

Summary of Paper: [Tax Non-Audit Services and Client Income Tax Estimation Error](#)

What is this Study About?

Accounting firms regularly provide non-audit tax services to their audit clients. The researchers investigate how these services affect the quality of client income tax estimation, in particular the accuracy of the clients' estimates of their income tax expense. The study sheds light on whether tax non-audit services generate knowledge spillover or impair auditors' independence due to potential conflicts of interest.

What are the major findings of the study?

The research finds that higher levels of tax non-audit services are associated with greater errors in income tax estimation, which suggests that these services might compromise auditor independence, particularly when auditors face self-review and self-interest threats. However, this association is partially mitigated by the auditors' expertise.

Why is the study important?

There is an ongoing debate about whether it is appropriate for accounting firms to provide tax non-audit services to audit clients. These results highlight the potential risks to financial reporting quality and auditor independence from firms offering such services, informing regulators, practitioners, and policymakers about the implications of tax non-audit services on audit quality.