

Summary of Paper: [The Association between Auditor Provided Tax Planning and Tax Compliance Services and Tax Avoidance and Tax Risk](#)

What is this Study About?

This study explores the relationships between auditor-provided tax compliance and tax planning services and their impact on corporate tax avoidance and tax risk. The researchers investigate how engaging auditors for tax services influences a company's tax planning effectiveness, examining if companies paying for tax planning advice from auditors exhibit higher tax avoidance and lower tax risk compared to those that do not, and whether auditor-provided tax compliance services lead to similar outcomes.

What are the major findings of the study?

Companies using their auditors for advice related to tax planning, but not tax compliance, achieve more effective tax planning, evidenced by higher tax avoidance and lower tax risk. These effects are particularly pronounced for clients of auditors with more tax expertise and longer tenure, and for firms with greater tax and operational complexity. Moreover, tax avoidance benefits are observed primarily when firms also engage their auditors for tax compliance services, suggesting a synergy between compliance and planning services in achieving tax efficiency.

Why is the study important?

The researchers shed light on how auditor-provided tax services influence corporate tax outcomes. Their findings underscore the significant role auditors play beyond traditional audit functions, highlighting the need for precise evaluation of tax services provided by auditors. They also provide support for the premise that more widespread disclosures detailing tax planning and tax compliance components of auditor-provided tax service fees could be beneficial to capital market participants. Specifically, the results suggest that a nuanced understanding of these services can enhance corporate tax strategies, potentially leading to more informed regulatory and corporate policy decisions regarding auditor engagement for tax purposes.