

ADVANCES IN TAXATION

ADVANCES IN TAXATION

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ADVANCES IN TAXATION VOLUME 26

ADVANCES IN TAXATION

EDITED BY

JOHN HASSELDINE

University of New Hampshire, USA



United Kingdom – North America – Japan
India – Malaysia – China

Emerald Publishing Limited
Howard House, Wagon Lane, Bingley BD16 1WA, UK

First edition 2019

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British Library Cataloguing in Publication Data

A catalogue record for this book is available from the British Library

ISBN: 978-1-78973-294-8 (Print)

ISBN: 978-1-78973-293-1 (Online)

ISBN: 978-1-78973-295-5 (Epub)

ISSN: 1058-7497 (Series)



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ABOUT THE EDITOR

Since 2011, Dr John Hasseldine has been a Professor of Accounting and Taxation in the Peter T. Paul College of Business and Economics at the University of New Hampshire. Previously he was a Chair and Head of the Accounting and Finance Department at the University of Nottingham Business School. John, a Kiwi, qualified as a Chartered Accountant in New Zealand and is a Fellow of the Association of Chartered Certified Accountants (FCCA) based in London.

John has served on three government committees in the United Kingdom and was a contributor to the Mirrlees Review of the UK tax system conducted by the Institute of Fiscal Studies. He has been an external expert at the International Monetary Fund, a Visiting Professor at the University of New South Wales, Sydney, and a Keynote Speaker at several international tax conferences. He travels widely, speaking at national and global conferences, including one on VAT organized by the OECD, World Bank and IMF, and a conference on dealing with the national tax gap held at the US Library of Congress in Washington, DC. He is a coauthor of *Comparative Taxation: Why Tax Systems Differ* (Fiscal Publications, 2017), and an International Fellow at the University of Exeter Tax Administration Research Centre.

John received his PhD in Accounting in 1997 from the Kelley School of Business at Indiana University-Bloomington, and his Master of Commerce in Accounting and Bachelor of Commerce from the University of Canterbury, Christchurch, New Zealand.

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INTRODUCTION

Tax researchers have an important role to play in conducting and publishing rigorous quality research in the uncertain times facing the world's tax systems. There are many research questions to be addressed and *Advances in Taxation* invites submissions on a broad range of tax topics. I wish to thank the editorial board for their continued support. They have been called upon to promote *Advances in Taxation* and to engage in the reviewing process. And, importantly, I am also pleased to thank the 14 ad-hoc expert reviewers listed below for their valuable and timely reviewing activity during 2018–2019.

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In Volume 26, there are seven chapters. In the lead chapter, Anthony Billings, Francis Kim, and Cheol Lee examine whether APB 23—asserting firms that declared their foreign earnings as permanently reinvested abroad are less likely to repatriate those foreign earnings under the American Jobs Creation Act (AJCA) of 2004, compared with similar non-asserting firms. The authors show that asserting firms are more likely to repatriate their foreign earnings than non-asserting firms and also find that the probability of making an election to repatriate permanently invested foreign earnings under the AJCA of 2004 is higher for firms with nonbinding foreign tax credit (FTC) limitations that have made an APB 23 declaration to permanently invest foreign earnings abroad.

Next, Howard and Massel use financial statement disclosures of reductions in reserves due to a lapse in the statute of limitations to investigate whether Schedule UTP has been an effective audit tool to the IRS. They find that the probability of a Lapse is 3.4 percent lower after Schedule UTP. However, this result is driven by domestic firms; they do not find evidence that Schedule UTP has been effective in the audit of multinational firms.

In the third chapter, Swenson examines the employment impacts of US Environmental Protection Agency brownfield grant sites. Using establishment data, employment within close proximity to such sites is found to increase during cleanup periods following grants. The employment increase was from non-brownfield establishments, that is, a “spillover” effect. These employment effects were concentrated in certain industries.

In the fourth chapter, Cleaveland, Comer Jones, and Epps conduct a 2x2 experiment using nonprofessional investor proxies to examine the effects of Compliance Assurance Process (CAP) participation and corporate tax risk profile on judgments about financial statement credibility. Their results suggest both CAP program participation and tax risk influence nonprofessional investors’ perceptions of the *certainty* of the income tax provision, and tax risk also influences nonprofessional investors’ perception of the *accuracy* of the income tax provision.

The next three chapters in this volume have an international focus. Inasius investigates whether the impacts of power and trust dimensions previously found in developed countries also exist in Indonesia. Survey results show that trust significantly influences voluntary tax compliance, but neither trust nor power promotes enforced tax compliance. Nurunnabi then examines the determinants of tax evasion in Bangladesh and how the interests of state actors influence tax evasion. Lastly, in a practice-related contribution, Schutte and Van der Zwain evaluate the effectiveness of the turnover tax system in South Africa, finding that turnover tax is not necessarily beneficial for small business.

John Hasseldine
Editor, Advances in Taxation