

How Auditor Provided Tax Advice Can Affect Companies' Tax Outcomes

Auditors offer non-audit services (NAS), such as tax planning and tax compliance services, to companies



Researchers assess whether companies benefit from NAS in terms of their tax-related outcomes



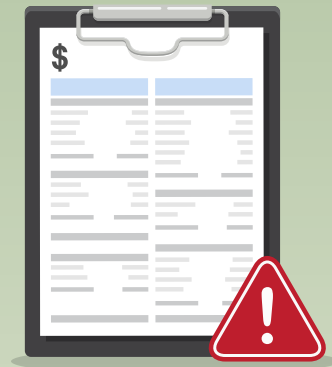
Separating tax NAS into planning and compliance categories



Companies that pay for tax planning NAS from auditors enjoy better outcomes



↑ Higher tax avoidance



↓ Lower tax risk

⚠ No such association with tax compliance NAS

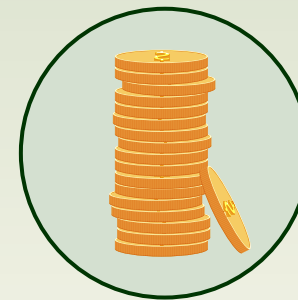
Tax avoidance benefits increase with:



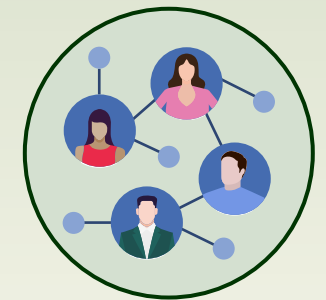
Increased tax expertise of the auditor



Longer tenure of the auditor



Firms having a material subsidiary located in a tax haven



Greater organizational complexity of company

Companies engaging auditors for tax planning NAS are more proficient in tax avoidance strategies and benefit from reduced tax risks