turns to tax management.

The position of the company's board of directors as a leading institution and holder of the role of monitoring and supervising the work of executive managers. The preservation of shareholder ownership resources is of particular importance.

The secret of a company's success depends on its good leadership, so that it can be claimed that the secret of the immortality of famous and reputable companies lies in their having an effective and efficient board. The board of directors of a company is the heart of that company, so it must always be healthy and fresh and well-nourished. Therefore, the onset of symptoms of

fatigue, lack of energy, apathy and general weakness in the performance of the board requires immediate attention and special care. The presence of unlimited and correct flow of information on the board of directors is as necessary for the correctness of the operations of the body of the company that free and constant blood flow is required for the health and well-being of the human body. The board of directors is considered the most important factor in controlling and supervising the management of the company and protecting the resources of shareholders. One of the issues raised on the subject of the board of directors focuses on the composition of the board of directors.

There are conflicting views on how board composition affects oversight and therefore performance. The existing literature suggests that board composition is related to the extent of agency issues.

The results of this literature indicate that companies with larger boards and internal managers are more inclined to have more agency issues, in contrast, business enterprises with smaller boards and a higher percentage of non-executive directors are more related to shareholder welfare and business performance. Smaller size can more easily persuade management to allocate assets for tax management, so board size is one of the factors influencing tax management.

The board of directors of the company is a governing body that has the role of supervising the work of executive managers in order to protect the ownership interests of shareholders. From the point of view of agency theory, the presence of non-executive directors in the board of directors of companies and their supervisory performance as independent individuals, helps to reduce the conflict of interests between managers and stakeholders.

Composition of the Board of Directors is considered as the ratio of non-executive members of the Board of Directors to the total number of members of the Board of Directors. The more independent the composition of the board of directors, the less the problems of representation.

Unlike executive managers, non-executive managers are independent of the company's management and therefore are more effective in playing their supervisory role. Therefore, from a theoretical point of view, when the board is composed of independent and high proportion of non-executive members, the performance of the company is improved (Mod and Donaldson, 1998). Also, the board

Independent companies are in a better position to divert resources to tax management because they have a broader insight into the company and its overall performance because of their independence.

Billt believe that corporate governance mechanisms such as the presence of

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non-executive board members and ownership concentration, the degree of deviation from the desired investment decisions by reducing information asymmetry and solving agency problems. When the share of managers in the board of directors is high, managers have more authority over investment decisions.

Given that the company's growth depends on the expenses of the managers, it is likely that shareholders and creditors will demand more non-executive board members to oversee the actions of the board. In other words, shareholders and creditors are more inclined to increase the number of non-executive directors to protect the health of the company's investments. As a result, the cost of agency is adjusted and the efficiency of the company's investment decisions is improved by monitoring the behavior of managers (same resources).

RESEARCH METHOD

The research method of this research is correlational in terms of nature and content, which analyzes the correlation relationship using the secondary data extracted from the financial statements of companies listed on the Tehran Stock Exchange. This research will be conducted in the framework of deductive-inductive reasoning.

The reason for using the correlation method is to discover the correlation relationships between the variables. Correlation research is one of the types of descriptive research. In the present study, we will first test the correlation between research variables and if there is a correlation between research variables, we will estimate multiple regression models.

On the other hand, the present study is post-event [5] (quasi-experimental), ie it is based on the analysis of past and historical information (financial statements of companies). This research is also a library and analytical study and is based on the analysis of panel data (data panel). The research is considered in terms of applied purpose and in terms of descriptive-correlation methodBe.

Research Hypothesis:

There is a significant relationship between the ratio of the number of non-executive directors on the board and the effective tax rate.

In the present study, the effective tax rate is a dependent variable and the number of independent board members (composition of the board) is an independent variable and this relationship is measured. On the other hand, company size, return on assets, financial leverage as an adjustment variable Determined [6].

The researcher believes that based on the selected research method, first using the documents in the library Provide a regular and codified description of the subject area, websites, magazines, etc., then using size tools Proper data capture Necessary to test the hypothesis To collect hypotheses and finally to test hypotheses and results through inferential statistics techniques To make a final decision.

This research is of applied type, and in terms of method, it is descriptive and examines the correlation between variables, and in terms of time dimension, it is a post-event research that uses the historical information of the sample member companies. Analyzing the data of this research and testing its hypotheses by software Excel, Eviews and Spss will be done.

This is a descriptive and quasi-experimental study in which the effect

of independent variables on the dependent is tested and multivariate regression is used to analyze the data. The method used in the research of the ordinary least squares method (OLS) and from Fisher's tests, Student R^2 Adjusted with confidence level 95% will be used. Since the analyzed data are composite data, the type of model estimation should be determined using Chow (F-Limer) test and Hausman test [7];

Data Analysis

In this article, data related to ninety-two companies listed on the Tehran Stock Exchange for the period Extracted from 1387 to 1393.

One of the tests for detecting variance is the Pagan Godfrey test, which is an error statement about whether the variance is constant or variable.

So to check if the variance is constant or not?

The next thing that is very important to pay attention to when using the regression method is the normality of the distribution of error sentences in the fitted model. One of the tests that tests the normality of error sentences is the Jark-Bara test [8].

Test results By Pagan Godfrey and Jarrak for Table 1 has come.

Examination of the results of the variance heterogeneity test of the research regression model showed an error level 5% of the significance level of F statistic of Pagan Godfrey test is greater than 0.05. Therefore, they do not have variance inequality.

As can be seen, the significance level of the Jark-Bra statistic for regression models oft is 5% larger so the null hypothesis is not rejected, so the error sentences in this hypothesis follow the normal distribution.

To select regression models [9] from tests We use F Limer (Chao) and Hausman test. The results of F-Limer (Chao) test and Hausman test are shown in Table 2 and according to the results, we use the panel data model and random effects.

The results of the hypothesis test in Table No. The method used in the research is the ordinary least squares (OLS) method and from Fisher's tests, Student tR^2 Adjusted with confidence level 95% will be used. The Kramogov-Smirnov (SK) statistic is also used to normalize the data, which is a prerequisite for testing the hypotheses.

According to the Table 3, Results of the research hypotheses Test Since the coefficient of the number of non-executive directors in the board of directors (composition of the board of directors) is -0.006 and its t-statistic is -0.280, it can be inferred that between the coefficient of the number of non-executive directors Obligated in the board of directors (composition of the board of directors) The company has no significant relationship with the effective tax rate [10-12].

CONCLUSION

The importance of this study is that the study of factors affecting the adoption of corporate governance policies on corporate taxation, due to its impact on the performance and credibility of the company in the capital market has a special place for shareholders and the government.

On the other hand, considering the role and position of the board of directors as representatives of shareholders in directing the policies and activities of the company, which is also emphasized in the commercial law; Examining the impact of board structure on tax policies can help to

Table1

Variance heterogeneity tests (Pagan Godfrey method) and normality except errors (Jark Bra).

Test	Statistics	The significance level	Condition
By Pagan Godfrey	550/1	136/0	Absence of variance inequality
ارب-كراج	589/0	744/0	Normal distribution except for errors

Table2

Results of F-Limer (Chao) test and Hausman test.

Test	Statistics $2\chi^2 / F$	The significance level	Test result	Selected model
واج	562/69	000/0	Reject the assumption H_0	Panel data
نمپس اه	0905/5	5322/0	Accept the assumption H_0	Random effects

Table3

Results of research hypotheses test (dependent variable: effective tax rate).

$ETR_{i,t} = \beta_0 + \beta_2 INDEP + \beta_{64} SIZE + \beta_5 ROA + \beta_6 LEV + \varepsilon$				
Variable	Regression coefficient	standard error	Statisticst	Significance level
Constant	1432/0	1208/0	185/1	243/0
Board composition	006 / 0-	0214/0	280 / 0-	7804/0
Size	000774 / 0-	0084/0	0092 / 0-	9927/0
Return on assets	702/0	044/0	5994/6	000/0
Lever	0042/0	0366/0	11705/0	9074/0

properly explain its place in corporate decisions. The present study can also empirically show managers, investors and other decision makers and market participants that the different characteristics of the board of directors of companies listed on the stock exchange, affect the likelihood of adopting bold tax policies. One of the most important issues in the field of taxation is the effective tax rate.1380). The results of the research are that there is no significant relationship between the coefficient of the number of non-executive directors in the board of directors (composition of the board of directors) of the company on the effective tax rate.

Most information about the years85 to 1393 have been extracted from the information of the stock exchange site and have been analyzed using the regression model. It is suggested that in the future, researchers conduct this research using other statistical methods and compare the results with this research. Off-exchange companies should also be used for research. And compare the research results with this research. Subsequent researchers can use other variables such as institutional ownership, government ownership, board duality, and financial transparency to evaluate effective tax rates.

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