

POSTGRADUATE SEMINAR SERIES

Topic Defence Seminar

Topic Title : **Do trustworthy corporate taxpayers perform better? Evidence from China**

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Abstract : The extant literature suggests that corporate reputation and trustworthiness are positively associated with firm financial performance. In this study, I investigate whether trustworthy corporate taxpayers perform better in China. I use the tax credit ratings assessed by the Chinese tax authorities to measure a firm's trustworthiness in tax reporting. I examine firm performance from both the perspective of accounting performance as well as market-based performance. My preliminary results show that high-trust firms earn stock returns that are significantly higher than low-trust firms. They also have higher profitability and gross margins and experience higher sales growth. I attribute the outperformance of high-trust firms to their ability to gain access to government-controlled resources such as bank loans, government procurement projects, government subsidies, and patent granted. I also find that the observed results are stronger for non-state owned firms, for firms with less effective corporate governance and low institutional ownership, and for firms operating in more competitive industries. One possible explanation for the observed results is that trustworthy taxpayers enjoy a better relationship with the government and incur lower transaction costs. My evidence is consistent with the stakeholder theory that non-shareholding stakeholders play an important role in corporate strategies. My study extends the literature on firm reputation as a productive, economic asset by including tax credit ratings as a dimension of firm credibility and trustworthiness.

Date : **29 June 2020, Monday**

Time : **10:00 - 11:30**

Venue : **Zoom meeting** 

Please join Zoom Meeting, link: <https://lingnan.zoom.us/j/7968614271>

Language : **English**



*** All are Welcome ***