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A REVIEW ON TRANSPARENCY IN FINANCIAL REPORTING AND ITS EFFECTS ON TAX AVOIDANCE AND FIRM VALUE

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Abstract *Tax avoidance, which results in a reduction in outgoing cash flows from the firm to the government, has long been considered as a value by shareholders.The general overview on tax avoidance indicates that the opportunistic managers, who seek to avoid tax payments, are using opacity in their financial reporting as a means to take financial advantages and mainly toward their own personal interests too. Transparency in financial reporting results in ease of supervision for shareholders on the performance of managers. Also, opportunistic managers use other methods and techniques to pay lesser tax which will cause the owners of the firms to bear certain costs. To shed light on the viewpoints about the disagreement between shareholders and managers, I have used the opacity criteria in financial reporting as well as different scales to measure tax avoidance in order to analyze how corporate transparency relates to tax avoidance. The hypotheses suggest that tax avoidance is negatively associated with corporate transparency and firm value. These analyses have been based on the financial data obtained from 100 listed companies in the Tehran Stock Exchange from 2002 to 2010 employing the multiple linear regression method.*

The results suggest that there is a negative meaningful relationship between tax avoidance and corporate transparency and also firm value.

Keyword: *Corporate Transparency, Tax Avoidance, Firm Value*

INTRODUCTION

This paper examines the relation among tax avoidance, corporate transparency and firm value. Specifically, I examine two related research questions. First, do transparent firms avoid more or less tax than their opaque counterparts? Second, is tax avoidance associated with firm valuation, and if so, does the strength of the relation depend on the extent of corporate transparency?

Tax avoidance activities that reduce transfers from stockholders to the government should generally enhance shareholder's wealth. However, an emerging stream of literature, which examines tax avoidance in an agency framework, suggests that opportunistic managers employ the technologies of tax avoidance to advance managerial, rather than shareholder, interests. Thus, the agency perspective of tax avoidance suggests that tax avoidance may not always be desired by shareholders because the combined costs, which include costs directly related to tax avoidance activities and nontax costs, agency costs in particular, may outweigh potential tax savings that accrue to shareholders. Agency costs, which specifically refer to price discounts imposed by shareholders, could substantially offset tax savings derived from tax avoidance transactions if outside shareholders believe the obfuscatory tax transactions are accompanied by managerial rent extraction. Another stream of research indicates that corporate transparency, which is defined as the availability of firm-specific information to outside shareholders, influences firm value. Financial reporting transparency may increase the precision of publicly available information about management's investment and operating decisions. External transparency, such as financial analyst following and press coverage, also plays a role in monitoring managerial behaviour. Thus, corporate transparency may reduce the risk premium associated with the potential expropriation of shareholder wealth by opportunistic managers. A better understanding of the links among corporate transparency, corporate tax avoidance, and firm value are especially relevant for two reasons. First, the links between corporate transparency and tax avoidance may shed light on the prevalence of complementarily" of tax avoidance and insider rent extraction. Management may engage in a variety of tax avoidance activities to reduce a firm's tax burden. Such activities range from simply claiming favourable tax subsidies that are granted by the legislature, extensive tax planning that entails greater risks and uncertainty, to abusive tax shelters that have no business purpose other than tax avoidance. The proprietary and obfuscatory nature of tax avoidance, however, can potentially facilitate entrenched management to extract private benefits at shareholders' expense. Second, as revealed by Enron and

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a few other high-profile scandals, the potential for value destruction is greater in firms that use aggressive tax activities to manufacture fake accounting earnings and to mask insider self-serving behaviour. However, there are only a few small sample studies showing that investors respond negatively to certain extremely aggressive tax transactions but little evidence on how investors value tax avoidance activities in general.The main object of this research indicates that in order to identify high risk tax payers, the interactions among the ministry of economic affairs and tax office with the exchange organisation, accounting standards committee, and the society of public accountants can be helpful.In this research, the above interaction is categorized as follows: tax avoidance, stock trade volume, earning quality, and audit quality.

CORPORATE TRANSPARENCY

Corporate transparency, which is defined as the availability of firm-specific information to those outside publicly-traded firms, plays a central role in the efficient allocation of resources in the economy. A large body of research examines the capital market consequences of corporate transparency. That is, how transparency or a particular component of transparency affects liquidity and cost of capital. Marc Lung *et al*. (2010) revealed a strong relation between transparency and liquidity variance and covariance, consistent with both intuition and theoretical research. Moreover their results suggest that transparent stocks are less sensitive to liquidity shocks in general and particularly to the increases in liquidity variability and co-variability that accompany crisis periods. Biddle *et al.*(2009) find that higher financial reporting quality can improve investment efficiency by reducing information asymmetry. Lung *et al*. (2011) examine whether reduced transparency is associated with increased transaction costs and lower liquidity in a firm`s share and therefore, increased cost of capital and reduced valuation, they also investigate the extent to which the relation between transparency and liquidity is influenced by institutional and firm-level factors and by series variation in uncertainty. Their evidence suggest that increased transparency, as reflected in reduce earnings management, higher quality auditing, a serious commitment to international accounting standards, increased analyst following and smaller analyst forecast errors, is associated with lower bid-ask spreads and greater liquidity. Also in an investigation by Lung (2010), transparency has been measured by earning quality and audit quality. Earning quality means unbiased use of accounting standards. Therefore, when accounting standards are free from any bias, earnings show a better picture of the reality. Thus, it can be claimed that from the point of accounting standards committee, absence of bias is an evidence of corporate transparency. Audit quality criteria means that when major auditing firms are involved, a high level of confidence and assurance is given to financial statements which by itself suggests the appropriateness of financial statements presentation by firms. On the other hand, providing timely stock information to the shareholders can result in the growth of high volume transactions. So, the amount of information the shareholders have got, derive the trade volume of shares. Based on above, the more transparent and relevant the information presented by the firm, the shareholders will be more motivated to trade. It can therefore be concluded that transparency can be evaluated through trade volumes.

TAX AVOIDANCE

Following Hanlon and Heitzman (2009), tax avoidance is defined as the reduction of explicit taxes per dollar of pre-tax accounting earnings. However, there is no universally accepted definition of tax avoidance in the accounting literature. Under this broad definition, tax avoidance represents a continuum of tax planning strategies, encompassing activities that are perfectly legal (e.g., municipal bond investments) and more aggressive transactions that fall into the grey area (e.g., abusive tax shelters).Tax avoidance activities are traditionally viewed as tax saving devices that transfer resources from the state to shareholders and thus should increase after-tax firm value. An emerging literature in financial economics, however, emphasizes the agency cost implications of tax avoidance and suggests that tax avoidance may not always enhance outside shareholder wealth. Over the past two decades, several studies provide interesting insights into why some firms avoid more tax than others. Early studies focus on firm characteristics as proxies for opportunities, incentives and resources for tax planning to explain why some firms avoid more tax than others (e.g., Zimmerman, 1983; Gupta and Newberry, 1997; and Rego, 2003). Recent studies extend this line of research by examining how agency conflicts may affect corporate tax avoidance behaviour. Desai *et al*. (2007) revealed that the simple view of corporate tax avoidance as a transfer of resources from the shareholders to the government is incomplete given the agency problems characterizing shareholder-manager relations. Michelle Hanlon *et al*. (2009) find that in order to maximize the value of the firm, shareholders would like to minimize corporate tax payments net of the private costs of doing so. They also find that on average, a company's stock price declines when there is news about its involvement in tax shelters. Kathrin et al (2010) find that tax avoidance activities, reduces financial flexibility and increases uncertainty of future profitability of the companies, and this leads to increase information asymmetry between share holders.

PRIOR RESEARCH

Corporate Transparency

Arab Mazar *et al*. (2011) studied the relationship between transparency in financial reporting and tax reporting in Iran. Their findings indicated that a positive relationshipexisted between tax reporting and transparent financial reporting. Arab Mazar *et al.* (2011) studied the effects of taxreporting on transparency in reporting. In this study which emphasized onfinancial reporting transparency, they worked on the relationship between financial reporting transparency and tax reporting. The results of the above research show that there is a positive relationship between tax reporting and transparency in financial reporting, to the extent that by providing tax reporting supplemented by financial reporting, corporate transparency would be fully supported. Prior research indicates that greater transparency in reporting formats facilitates the detection of earning management (James Hunton *et al.*, 2004). In other words, more transparent reporting requirements will reduce earning management attempts or change the focus of earning management attempts to visible methods. Mine *et al.* (2006) revealed that companies with higher disclosure and financial transparency have higher value stocks in comparison with their opaque counterparts. Feng Li *et al*. (2010) examine the relation between financial reporting quality, information uncertainty and economic growth. Their finding suggests that financial reporting quality play a role in facilitating economic growth, especially for countries with high information uncertainty industries. Richard Price *et al*. (2006) examine how financial reporting transparency and quality of firms vary with corporate governance. The results suggest improved governance characteristics may have led to improved financial reporting and transparency.

Tax Avoidance

Desai and Dharmapala (2006) find a negative association between the level of incentive compensation and the level of tax sheltering. This negative association is primarily driven by poorly governed firms. High power incentives, such as option-based compensation, better align managerial interests with those of shareholders and should encourage managers to engage in tax avoidance to increase after-tax firm value and discourage managerial rent extraction. The negative association between high-powered incentives and tax avoidance suggests that for poorly governed firms, the tendency toward more tax aggressiveness is offset by the fact that reduced diversion is associated with reduced sheltering. Chen *et al.* (2010) investigate how ownership structure affects differential tax aggressive behaviour between family firms and non-family firms. They find that family firms are less tax aggressive than their non-family counterparts. This is consistent with the notion that to protect themselves from family owners' potential expropriation masked by tax aggressiveness, minority shareholders may price discount family firms that pursue aggressive tax planning. Thus, family owners would rather forgo potential tax savings to avoid potential price discounts. Rego and Wilson (2008) examine the impact of tax aggressiveness on executive compensation. They find that executives are rewarded for being tax aggressive; they further show that this positive link reflects efficient contracting rather than rent extraction.

HYPOTHESIS

H1: There is a negative relation between tax avoidance and corporate transparency.

H2: There is a negative relation between tax avoidance and firm value.

RESEARCH METHODOLOGY

This paper is a branch of semi-experimental researches 1 and also a post-accident type (by the use of previous information). It is based upon real information of share market and financial statements of 100 accepted companies at Tehran Stock Exchange Organization for the years 2002 up to 2011. In this research, descriptive methods like correlation and combined research methodology havebeen used. In combined research, the theories of the research subject are gained through library studies. Also for analyzing and testing the hypothesis of research which has been collected from different sources in the combined method, correlation method has been used. The reason why the above method has been used is that the number of playing variables in the subject of the research has been numerous and only this method allows measuring numerous variables and at the same time compares their correlation and finally extracts a model using them. Also in regression analysis for analyzing data and study among the variables of the case, panel data method has been used. In this research only companies that have following criteria have been used:

1. The financial year must end must on 20th of March.
2. Holding companies, banks, insurance and investment companies should not be used as sample.
3. The market to book ratio of equity should not be negative.
4. The trade interruption of sample companies should not be more than six months.
5. The required information of the companies must be accessible.

All required variants are collected by the use of Tadbir Pardaz & Rah Avard Novin software Data Banks and also

audited financial statements of companies and relevant site of Tehran Stock Exchange including: Paid cash amount for tax, Declared & Assessed tax, Organisational ownership, Sale growth, Fixed assets, Share price, Output of normal shares, Net profit, Financial base, Financial Corporate Transparency, Volume of transactions, the Rate of book value to the market value of shares and other factors. All useless data are omitted in testing relevant research theories in order to have better and more logical analysis of the results. Firstly the research theories were explained by statistical assumptions and then tested in compliance with estimation models. The adjusted coefficient was used for specifying the explanation power. Then t statistic was used for evaluation the significance of variants. F statistic was used for evaluation the general competency accompanied with Durbin –Watson statistics used for specifying the independency of remained statistics.

Regression Model

$$TaxAgg_{i,t} = \beta_0 + \beta_1 opacity_{i,t} + \Sigma\beta_k ControlVariables_{i,t} + \varepsilon_{i,t} \quad (1)$$

$$Q_{i,t} = \beta_0 + \beta_1 TaxAgg_{i,t} + \beta_2 opacity_{i,t} + \beta_3 (TaxAgg_{i,t} \times opacity_{i,t}) + \Sigma\beta_k ControlVariables_{i,t} + \varepsilon_{i,t} \quad (2)$$

Model 2 tests the relation between tax avoidance and firm value by using control variables.

The tables of variables are defined as below.

Descriptive statistics

Descriptive statistics of research are categorized as shown in Table 2.

Table 1: Definition of Variables

Definition	Variable
Cash taxes paid / Pretax income	Cash effective tax rate *CETR*
The sum of cash taxes paid / the sum of pretax income	Long run Cash effective tax rate *LCETR*
Total book-tax difference – temporary book-tax difference / lagged total assets	Permanent book-tax difference *PBTD*
(Book value of total assets + market value of equity – book value of equity) / book value of total assets	Tobin`s *Q*
An index that ranks the relative opacity /transparency of each firm-year observation	Opacity index *OPACITY*
$\frac{ACC_{i,t}}{ASSETS_{i,t}} = \alpha_0 \frac{1}{ASSETS_{I,t-1}} + \beta_1 \frac{\Delta SALES_{i,t}}{ASSETS_{i,t-1}} + \beta_2 \frac{GPPE_{i,t}}{ASSETS_{i,t}} + \varepsilon_{i,t}$ $DiscACC = \frac{ACC_{j,t}}{ASSETS_{j,t-1}} - \{\hat{a}_0 \frac{1}{ASSETS_{j,t-1}} + \hat{\beta}_1 \frac{\Delta SALES_{j,t} - \Delta RECEIVABLES_{j,t}}{ASSETS_{j,t-1}} + \hat{\beta}_2 \frac{GPPE_{j,t}}{ASSETS_{j,t-1}} \}$	Financial Reporting transparency / opacity *EARNOPACITY*
The negative of the natural logarithm of the mean daily turnover during fiscal year t-1	Trading volume *TURNOVER*
If high quality auditors have been audited the firm=1 otherwise= 0	AUDIT
Change in profit carry forward scaled by total assets	ΔNL
Operating income scaled by beginning common equity	Return on equity*ROE*
Sum of long-term debt and debt in current liabilities / total assets	Leverage *LEV*
Pre-tax foreign income / beginning total assets	Foreign income *FI*
Beginning market value of equity / beginning common equity	Market-to-book ratio *MB*
LN assets	Book value of total assets *ASSETS*
The fraction of the firm`s shares owned by Institutional investors in year t-1	Institutional holding *IHPERCENT*

Table 2: Descriptive Statistics of Research

Variables	Observations	Median	STDVAR	Min	Max
Q	900	1.475	0.587	1	6.46
CETR	900	0.349	0.295	0	1.99
LCETR	900	0.343	0.228	0	1.71
PBTD	900	0.018	0.050	0	0.98
EARNOPACITY	900	0.063	0.046	0.01	0.20
TURNOVER	900	4.395	3.134	1.3	33.18
NL	900	0.065	0.070	0.01	0.62
ROE	900	0.437	0.242	0.2	0.8
LEV	900	0.5	0.113	0.2	0.74
FI	900	0.014	0.027	0	2.18
ASSET	900	13.101	1.486	9.58	19.62
MB	900	3.5	1.124	2.5	11.26

H1: There is a negative relation between tax avoidance and corporate transparency.

$$CETR = \beta_0 + \beta_1 EarnOpacity_{i,t} + \sum \beta_k ControlVariables_{i,t} + \varepsilon_{i,t}$$

$$CETR = \beta_0 + \beta_1 TurnOver_{i,t} + \sum \beta_k ControlVariables_{i,t} + \varepsilon_{i,t}$$

$$CETR = \beta_0 + \beta_1 Audit_{i,t} + \sum \beta_k ControlVariables_{i,t} + \varepsilon_{i,t}$$

First Condition: Financial Corporate Transparency Criterion: $EARNOPACITY_{i,t}$

As it is obvious in Table 3, ***f*** statistic is equal to **54.961** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic is equal to **-1.3998** for explanatory variant of $EARNOPACITY_{it}$ (with =-0.0179). Therefore the significant level of mentioned variant is equal to **0.0113** which is significant, from statistical viewpoint, at assurance level of %95. Regarding the first theory, there is a negative relationship between financial corporate transparency and tax avoidance because the explanatory variant of $EARNOPACITY_{i,t}$ is equal to **-0.0179**. Then ***t*** statistic is equal to **-1.3998** and also significant at assurance level of %99. As it is obvious in Table 3, correlation coefficient and adjusted R-square in model (1) are respectively equal to **0.386** and **0.379**. Furthermore and according to the "Durbin-Watson" statistics of model (1) and as stated in Table 3, the quantity of this statistic is equal to **2.474** as a digit between 1.5 and 2.5. As a result it is possible to state that there is not any self-correlation among observations in model (1) accordingly.

Second Condition: Financial Corporate Transparency Criterion: $TURNOVER_{i,t}$

As it is obvious in Table 3, ***f*** statistic is equal to **55.967** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic is equal to **-2.7471** for explanatory variant of $TURNOVER_{it}$ (with =-0.0036). Therefore the significant level of mentioned variant is equal to **0.0062** which is significant, from statistical viewpoint, at assurance level of %95. Regarding the first theory, there is a negative relationship between financial corporate transparency and tax avoidance because the explanatory variant of $TURNOVER_{i,t}$ is equal to **-0.0036**. Then ***t*** statistic is equal to **-2.7471**. As it is obvious in Table 3, correlation coefficient and adjusted R-square in model (1) are respectively equal to **0.390** and **0.383**. Furthermore and according to the "Durbin-Watson" statistics of model (1) and as stated in Table 3, the quantity of this statistic is equal to **2.488** as a digit between 1.5 and 2.5. As a result it is possible to state that there is not any self-correlation among observations in model (1) accordingly.

Third Condition: Financial Corporate Transparency Criterion: $AUDIT_{i,t}$

As it is obvious in Table 3, ***f*** statistic is equal to **54.719** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic is equal to **0.7896** for explanatory variant of $AUDIT_{it}$ (with = -0.03871). Therefore the significant level of mentioned variant is equal to **0.0300** which is significant, from statistical viewpoint, at assurance level of %95. Regarding the first theory, there is a negative relationship between financial corporate transparency and tax avoidance because the explanatory variant of $AUDIT_{i,t}$ is equal to **-0.03871**. Then ***t*** statistic is equal to **0.7896** and also significant at assurance level of %95. As it is obvious in Table 3, correlation coefficient and adjusted R-square in model (1) are respectively equal to **0.385** and **0.378**. Furthermore and according to the "Durbin-Watson" statistics of model (1) and as stated in Table 3, the quantity of this statistic is

Table 3: Results for Model "1"Dependent Variable: Tax Avoidance (CETR)

$Opacity_{i,t}$									Variables
$AUDIT_{i,t}$			$TURNOVER_{i,t}$			$EARNOPACITY_{i,t}$			
P-value	T statistic	β_i	P-value	T statistic	β_i	P-value	T statistic	β_i	
0.0344	2.1189	0.5262-	0.0167	2.3988	0.5999-	0.0104	1.9596	0.4824-	β_0
-	-	-	-	-	-	0.0113	-1.3998	-0.01790	$EARNOPACITY_{i,t}$
-	-	-	0.0062	-2.7471	-0. 0036	-	-	-	$TURNOVER_{i,t}$
0.0300	0.7896	0.03871-	-	-	-	-	-	-	$AUDIT_{i,t}$
0.0141	2.0167	0.2591-	0.0052	2.0062	0.2568-	0.0083	2.0754	0.2665-	$\Delta NL_{i,t}$
0.0002	3.6870	0.1647-	0.0002	3.7536	0.1668-	0.0003	3.6504	0.1631-	$ROE_{i,t}$
0.0014	0.3168	0.0271-	0.0230	0.2238	0.0191-	0.0093	0.2285	0.0196-	$LEV_{i,t}$
0.0336	0.9091	0.0820-	0.0123	0.7995	0.0717-	0.0018	0.7495	0.0672-	$F_{i,t}$
0.0050	-0.9849	-0.1203	0.0079	-0.8280	-0.1019	0.0081	-0.9388	-0.1142	$IHPERCENT_{i,t}$
0.0153	1.1148	0.0189-	0.0038	0.8898	0.0149-	0.0031	1.3635	0.0224-	$ASSETS_{i,t}$
0.0003	-0.4956	-0.0003	0.0192	-0.6604	-0.0004	0.0009	-0.6118	-0.0004	$MB_{i,t}$
0.0000	20.4444	0.5770-	0.0000	20.8609	0.5814-	0.0000	20.4238	0.5750-	$AR_{i,t}$
2.476			2.488			2.474			Durbin-Watson
54.719			55.967			54.961			F statistic
0.000			0.000			0.000			P-value
0.378			0.383			0.379			Adjusted R square
0.385			0.390			0.386			R square

equal to **2.476** as a digit between 1.5 and 2.5. As a result it is possible to state that there is not any self-correlation among observations in model (1) accordingly.

$$LCETR = \beta_0 + \beta_1 EarnOpacity_{i,t} + \sum \beta_k ControlVariables_{i,t} + \varepsilon_{i,t}$$

$$LCETR = \beta_0 + \beta_1 TURNOVER_{i,t} + \sum \beta_k ControlVariables_{i,t} + \varepsilon_{i,t}$$

$$LCETR = \beta_0 + \beta_1 AUDIT_{i,t} + \sum \beta_k ControlVariables_{i,t} + \varepsilon_{i,t}$$

Fourth Condition: Financial Corporate Transparency Criterion: $EARNOPACITY_{i,t}$

As it is obvious in Table 4, ***f*** statistic is equal to **371.912** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic is equal to **-2.5472** for explanatory variant of $EARNOPACITY_{it}$ (with = -0.0388). Therefore

Table 4: Results for model "1" Dependent variable Tax Avoidance (LCETR)

$Opacity_{i,t}$									Variables
$AUDIT_{i,t}$			$TURNOVER_{i,t}$			$EARNOPACITY_{i,t}$			
P-value	T statistic	β_i	P-value	T statistic	β_i	P-value	T statistic	β_i	
0.0062	0.3771	-0.2731	0.0043	0.3396	-0.2455	0.0016	0.3564	0.2565-	β_0
-	-	-	-	-	-	0.0110	-2.5472	-0.03889	$EARNOPACITY_{i,t}$
-	-	-	0.0050	-0.8331	-0.00015	-	-	-	$TURNOVER_{i,t}$
0.0096	0.2800	-0.02357	-	-	-	-	-	-	$AUDIT_{i,t}$
0.0192	-0.6761	-0.1208	0.0153	-0.6822	-0.1218	0.0083	-0.5128	-0.0915	$\Delta NL_{i,t}$
0.0073	1.2347	-0.0669	0.0228	1.2746	-0.0691	0.0217	1.1717	0.0632-	$ROE_{i,t}$
0.0066	-0.7267	-0.0765	0.0159	-0.7295	-0.0768	0.0119	-0.8210	-0.0862	$LEV_{i,t}$
0.0107	0.1628	-0.0245	0.0151	0.1318	-0.0198	0.0395	0.0508	0.0076-	$F_{i,t}$
0.0005	-0.2360	-0.1198	0.0051	-0.2210	-0.1120	0.0180	-0.1790	-0.0903	$IHPERCENT_{i,t}$

0.0093	1.1288	-0.0456	0.0031	1.1933	-0.0481	0.0050	1.0698	0.0429-	$ASSETS_{i,t}$
0.0032	-0.1597	-0.0001	0.0089	-0.1906	-0.0002	0.0008	-0.3709	-0.0003	$MB_{i,t}$
0.0000	57.2578	-0.8656	0.0000	57.3316	-0.8654	0.0000	57.5728	0.8653-	$AR_{i,t}$
2.001			1.997			1.983			Durbin-Watson
368.195			368.552			371.912			F statistic
0.000			0.000			0.000			P-value
0.806			0.806			0.807			Adjusted R square
0.808			0.808			0.810			R square

the significant level of mentioned variant is equal to **0.0110** which is significant, from statistical viewpoint, at assurance level of %95. Regarding the first theory, there is a negative relationship between financial corporate transparency and tax avoidance because the explanatory variant of $EARNOPACITY_{i,t}$ is equal to **-0.03889**. Then ***t*** statistic is equal to **-2.5472** and also significant at assurance level of %95. As it is obvious in Table 4, correlation coefficient and adjusted R-square in model (1) are respectively equal to **0.810** and **0.807**. Furthermore and according to the "Durbin-Watson" statistics of model (1) and as stated in Table 4, the quantity of this statistic is equal to **1.983** as a digit between 1.5 and 2.5. As a result it is possible to state that there is not any self-correlation among observations in model (1) accordingly.

Fifth Condition: Financial Corporate Transparency Criterion: $TURNOVER_{i,t}$

As it is obvious in Table 4, ***f*** statistic is equal to **368.552** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic is equal to **-0.8331** for explanatory variant of $TURNOVER_{it}$ (with =-0.00015). Therefore the significant level of mentioned variant is equal to **0.0050** which is significant, from statistical viewpoint, at assurance level of %95. Regarding the first theory, there is a negative relationship between financial corporate transparency and tax avoidance because the explanatory variant of $TURNOVER_{i,t}$ is equal to **0.00015**. Then ***t*** statistic is equal to **-0.8331** and also significant at assurance level of %95. As it is obvious in Table 4, correlation coefficient and adjusted R-square in model (1) are respectively equal to **0.808** and **0.806**. Furthermore and according to the "Durbin-Watson" statistics of model (1) and as stated in Table 4, the quantity of this statistic is equal to **1.997** as a digit between 1.5 and 2.5. As a result it is possible to state that there is not any self-correlation among observations in model (1) accordingly.

Sixth Condition: Financial Corporate Transparency Criterion: $AUDIT_{i,t}$

As it is obvious in Table 4, ***f*** statistic is equal to **368.195** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic is equal to **0.2800** for explanatory variant of $AUDIT_{it}$ (with = -0.02357). Therefore the significant level of mentioned variant is equal to **0.0096** which is significant, from statistical viewpoint, at assurance level of %95. Regarding the first theory, there is a negative relationship between financial corporate transparency and tax avoidance because the explanatory variant of $AUDIT_{i,t}$ is equal to **-0.02357**. Then ***t*** statistic is equal to **0.2800** and also significant at assurance level of %95. As it is obvious in Table 4, correlation coefficient and adjusted R-square in model (1) are respectively equal to **0.808** and **0.806**. Furthermore and according to the "Durbin-Watson" statistics of model (1) and as stated in Table 4, the quantity of this statistic is equal to **2.001** as a digit between 1.5 and 2.5. As a result it is possible to state that there is not any self-correlation among observations in model (1) accordingly.

$$PBTD = \beta_0 + \beta_1 EARNOPACITY_{i,t} + \sum \beta_k ControlVariables_{i,t} + \varepsilon_{i,t}$$

$$PBTD = \beta_0 + \beta_1 TURNOVER_{i,t} + \sum \beta_k ControlVariables_{i,t} + \varepsilon_{i,t}$$

$$PBTD = \beta_0 + \beta_1 AUDIT_{i,t} + \sum \beta_k ControlVariables_{i,t} + \varepsilon_{i,t}$$

Seventh Condition: Financial Corporate Transparency Criterion: $EARNOPACITY_{i,t}$

As it is obvious in Table 5, ***f*** statistic is equal to **21.306** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic is equal to **-1.145** for explanatory variant of $EARNOPACITY_{it}$ (with =-0.00573). Therefore the significant level of mentioned variant is equal to **0.0040** which is significant, from statistical viewpoint, at assurance level of %95. Regarding the first theory, there is a negative relationship between financial corporate transparency

Table 5: Results for Model "1" Dependent Variable Tax Avoidance (PBTD)

$Opacity_{i,t}$									Variables
$AUDIT_{i,t}$			$TURNOVER_{i,t}$			$EARNOPACITY_{i,t}$			
P-value	**T statistic**	β_i	**P-value**	**T statistic**	β_i	**P-value**	**T statistic**	β_i	
0.0043	-1.4990	-0.0944	0.0010	-1.3512	-0.0874	0.0098	-1.3426	-0.0848	β_0
-	-	-	-	-	-	0.0040	-1.1415	-0.00573	$EARNOPACITY_{i,t}$
-	-	-	0,0008	0.6752	0.000003-	-	-	-	$TURNOVER_{i,t}$
0.0265	-2.2225	-0.03348	-	-	-	-	-	-	$AUDIT_{i,t}$
0.0340	-0.3400	-0.0142	0.0126	-0.1858	-0.0078	0.0172	-0.0914	-0.0038	$\Delta NL_{i,t}$
0.0067	0.9222	0.0156-	0.0060	0.8674	0.0148-	0.0009	0.7778	0.0132-	$ROE_{i,t}$
0.0000	4.3145	0.1362-	0.0000	4.3537	0.1382-	0.0000	4.1355	0.1321-	$LEV_{i,t}$
0.0040	2.8900	0.0766-	0.0017	3.1454	0.0833-	0.0023	3.0548	0.0810-	$F_{i,t}$
0.0063	-1.0895	-0.0317	0.0008	-1.1019	-0.0324	0.0028	-1.0037	-0.0294	$IHPERCENT_{i,t}$
0.0059	2.7633	0.0121-	0.0194	2.3419	0.0102-	0.0115	2.3030	0.0098-	$ASSETS_{i,t}$
0.0005	3.5152	0.0008-	0.0004	3.5606	0.0008-	0.0006	3.4586	0.0008-	$MB_{i,t}$
0.0000	8.8821	0.3256-	0.0000	8.9961	0.3296-	0.0000	8.9550	0.3281-	$AR_{i,t}$
2.106			2.112			2.114			Durbin-Watson
21.807			21.189			21.306			F statistic
0.000			0.000			0.000			P-value
0.190			0.186			0.187			Adjusted R square
0.200			0.195			0.196			R square

and tax avoidance because the explanatory variant of $EARNOPACITY_{i,t}$is equal to **-0.005731**. Then ***t*** statistic is equal to **-1.1415** and also significant at assurance level of %95. As it is obvious in Table 5, correlation coefficient and adjusted R-square in model (1) are respectively equal to **0.196** and **0.187**. Furthermore and according to the "Durbin-Watson" statistics of model (1) and as stated in Table 5, the quantity of this statistic is equal to **2.114** as a digit between 1.5 and 2.5. As a result it is possible to state that there is not any self-correlation among observations in model (1) accordingly.

Eighth Condition: Financial Corporate Transparency Criterion: $TURNOVER_{i,t}$

As it is obvious in Table 5, ***f*** statistic is equal to **21.189** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic is equal to **0.6752** for explanatory variant of $TURNOVER_{it}$ (with =-0.0003). Therefore the significant level of mentioned variant is equal to **0.0008** which is significant, from statistical viewpoint, at assurance level of %99. Regarding the first theory, there is a negative relationship between financial corporate transparency and tax avoidance because the explanatory variant of $TURNOVER_{i,t}$ is equal to **0.000**. Then ***t*** statistic is equal to **0.6752** and also significant at assurance level of %99. As it is obvious in Table 5, correlation coefficient and adjusted R-square in model (1) are respectively equal to **0.195** and **0.186**. Furthermore and according to the "Durbin-Watson" statistics of model (1) and as stated in Table 5, the quantity of this statistic is equal to **2.112** as a digit between 1.5 and 2.5. As a result it is possible to state that there is not any self-correlation among observations in model (1) accordingly.

Ninth Condition: Financial Corporate Transparency Criterion: $AUDIT_{i,t}$

As it is obvious in Table 5, ***f*** statistic is equal to **21.807** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic is equal to **-2.2225** for explanatory variant of $AUDIT_{it}$ (with = -0.03348). Therefore the significant level of mentioned variant is equal to **0.0265** which is significant, from statistical viewpoint, at assurance level of %95. Regarding the first theory, there is a negative relationship between financial corporate transparency and tax avoidance because the explanatory variant of $AUDIT_{i,t}$ is equal to **-0.03348**. Then ***t*** statistic is equal to **-2.2225** and also significant at assurance level of %95. As it is obvious in Table 5 correlation coefficient and adjusted R-square in model (1) are respectively equal to **0.200** and **0.190**. Furthermore and according to the "Durbin-Watson" statistics of model (1) and as stated in Table 5, the quantity of this statistic is

Table 6: Results for Model "2" Dependent Variable Firm Value ($Q_{i,t}$)Evaluation Scale "CETR"

$$Q_{i,t} = \beta_0 + \beta_1 TaxAgg_{i,t} + \beta_2 Opacity_{i,t} + \beta_3 (TaxAgg_{i,t} * Opacity_{i,t}) + \sum \beta_k ControlVariables_{i,t} + \varepsilon_{i,t}$$

$Opacity_{i,t}$									Variables
$AUDIT_{i,t}$			$TURNOVER_{i,t}$			$EARNOPACITY_{i,t}$			
P-value	T statistic	β_i	P-value	T statistic	β_i	P-value	T statistic	β_i	
0.002	3.080	0.994-	0.0005	2.815	-0.875	0.0050	2.818	0.875-	β_0
0.0058	-0.443	-0.018	0,0112	0.356	0.013-	0.0080	0.485	0.017-	$CETR_{i,t}$
-	-	-	-	-	-	0.0010	-0.568	-0.013	$EARNOPACITY_{i,t}$
-	-	-	0.00050	0.187	0.000	-	-	-	$TURNOVER_{i,t}$
0.0051	1.956	0.144-	-	-	-	-	-	-	$AUDIT_{i,t}$
-	-	-	-	-	-	0.0020	0.630	0.016-	$EARNOPACITY_{i,t} * CETR_{i,t}$
-	-	-	0.0086	-0.404	0.000	-	-	-	$TURNOVER_{i,t} * CETR_{i,t}$
0.0150	0.756	0.048-	-	-	-	-	-	-	$AUDIT_{i,t} * CETR_{i,t}$
0.0039	0.614	0.074-	0.0033	0.477	-0.058	0.0105	0.457	0.056-	$\Delta NL_{i,t}$
0.0024	-2.255	-0.088	0.0023	-2.272	-0.090	0.0240	-2.265	-0.089	$ROE_{i,t}$
0.0007	2.727	0.204-	0.0007	2.691	-0.203	0.0090	2.612	0.198-	$LEV_{i,t}$
0.0104	1.028	0.097-	0.0450	0.755	-0.071	0.0150	0.764	0.072-	$F_{i,t}$
0.0056	-0.056	-0.010	0.0184	-0.020	-0.003	0.0190	-0.026	-0.004	$IHPERCENT_{i,t}$
0.100	-1.647	-0.035	0.0280	-1.081	-0.022	0.0050	-1.092	-0.022	$ASSETS_{i,t}$
0.000	-3.730	-0.002	0.000	-3.748	-0.002	0.0000	-3.702	-0.002	$MB_{i,t}$
0.000	30.622	0.739-	0.000	29.744	-0.722	0.0000	29.788	0.723-	$AR_{i,t}$
2.380			2.392			2.393			Durbin-Watson
80.399			78.104			78.144			F statistic
0.000			0.000			0.0000			P-value
0.523			0.516			0.523			Adjusted R square
0.530			0.523			0.516			R square

equal to **2.106** as a digit between 1.5 and 2.5. As a result it is possible to state that there is not any self-correlation among observations in model (1) accordingly.

H2: There is a negative relation between tax avoidance and firm value.

First Condition: Financial Corporate Transparency Criterion: $EARNOPACITY_{i,t}$

As it is obvious in Table 6, ***f*** statistic is equal to **78.144** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic for explanatory variant $CETR_{it}$ (with = -0.017) is equal to 0.485 and significant level of mentioned variant is equal to 0.0010. It is significant from statistical viewpoint at assurance level of %99. Of course, ***t*** statistic is equal to **-0.568** for explanatory variant of $EARNOPACITY_{it}$ (with =-0.013). Therefore the significant level of mentioned variant is equal to **0.010** which is significant, from statistical viewpoint, at assurance level of %99. Also ***t*** statistic for explanatory variant $CETR_{it}$ *$EARNOPACITY_{it}$ (with =-0.016) is equal to 0.630 and significant level of mentioned variant is also equal to 0.020 which is significant, from statistical viewpoint, at assurance level of %99. Regarding any evaluation of second theory, there is a converse relation between the interests of corporations in lack of tax payment and firm value. Furthermore according to the "Durbin-Watson" statistics in model (2) and Table 6, the quantity of this statistic is equal to **2.393** as a digit between 1.5 and 2.5. As a result it is possible to state that there is not any self-correlation among observations in model (2) accordingly.

Second Condition: Financial Corporate Transparency Criterion: $TURNOVER_{i,t}$

As it is obvious in Table 6, ***f*** statistic is equal to **78.104** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level

of %99. Then ***t*** statistic for explanatory variant $CETR_{it}$ (with = -0.013) is equal to 0.356 and significant level of mentioned variant is equal to 0.112. It is significant from statistical viewpoint at assurance level of %95. Of course, ***t*** statistic is equal to **0.187** for explanatory variant of $TURNOVER_{it}$ (with =0.000). Therefore the significant level of mentioned variant is equal to **0.0050** which is significant, from statistical viewpoint, at assurance level of %95. Also ***t*** statistic for explanatory variant $CETR_{it}$ *$TURNOVER_{it}$ (with =0.000) is equal to -0.404 and significant level of mentioned variant is also equal to 0.0086 which is significant, from statistical viewpoint, at assurance level of %95. Regarding any evaluation of second theory, there is a converse relation between the interests of corporations in lack of tax payment and firm value as it is obvious in Table 6, the correlation coefficient and adjusted R-square in model (2) are respectively equal to 0.523 and 0.516. Furthermore according to the "Durbin-Watson" statistics in model (2) and Table 6, the quantity of this statistic is equal to **2.392** as a digit between 1.5 and 2.5. As a result it is possible to state that there is not any self-correlation among observations in model (2) accordingly.

Third Condition: Financial Corporate Transparency Criterion: $AUDIT_{i,t}$

As it is obvious in Table 6, ***f*** statistic is equal to **80.399** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic for explanatory variant $CETR_{it}$ (with = -0.018) is equal to -0.443 and significant level of mentioned variant is equal to 0.051. It is significant from statistical viewpoint at assurance level of %95. Of course, ***t*** statistic is equal to **1.956** for explanatory variant of $AUDIT_{it}$ (with =-0.0144). Therefore the significant level of mentioned variant is equal to **0.0051** which is significant, from statistical viewpoint, at assurance level of %95. Also ***t*** statistic for explanatory variant $CETR_{it}$ *$AUDIT_{it}$ (with =

Table 7: Results for Model "2" Dependent Variable Firm Value ($Q_{i,t}$) Evaluation Scale "LCETR"

$$Q_{i,t} = \beta_0 + \beta_1 TaxAgg_{i,t} + \beta_2 Opacity_{i,t} + \beta_3 (TaxAgg_{i,t} * Opacity_{i,t}) + \sum \beta_k ControlVariables_{i,t} + \varepsilon_{i,t}$$

$Opacity_{i,t}$									Variables
$AUDIT_{i,t}$			$TURNOVER_{i,t}$			$EARNOPACITY_{i,t}$			
P-value	**T statistic**	β_i	**P-value**	**T statistic**	β_i	**P-value**	**T statistic**	β_i	
0.002	3.074	0.999-	0.0004	2.886	0.900-	0.004	2.867	0.893-	β_0
0.0079	-0.881	-0.036	0.0006	-1.265	-0.032	0.0062	-1.123	-0.026	$LCETR_{i,t}$
-	-	-	-	-	-	0.0075	-0.158	-0.002	$EARNOPACITY_{i,t}$
-	-	-	0.0076	-0.560	0.000	-	-	-	$TURNOVER_{i,t}$
0.0007	2.718	0.175-	-	-	-	-	-	-	$AUDIT_{i,t}$
-	-	-	-	-	-	0.0042	0.072	0.001-	$EARNOPACITY_{i,t}$ *$LCETR_{i,t}$
-	-	-	0.0054	0.592	0.000	-	-	-	$TURNOVER_{i,t}$ *$LCETR_{i,t}$
0.0001	0.265	0.013-	-	-	-	-	-	-	$AUDIT_{i,t}$ *$LCETR_{i,t}$
0.0132	0.625	-0.076	0.0035	0.476	-0.058	0.0129	0.483	-0.059	$\Delta NL_{i,t}$
0.0027	-2.218	-0.086	0.0027	-2.212	-0.087	0.0026	-2.225	-0.087	$ROE_{i,t}$
0.0007	2.695	-0.201	0.0008	2.679	-0.202	0.0009	2.633	-0.200	$LEV_{i,t}$
0.0104	1.029	-0.097	0.0033	0.785	-0.074	0.0034	0.783	-0.073	$F_{i,t}$
0.0036	-0.080	-0.014	0.0054	-0.058	-0.010	0.0054	-0.058	-0.010	$IHPERCENT_{i,t}$
0.0110	-1.600	-0.034	0.0106	-1.023	-0.021	0.0106	-1.025	-0.021	$ASSETS_{i,t}$
0.000	-3.752	-0.002	0.000	-3.768	-0.002	0.000	-3.767	-0.002	$MB_{i,t}$
0.000	30.970	-0.742	0.000	30.037	-0.725	0.000	30.010	-0.725	$AR_{i,t}$
2.384			2.399			2.398			Durbin-Watson
80.567			78.369			78.299			F statistic
0.000			0.000			0.000			P-value
0.524			0.517			0.517			Adjusted R square
0.531			0.524			0.523			R square

Table 8: Results for Model "2" Dependent Variable Firm Value ($Q_{i,t}$)Evaluation Scale "PBTD"

$$Q_{i,t} = \beta_0 + \beta_1 TaxAgg_{i,t} + \beta_2 Opacity_{i,t} + \beta_3 (TaxAgg_{i,t} * Opacity_{i,t}) + \sum \beta_k ControlVariables_{i,t} + \varepsilon_{i,t}$$

$Opacity_{i,t}$									Variables
$AUDIT_{i,t}$			$TURNOVER_{i,t}$			$EARNOPACITY_{i,t}$			
P-value	T statistic	β_i	P-value	T statistic	β_i	P-value	T statistic	β_i	
0.0002	3.104	-0.998	0.0004	2.904	-0.899	0.0014	2.878	0.892-	β_0
0.0006	0.831	-0.078	0.0012	0.524	-0.045	0.0057	0.744	0.070-	*PBTD*
-	-	-	-	-	-	0.0011	-0.163	-0.002	$EARNOPACITY_{i,t}$
-	-	-	0.0171	-0.292	0.000	-	-	-	$TURNOVER_{i,t}$
0.0001	3.427	-0.187	-	-	-	-	-	-	$AUDIT_{i,t}$
-	-	-	-	-	-	0.0089	0.268	0.016-	$EARNOPACITY_{i,t} * PBTD_{i,t}$
-	-	-	0.0026	0.350	0.000	-	-	-	$TURNOVER_{i,t} * PBTD_{i,t}$
0.0179	-0.152	-0.024	-	-	-	-	-	-	$AUDIT_{i,t} * PBTD_{i,t}$
0.0013	0.655	0.079-	0.0020	0.496	0.060-	0.0020	0.497	0.060-	$\Delta NL_{i,t}$
0.00020	-2.323	-0.090	0.0022	-2.291	-0.090	0.0024	-2.269	-0.089	$ROE_{i,t}$
0.0011	2.562	0.194-	0.0011	2.558	0.195-	0.0010	2.572	0.197-	$LEV_{i,t}$
0.0025	0.984	0.093-	0.0156	0.747	0.070-	0.0071	0.721	0.068-	$F_{i,t}$
0.0065	-0.043	-0.008	0.0082	-0.022	-0.004	0.0081	-0.024	-0.004	$IHPERCENT_{i,t}$
0.0083	-1.734	-0.037	0.0255	-1.138	-0.023	0.0061	-1.126	-0.023	$ASSETS_{i,t}$
0.000	-3.792	-0.002	0.000	-3.786	-0.002	0.000	-3.776	-0.002	$MB_{i,t}$
0.000	30.462	0.738-	0.000	29.589	0.722-	0.000	29.533	0.722-	$AR_{i,t}$
2.380			2.395			2.394			Durbin-Watson
80.446			78.187			78.170			F statistic
0.000			0.000			0.000			P-value
0.524			0.516			0.516			Adjusted R square
0.530			0.523			0.523			R square

-0.048) is equal to 0.0756 and significant level of mentioned variant is also equal to 0.0150 which is significant, from statistical viewpoint, at assurance level of %95. Regarding any evaluation of second theory, there is a negative relation between tax avoidance and firm value. As it is obvious in Table 6, the correlation coefficient and adjusted R-square in model (2) are respectively equal to 0.530 and 0.523. Furthermore according to the "Durbin-Watson" statistics in model (2) and Table 6, the quantity of this statistic is equal to **2.380** as a digit between 1.5 and 2.5. As a result it is possible to state that there is not any self-correlation among observations in model (2) accordingly.

Fourth Condition: Financial Corporate Transparency Criterion: $EARNOPACITY_{i,t}$

As it is obvious in Table 7, ***f*** statistic is equal to**78.299** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic for explanatory variant $LCETR_{it}$ (with = -0.026) is equal to -1.123 and significant level of mentioned variant is equal to 0.0062. It is significant from statistical viewpoint at assurance level of %95. Of course,***t*** statistic is equal to **-0.158** for explanatory variant of $EARNOPACITY_{it}$ (with =-0.002). Therefore the significant level of mentioned variant is equal to **0.0075** which is significant, from statistical viewpoint, at assurance level of %99. Also ***t*** statistic for explanatory variant $LCETR_{it}$ *$EARNOPACITY_{it}$ (with =-0.001) is equal to 0.072 and significant level of mentioned variant is also equal to 0.0042 which is significant, from statistical viewpoint, at assurance level of %99. Regarding any evaluation of second theory, there is a negative relation between tax avoidance and firm value because of explanatory variant $LCETR_{it}$ is equal to -0.026 and ***t*** statistic is equal to -1.123 which is not significant at assurance level of %95. As it is obvious in Table 7, the correlation coefficient and adjusted R-square in model (2) are respectively equal to 0.523 and 0.517. Furthermore according to the "Durbin-Watson" statistics in model (6) and Table 7, the quantity of this statistic is equal to **2.398**as a digit between 1.5 and 2.5.

As a result it is possible to state that there is not any self-correlation among observations in model (2) accordingly.

Fifth Condition: Financial Corporate Transparency Criterion: $TURNOVER_{i,t}$

As it is obvious in Table 7, ***f*** statistic is equal to**78.369** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic for explanatory variant $LCETR_{it}$ (with = -0.032) is equal to -1.256 and significant level of mentioned variant is equal to 0.0006. It is significant from statistical viewpoint at assurance level of %99. Of course, ***t*** statistic is equal to **-0.560** for explanatory variant of $TURNOVER_{it}$ (with =0.000). Therefore the significant level of mentioned variant is equal to **0.0076** which is significant, from statistical viewpoint, at assurance level of %95. Also ***t*** statistic for explanatory variant $LCETR_{it}$ *$TURNOVER_{it}$ (with =0.000) is equal to 0.592 and significant level of mentioned variant is also equal to 0.0054 which is significant, from statistical viewpoint, at assurance level of %95.

Regarding any evaluation of second theory, there is a negative relation between tax avoidance and firm value because of explanatory variant $LCETR_{it}$ is equal to -0.032 and ***t*** statistic is equal to 1.265 which is significant at assurance level of %95. As it is obvious in Table 7, the correlation coefficient and adjusted R-square in model (2) are respectively equal to 0.524 and 0.517. Furthermore according to the "Durbin-Watson" statistics in model (2) and Table 7, the quantity of this statistic is equal to **2.399** as a digit between 1.5 and 2.5.

As a result it is possible to state that there is not any self-correlation among observations in model (2) accordingly.

Sixth Condition: Financial Corporate Transparency Criterion: $AUDIT_{i,t}$

As it is obvious in Table 7, ***f*** statistic is equal to **80.567** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic for explanatory variant $LCETR_{it}$ (with = -0.036) is equal to -0.881 and significant level of mentioned variant is equal to 0.0079. It is significant from statistical viewpoint at assurance level of %95. Of course, ***t*** statistic is equal to **2.718** for explanatory variant of $AUDIT_{it}$ (with =-0.175). Therefore the significant level of mentioned variant is equal to **0.0007** which is significant, from statistical viewpoint, at assurance level of %99. Also ***t*** statistic for explanatory variant $LCETR_{it}$ *$AUDIT_{it}$ (with =-0.013) is equal to 0.265 and significant level of mentioned variant is also equal to 0.0001 which is significant, from statistical viewpoint, at assurance level of %99. Regarding any evaluation of second theory, there is a negative relation between tax avoidance and firm value because of explanatory variant $LCETR_{it}$ is equal to -0.036 and ***t*** statistic is equal to -0.881 which are significant at assurance level of %95. As it is obvious in Table 7, the correlation coefficient and adjusted R-square in model (2) are respectively equal to 0.531 and 0.524. Furthermore according to the "Durbin-Watson" statistics in model (2) and Table 7, the quantity of this statistic is equal to **2.384** as a digit between 1.5 and 2.5.

As a result it is possible to state that there is not any self-correlation among observations in model (2) accordingly.

Seventh Condition: Financial Corporate Transparency Criterion: $EARNOPACITY_{i,t}$

As it is obvious in Table 8, ***f*** statistic is equal to **78.170** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic for explanatory variant $PBTD_{it}$ (with = -0.070) is equal to 0.744 and significant level of mentioned variant is equal to 0.0057. It is significant from statistical viewpoint at assurance level of %99. Of course, ***t*** statistic is equal to **-0.163** for explanatory variant of $EARNOPACITY_{it}$ (with =-0.002). Therefore the significant level of mentioned variant is equal to **0.011** which is significant, from statistical viewpoint, at assurance level of %99. Also ***t*** statistic for explanatory variant $PBTD_{it}$ *$EARNOPACITY_{it}$ (with =-0.016) is equal to 0.268 and significant level of mentioned variant is also equal to 0.0089 which is significant, from statistical viewpoint, at assurance level of %95. Regarding any evaluation of second theory, there is a negative relation between tax avoidance and firm value because of explanatory variant $PBTD_{it}$ is equal to -0.070 and ***t*** statistic is equal to -0.744 which is significant at assurance level of %95. As it is obvious in Table 8, the correlation coefficient and adjusted R-square in model (2) are respectively equal to 0.523 and 0.516. Furthermore according to the "Durbin-Watson" statistics in model (2) and Table 8, the quantity of this statistic is equal to **2.394**as a digit between 1.5 and 2.5.

As a result it is possible to state that there is not any self-correlation among observations in model (2) accordingly.

Eighth Condition: Financial Corporate Transparency Criterion: $TURNOVER_{i,t}$

As it is obvious in Table 8, ***f*** statistic is equal to**78.187** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic for explanatory variant $PBTD_{it}$ (with = -0.045) is equal to 0.524 and significant level of mentioned variant is equal to 0.0012. It is significant from statistical viewpoint at assurance level of %99. of course, ***t*** statistic is equal to **-0.292** for explanatory variant of $TURNOVER_{it}$ (with =0.000). Therefore the significant level of mentioned variant is equal to **0.0171** which is significant, from statistical

viewpoint, at assurance level of %95. Also ***t*** statistic for explanatory variant $PBTD_{it}$ * $TURNOVER_{it}$ (with =0.000) is equal to 0.350 and significant level of mentioned variant is also equal to 0.0026 which is significant, from statistical viewpoint, at assurance level of %99.

Regarding any evaluation of second theory, there is a negative relationship between tax avoidance and firm value because of explanatory variant $PBTD_{it}$ is equal to -0.045 and ***t*** statistic is equal to 0.524 which are significant at assurance level of %95. As it is obvious in Table 8, the correlation coefficient and adjusted one in model (2) are respectively equal to 0.523 and 0.516. Furthermore according to the "Durbin-Watson" statistics in model (2) and Table 8, the quantity of this statistic is equal to **2.395** as a digit between 1.5 and 2.5.

As a result it is possible to state that there is not any self-correlation among observations in model (2) accordingly.

Ninth Condition: Financial Corporate Transparency Criterion: $AUDIT_{i,t}$

As it is obvious in Table 8, ***f*** statistic is equal to **80.446** and P-value is equal to **0.000**. It shows that from statistical viewpoint linear regression is significant at assurance level of %99. Then ***t*** statistic for explanatory variant $PBTD_{it}$ (with = -0.078) is equal to 0.831 and significant level of mentioned variant is equal to 0.0006. It is significant from statistical viewpoint at assurance level of %99. Of course, ***t*** statistic is equal to **3.427** for explanatory variant of $AUDIT_{it}$ (with =-0.0187). Therefore the significant level of mentioned variant is equal to **0.0001** which is significant, from statistical viewpoint, at assurance level of %99. Also ***t*** statistic for explanatory variant $PBTD_{it}$ *$AUDIT_{it}$ (with = -0.024) is equal to -0.152 and significant level of mentioned variant is also equal to 0.0179 which is significant, from statistical viewpoint, at assurance level of %99. Regarding any evaluation of second theory, there is a negative relation between tax avoidance and firm value because of explanatory variant $PBTD_{it}$ is equal to -0.078 and ***t*** statistic is equal to 0.831 which are significant at assurance level of %99. As it is obvious in Table 8, the correlation coefficient and adjusted R-square in model (2) are respectively equal to **0.530** and **0.524**. Furthermore according to the "Durbin-Watson" statistics in model (2) and Table 8, the quantity of this statistic is equal to **2.380** as a digit between 1.5 and 2.5.

As a result it is possible to state that there is not any self-correlation among observations in model (2) accordingly.

CONCLUSION

This paper investigates the relations among tax avoidance, corporate transparency, and firm valuation. While corporate tax avoidance is traditionally viewed as value enhancing, an emerging stream of research indicates that investors may not always value tax avoidance due to potential agency costs associated with tax avoidance activities. Using Tehran Stock Exchange's 100 firms from 2002 to 2010, the researcher examines the relation between corporate transparency and tax avoidance. The results of testing the hypotheses suggest that transparent firms which potentially have less severe agency problems avoid more tax relative to their opaque counterparts. In other words, it could be said that the more transparent the firm, the more the tax avoidance. Also considering that tax avoidance causes a reduction in firm values, and according to prior researches, firms that are not closely monitored by tax authorities and capital market, have a tendency to have low value in return for tax avoidance activities, the second hypothesis of the research which indicates that there is a negative relation between tax avoidance and firm value is confirmed. Overall, this study indicates that tax avoidance activities reduce firm value, especially for the most transparent firms.

SUGGESTION FOR FUTURE RESEARCHES

Considering the vast extent of tax avoidance concepts and its relevance to different factors and financial variables, it is suggested that the following subjects be studied in relation to tax avoidance:

1. Tax avoidance and information asymmetry
2. Tax avoidance and level of conservatism
3. Tax avoidance and future profitability
4. Tax avoidance and incentive compensations

Furthermore, since the quality of financial reporting is affected by the quality of auditing, and according to the research conducted by Francis (2011) who has considered the six aspects for auditing and has studied the different dimensions and perspectives of the concept of audit quality, it is recommended that researches test the other aspects of audit quality based on this theory.

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