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## Malaysian Listed Firm's Tax Avoidance: Another Earnings Management Strategy?

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### Abstract

This study examines the role of tax avoidance on firm's earnings management for a sample of 149 listed public firms in Malaysia over 2009 – 2013. Beneish M-score is used to measure the earnings management and effective tax rate to measure the tax avoidance. After controlling firm size, growth, leverage and profitability, the result shows that only two variables which tax avoidance and growth are positively significant towards the earnings management. The result implies that firms may manage their earning to enjoy tax advantages. Moreover, management in growth firms tend engages better earnings performance and thus it may affect the firm investment strategies.

### Background of Study

Tax receipts are still one of main income for Malaysia. According to the data obtained from CEIC database, the tax revenue of Malaysian government was RM1840 millions in year 1970 and this amount kept on increasing steadily to RM21244 millions in year 1990 and RM155952 millions in year 2013. The tax receipts have increased 8375.65% in year 2013 since year 1970. The changes in tax revenue for Malaysian government are shown in the figure1 below: