NJIT

MARTIN TUCHMAN
SCHOOL OF MANAGEMENT
NEW JERSEY INSTITUTE OF TECHNOLOGY

The Effect of Institutional Distance on Corporate Tax Avoidance: Evidence from Foreign Institutional Investors

Qiang Wu from RPI
Date/Time: 11/1/2019 at 1:00
Location: Leir Conference Room, CAB 3052

Abstract: We find that foreign institutional investors (FIIs) are negatively associated with their investee firms tax avoidance. We provide evidence that the effect is driven by the costs associated with institutional distance between FIIs home countries and host countries. Specifically, we find that the negative effect is driven by the influence of FIIs from countries with high-quality formal institutions (i.e., high-shareholder-protection, high-government- effectiveness, and high-regulatory-quality) / high-quality informal institutions (i.e., high-tax-morality, low-corruption, and high-religiosity) on investee firms located in countries with low-quality formal institutions/low-quality informal institutions. Finally, we show that the effect is also concentrated on FIIs with stronger monitoring incentives.

Speaker Bio: Dr. Wu is A. C. Lawrence Faculty Fellow and Associate Professor of Accounting and Finance in the Lally School of Management at Rensselaer Polytechnic Institute (RPI). Dr. Wu's research interests include tax avoidance, accounting conservatism, debt contracting, earnings quality, corporate governance, financial analysts, and corporate social responsibility. His research works have appeared in premier journals including Journal of Financial Economics (two times), Journal of Accounting Research, The Accounting Review, Journal of Financial and Quantitative Analysis, and Contemporary Accounting Research (three times). He is the Top 1% of Authors on SSRN by all-time downloads. His works have also been widely cited by academia (Google scholar citations: 1,935. H-index 19), and by business media and professions including Bloomberg, CNBC, Reuters, Dow Jones Newswires, AICPA, Accounting Today, AAA, CFO Magazine, Catalyst, Bankrate.