Audit Quality and Tax Evasion: The Case of Publicly Listed European Companies

Abstract

Tax evasion is a major problem faced by the worldwide economies, as it undermines tax revenue, tax fairness, and corporate credibility. In this context, auditing plays a fundamental role in ensuring transparency and companies' compliance with their tax obligations and, consequently, in mitigating and/or preventing tax evasion. Furthermore, the relationship between audit quality and tax evasion remains a subject of ongoing academic debate. Therefore, the objective of this study is to analize the relationship between audit quality and tax evasion in the context of publicly listed European companies.

The study will adopt a positivist approach, based on the assumption that reality can be observed and analyzed through quantifiable data, emphasizing objectivity, researcher neutrality, and the formulation of testable hypotheses. The approach will be deductive, grounded in the formulation and testing of hypotheses to explain the association between tax avoidance and audit quality. This will be a study of a quantitative nature, using secondary data and econometric models to analyse the relationship between audit quality and tax evasion. Data will be collected from Orbis Europe and Audit Analytics. Audit quality and tax avoidance will be measured through proxies well established in the literature.

The research aims to contribute to the academic literature and professional practice by examining the relationship between audit quality and tax evasion, while seeking to address existing gaps by providing empirical evidence on the role of auditors as a governance and control mechanism in mitigating and preventing corporate aggressive tax behaviours.

Keywords: Accounting; Audit; Audit Quality; Tax Evasion; Tax Avoidance; Tax Aggressiveness

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