



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



Tax Planning and Firm Value: Evidence from Malaysia

Mohd Waliuddin Mohd Razali, Siti Shahfina Ghazali, Janifer Lunyai and Josephine Yau Tan Hwang

To Link this Article: <http://dx.doi.org/10.6007/IJARBSS/v8-i11/4896>

DOI: 10.6007/IJARBSS/v8-i11/4896

Received: 19 Sept 2018, Revised: 23 Oct 2018, Accepted: 06 Nov 2018

Published Online: 25 Nov 2018

In-Text Citation: (Razali, Ghazali, Lunyai, & Hwang, 2018)

To Cite this Article: Razali, M. W. M., Ghazali, S. S., Lunyai, J., & Hwang, J. Y. T. (2018). Tax Planning and Firm Value: Evidence from Malaysia. *International Journal of Academic Research in Business and Social Sciences*, 8(11), 210–222.

Copyright: © 2018 The Author(s)

Published by Human Resource Management Academic Research Society (www.hrmars.com)

This article is published under the Creative Commons Attribution (CC BY 4.0) license. Anyone may reproduce, distribute, translate and create derivative works of this article (for both commercial and non-commercial purposes), subject to full attribution to the original publication and authors. The full terms of this license may be seen at: <http://creativecommons.org/licences/by/4.0/legalcode>

Vol. 8, No. 11, 2018, Pg. 210 - 222

<http://hrmars.com/index.php/pages/detail/IJARBSS>

JOURNAL HOMEPAGE

Full Terms & Conditions of access and use can be found at
<http://hrmars.com/index.php/pages/detail/publication-ethics>



INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS & SOCIAL SCIENCES



www.hrmar.com

ISSN: 2222-6990

Tax Planning and Firm Value: Evidence from Malaysia

Mohd Waliuddin Mohd Razali, Siti Shahfina Ghazali, Janifer Lunyai and Josephine Yau Tan Hwang

Faculty Economics & Business, Universiti Malaysia Sarawak (UNIMAS)

94300 Kota Samarahan, Sarawak, Malaysia.

Email: walirazali@yahoo.com, mrmwaliuddin@unimas.my

ABSTRACT

The main objective of this study is to determine the impact of tax planning on firm value of firms listed in Bursa Malaysia. Tax planning proxies in this study are the Effective Tax Rate (ETR) and Book Tax Differences (BTDs). The 387 samples data were collected from the DataStream from period of 2014 to 2016. After controlling the firm size, leverage, asset tangibility, firm age and dividend, the regression results show that ETR has a significant and positive relationship with firm value while BTDs has insignificant negative relationship with firm value. Firm with less tax planning activities may signal investors that the firm is more transparent in publishing their financial information. Most of our control variables such as leverage, asset tangibility, firm age and dividend have negative relationship with firm value. This study suggests that ETR proxy is suitable to determine firm value rather than BTDs. For future research, this study can be expanded by using more sample size from a longer time frame of research.

Keywords: Tax Planning, Firm Value, Effective Tax Rate, and Book Tax Differences

Introduction

Tax is one of the major instruments of fiscal policy that is known to regulate the economy of any country in the world. As viewed from part of either theoretically or empirically, both provide famously known results which prove that tax is giving a big contribution to determine the capital structure of firms situated in all the nations. For instance, an instrument namely tax policy has been elected in order to stimulate the growth of private sector in the field of mainly industrial and corporate growth.

Usually a firm will try to make tax planning optimization in order to enhance the income after tax. "Tax planning consists in minimizing mainly the income tax in order to maximize the result after taxes" (Soufiene Assidi et al, 2016). A firm with good profit margin will increase the reputation of that particular the firm. Besides, other main purpose of tax planning is to create a firm's value and link this directly to quality of firm's managerial organization and planning. Managers will usually find a way to minimize their tax burden so that they would be able to gain tax benefits after tax returns or shareholder wealth.