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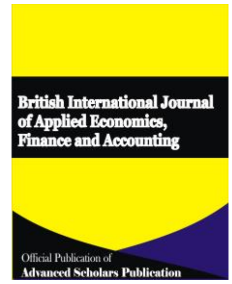

FINANCIAL REPORTING AND TAXATION: THE GLOBAL DEBATE

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***Keywords**: Financial Reporting, Taxation, Book-tax-conformity, International Financial Reporting Standards, Global Debate.*

***Abstract:** Publication of monetary information will be virtually useless or meaningless if its users cannot obtain maximum utility from it. Such report should facilitate its users' decision-making processes. Traditionally, there is a general belief that there are strong links between accounting and tax regulations and that the enduring effect of taxation on accounting ought to promote the usefulness of accounting to the tax authority. In reality, however, extant literature indicates that hot debate is still on-going concerning the reasonableness of making financial reports to conform with what tax authorities require. Using exploratory research design, this work presents an update on this controversy. The paper found that the diversity in the information requirements and desire by tax for more financial reports that are useful for decision making necessitates a rethink concerning the emphasis on what ought to be the general purpose of financial information reporting.*

1.1 Introduction

Taxation has had a significant effect on accounting; the link between taxation and accounting has been strong (Ormin & Tijjani,2020). James (2009) demonstrates several ways that taxation has influenced accounting and how they have relied on one another. An aspect of effect exists where there is a choice among divergent accounting policies; the alternative selected for accounting has to be similar to that which will be utilized for purposes. Also, tax laws are often used for commercial accounts, where no particular accounting laws apply. As a result of this correlation between accounting and taxation, the tax administration usually looks forward to finding details in monetary reports useful for taking decisions (Ormin & Tijjani,2020). When accounting standards started to become primary structure for financial information report in several countries including Spain, France, Germany, Belgium, Finland, Italy, Austria, among others, tax legislations were essentially considered for the preparation of financial reports. This means that financial reporting practice in these countries was substantially in consonance with the tax legislations and there was a significant connection between accounting and (Ormin &Tijjani,2020).

Financial reporting can possess a general motive approach or a decision functionality approach (Dandago & Hassan, 2013; Ravenscroft &

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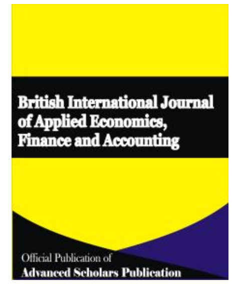

Williams, 2011; Sutton, 2009). General motive financial reporting that is often guided by accounting standard is aimed at providing the monetary information which substantially satisfies the statistical requirements of all the divergent users of the. The capability of general motive information disclosure to serve the decision-making motives of its several users including the tax authority effectively has been queried for several years ago (Ravenscroft & Williams, 2011). According to Procházka and Molín (2016), the debate among researchers on whether financial reporting and corporate taxation systems ought to be independent or interconnected, emerged as a response reaction to two practical issues. Firstly, independence both systems was seriously criticized in a reaction to the cases of accounting misconduct of Enron, Tyco, Xerox and others that took place in the United States capital markets. Desai (2005) notes that the relative autonomy of corporate financial reporting and tax reporting made it possible for firms to inflate their profits for the capital markets understate the profits the reported to tax administrations simultaneously. Secondly, the International Financial Reporting Standards (IFRS)'s adoption by the European Union (EU) raised some concerns regarding tax collection, particularly in nations like Germany and Austria that have strong connection between accounting and taxation. If a new system of financial reporting standards (such as IFRS) is adopted, policy makers are likely to be in a fix with regard to whether the new system should be implemented also for taxation purposes or not. In addition, the co-existence two accounting rules (IFRS and GAAP) increases the challenges when balancing the basic cannons of taxation such as neutrality, equality, simplicity and legal certainty.

1.2 Problem Statement

Several extant literatures have reviewed the *nexus* between accounting reporting and taxation. Examples are Lamb, Nobes and Roberts (1998), Nobes, Oliveras and Puig (2004), Dandago and Hassan (2013) and Vokshi (2018). However, based on the literature reviewed, only studies like

Dandago and Hassan (2013) focused on the usefulness of financial reporting for the decision-making process of tax authorities. In addition, though it is generally conceived that there are traditionally strong correlations between accounting and tax laws and that the enduring effect of taxation on accounting should ensure the decision usefulness of financial statements to tax authorities ,a significant volume of extant literature of international standing is yet to reach a consensus on whether or not financial statements ought to be prepared to align with the needs of tax authorities. For example, Minicacci (2022) reports a trending debate in the accounting literature concerning the desirability of ensuring the conformity of financial reports with the requirements of tax authority; that is book-tax conformity (BTC).

This paper contributes to literature by reviewing the extant literatures and presenting an update on the controversy concerning what should be the relationship between financial reporting and tax legislation. It has the intention to ex-ray the extent to which financial statements should be prepared to conform with the requirements of the tax authority while carrying out its tax assessment and collection responsibilities. Also, the researcher hopes to use this platform to facilitate discussions on the related issues in more rigorous and general frame.

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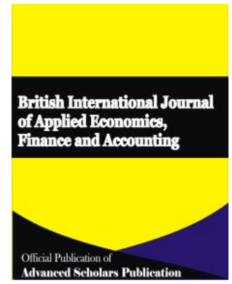

The rest of this work is arranged in sections as follows: Section 2 contains the review of related literature. Section 3 concerns the methodology. Section 4 discusses worldwide impressions on the link between taxation and financial reporting. Section 5 highlights the controversies on book-to-tax conformity, Section 6 dwells on the impact of IFRS adoption and enforcement on book-tax aggressiveness, Section 7 highlights the impact of book-to-tax affinity. Section 8 provides the recommended procedures for executing book-to-tax conformity in tax jurisdictions while Section 9 concludes the study.

2. Review of the related literature

2.1 Conceptual Review

2.1.1 Financial Reporting

Calzon (2022) defines financial accounting as standard practices that concern providing an accurate picture of a firm's finances to stakeholders concerning their revenues, expenses, profits, capital and cash movements that constitute formal records. The latter provide in-depth insights into financial information. According to Calzon (2022), there are several forms of financial reporting that can satisfy different divergent motives, some of the most usual forms include income statement, balance sheet and cashflow statement. The advantages of financial reporting include (i)Improved debt management; (ii)Trend identification; (iii)Real-time tracking; (iv)Liabilities; (v) Progress and compliance; (vi)Cash flow; (vii)Communication and (viii) data access.

2.1.1.1 Importance of financial reporting

Calzon (2022) asserts that one of the biggest explanations for engaging in the analysis of financial statements is to facilitate tax computations.

And an accurate depiction of a company's finances, Public authorities employ financial statement analysis and reports to ensure that a taxpayer pays their tax liability. Assuming that financial reports were not legal requirements, probably most firms would have used management dashboards for at least internal decision-making purposes (Calzon, 2022). However, these documents have brought an entire industry of auditing into existence because government requires them.

2.1.1.2 Different ways of financial reporting and analysis

Calzon (2022) highlights the three major ways that financial statements have been standardized, and a critical element to consider when working with European Union-based data of any kind.

They include: (i)The GAAP (Generally Accepted Accounting Principles). This is a collection of financial reporting guidelines utilized by the United States. (ii)The IFRS This system is emoloyed by more tha 110 nations around globe including Canada, Australia, India, and China, China and India have customized the IFRS as it suits their purpose (iii)The GDPR: The General Data Protection Regulation. This took effect on May 25, 2018 and is designed to modernize the laws that protect the personal information of individuals.

2.1.2 Accounting

For the purpose of this research, accountant is considered as synonymous with financial reporting – the process of preparing an entity's financial statements so as to ascertain its profit or loss and its financial position for a given period.

2.1.3 Taxation

Taxation is the imposition of tax by the

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government on the profits of individuals and corporate entities on the incomes with the intention of generating revenue and for socio-economic reasons (Ormin and Tijjani, 2020).

2.1.4 Relationship between financial reporting and taxation

Ormin and Tijjani (2020) contend that when there is a significant connection between accounting and taxation and accounting in an environment, tax regulations usually dictate the financial reporting practices of firms in such a manner that the financial statement presented is user-specific purpose information. Consequently, the details in the statement is very useful to the tax authority for tax computation. Apart from providing for the requirements of other companies, investors, shareholders, creditors and essential for: (i) improving internal vision(ii) building strategies and ensuring profitability(iii) raising capital and performing audits(iv) managing financial ratios(v)accurate projections & predictive strategies(vi) lowering risk hindering fraudulent actions and (vii) ensuring transparency all over.

2.2 Theoretical Framework

2.2.1 Single person decision usefulness theory

This work is harbored on the single person decision usefulness theory. This theory was embraced by the works of Demski (1972), Ijiri (1983), Raiffa (1968), Scott (2009), Staubus (1999) and Ormin and Tijjani (2020). It was evolved in reaction to the criticism against the general-purpose type of financial reports Accounting has dissimilar users such as investors, creditors, tax authorities, customers, managers, employees, financial analysts, legislators and community. Each of them has a perculiar need for information aimed at making some decisions. Since there are dissimilar users of financial reports having dissimilar information needs, general purpose financial statements are considered inadequate in effectively satisfying the information requirements of those users. The single person decision usefulness theory postulates that certain individual end users of financial statements are compelled to make their decisions under condition of uncertainty. It emphasizes that preparers of financial statements ought to identify the identity of the end-users of the reports and understand their decision challenges and information requirements (Dandago & Hassan, 2013). Since this theory emphasizes the functionality of financial statements to the users (investors and creditors), Dandago and Hassan (2013) suggest that other users like the tax authority be provided with financial reports which useful to their decision requirements. This directly or indirectly seeks to promote relevance and reliability of financial statements to each of the stakeholders-in this case the tax authority.

2.3 Empirical Review

Among the several works already done on book-to-tax conformity (BTC) as found in extant literature, the major ones reviewed in this work are summarized as below.

Radciffe (1993) focused on establishing whether there is a distinction between tax compliance and financial compliance. The author defined tax compliance on the assumption that taxable income is computed under GAAP. He also defined financial reporting as a financial reporting practice that involves substantial dependence on the choice of a specific accounting practice in preparing financial reports which will be conclusive for tax

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computation purpose. The finding showed that there was financial compliance. Based on this finding, the author concluded that there is a close connection between accounting reporting and taxation and that both of them can influence each other.

Frank, Lynch and Rego (2009) studied the connection between hostile tax and financial reporting and found a positive relationship. Dandago and Hassan (2013) sought to know whether financial reporting of firms in Malaysia provided useful details to the Inland Revenue Board such as would enable the Board to determine the tax payable by a tax payer. Primary data were obtained through questionnaire. Using descriptive statistics, the analysis disclosed that the financial reporting by firms in Malaysia is not tailored towards facilitating the performance of tax assessment and income tax determination by the Inland Revenue Board.

Chen and Gavious (2015) studied parts played by BTC and tax enforcement in controlling tax reporting behavior following the adoption of IFRS by Israel. The authors wanted to ascertain whether or not the gain derivable from beefing up the level of tax implementation is capable of off-setting the initial cost of reducing the degree of BTC following IFRS adoption. The authors discovered that after decreasing BTC and increasing tax enforcement concomitantly that followed IFRS adoption in Israel, tax avoidance declined significantly.

Vokshi (2018) studied the relationship between taxation and accounting. It focused the extent of the knowledge of professionals (accountants and auditors) and their application of accounting and tax rules while preparing financial statements. It employed questionnaire and distributed same to professionals across 264 business organizations in Kosovo. Summary statistics and cross-tabs were employed to analyze the data. The findings indicated that 16.7% of the respondents fully agreed while another 15.5% partially agreeing on the first question. Approximately 49.2% totally disagreed on the issue while the remaining 14.4% were neutral.

Consequently, the hypothesis that business organizations are controlled by fiscal (tax) rules while preparing financial statements was rejected. Oshoke and Onutomaha (2019) sought to find out the connection between deferred taxation, tax planning and financial reporting in Nigeria. The study adopted a longitudinal research for obtaining secondary data from 2012 to 2016. Thirty-two (32) quoted non-service company were selected randomly, while Logistic regression was utilized for empirical analysis. The work found that deferred taxation has a positive and strong relationship with financial reporting at 1% significance level. Damayanti (2019) researched on the impacts of IFRS adoption and law implementation on book-tax hostility in 6 developing countries countries belonging to ASEAN. The countries include Indonesia, Malaysia, Thailand, the Philippines, Singapore, and Vietnam. The finding of the study indicated that adopting IFRS in those countries that belong to ASEAN have some impact on book-tax aggressiveness.

The result shows that IFRS adoption increases book-tax aggressiveness. This agrees with the findings of Karampinis and Hevas (2013) and Chen and Gavious (2017) and supports Okafor (2015) and Chen and Gavious (2017) that highlight different impacts of adopting IFRS on hostility with law enforcement. Ormin and

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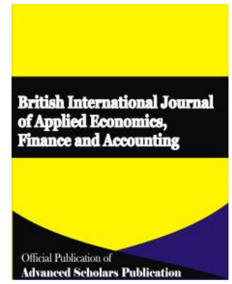

Tijjani (2020) sought to determine how useful financial information disclosure is to the Nigerian tax authority as they take decisions regarding tax assessment and collection. The paper was anchored on the assumption that the long-standing relationship between taxation and accounting would promote the usefulness of accounting information to the tax authority in taking decisions bordering on tax assessment and collection. The reflection of thirteen developed tax subjects was examined in the financial statements of the companies in the banking industry for the period 2004 to 2018. The data obtain were analyzed with Decision Usefulness Index and summary statistics. The finding of the study showed that financial information disclosure in the Nigerian banking industry is not significantly significantly useful to the tax authority in making decisions related to tax assessment and collection

Minicacci (2022) reviewed accounting works concerning BTC. The study specifically focused on financial reporting matters and observed that there is a trending controversy in the accounting literature concerning the influence of the extent BTC is implemented on the quality of financial reporting and tax avoidance. The author also discovered that policy-makers have discussed the opportunity to reform BTC extensively.

3. Methodology

This work sourced its materials from past journals, conference papers, seminar papers, etc. An exploratory research approach was utilized in the study with the aim of being focused on the relevant literatures.

4. Global Impressions about the relationship between financial reporting and taxation

James (2009**)** provides an insight on the two ways that taxation influences accounting or how the two of them depend on one another. An aspect of impact is where there is a choice between dissimilar accounting policies. James (2009) indicates that under this situation, the accounting policy chosen will be the policy that will be employed for tax purposes. Secondly, tax laws are frequently employed for commercial accounts whenever there are no particular accounting rules that are applicable. However, James (2009) recognizes that the motives and demands of commercial accounting principles and those of taxation are not always the same. The dissimilarities in tax and financial accounting regulations understood whenever there are debates concerning income manipulation.

Some scholars argue that the link between the two systems permits the executive to maximize financial accounting profit and at the same time minimun taxable income. Contrarily, Ormin and Tijjani (2020) and Abd, Karaawy, Mohammed and Baaj (2018) opine that high tax rate will make corporations to react with planning sharp tax strategies which would distort the accuracy and correctness of financial statements. Tijjani and Peter (2020) posit that firms utilize tax planning strategies because tax is a significant expense for companies and their owners; it has a far-reaching impact on the profits available. Moisescu (2018) confirms this assertion. Moisescu (2018) points to the truth that while doing tax planning, Romanian firms would either aim to decrease financial result (profit) to avoid paying a bigger tax to the state revenue authority or postpone paying the tax. Frank et al.,)2009) report that financial and tax reporting hostilities were high between the mid-1990s to the e early 2000s. D'Ascenzo and

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England (2003) observe that, even though financial accounting and income tax guidelines differ, financial reports are essentially the instrument and starting point for income tax computations. They acknowledge the fact that the promulgated tax rules presume that one has certain information like register of fixed assets before making claim for capital allowances which will be disclosed for tax computation purposes. Consequently, the demands of taqx rules have a direct and significant influence on the manner that financial statements are produced. Dacian (2009) discloses that, before IFRS was introduced and adopted, studies had reported a strong impact of tax rules on accounting in the continental European countries, particularly France and Germany. On another hand, there are member states having dissimilar rules or financial accounting and taxation. In South Korea, Kim (2001) recognizes specific aspects where national tax policies affect financial reporting practices.

Effect of tax on accounting

The impact of tax on accounting has some repercussions. The impact of tax on accounting is so much that some people have indicated that the progress of good accounting that lies in financial statements showing true and fair view. D'Ascenzo and England disagree with this belief. According to them, tax authorities want consistent, well-specified rules that are easy to verify than the rule of true and fair view which are the main aim of financial statement preparation in accounting. Practically, it was demonstrated that the necessity that companies pay taxes makes them to get minimize their tax liability. James (2009) posits that accounts are sometimes altered for the purposes of taxation. A popular view is that the recent efforts in the universe in standardizing accounting practice in IFRS appears to be creating a huge severance of tax from accounting and therefore decreasing to a minimum level some of the consequences of their relationship.

5. The debate on Book-To-Tax conformity

A lot of controversy has been trending on the consequences of ensuring the conformity between financial reporting and the requirements of the tax administration. Studies like Shackelford, Slemrod and Sallee (2010) consider it essential to discover whether financial reporting and tax accounting should be matched up either by law, or conformed by choice because of the private costs of maintaining separate accounting systems. Jiriskova and Molin (2015) assert that there are variations in the extent of the IFRS across European countries. The authors note that while the Czech Republic embraced IFRS not just for consolidated financial statements but also for individual financial reports, several other nations embraced IFRS only for consolidated financial reports-probably as the latter does not have impact on taxation.

Serious debate is on-going between the advocates and attackers' book-to-tax conformity (BTC). There are weighty arguments on both sides. The advocates of BTC reason as follows:

i) The separation of financial reporting and taxation is known to be the major cause of low quality of earnings.

ii) By implementing the BTC, tax authorities will be an additional guardian of accounting quality.

iii) Maintaining high degree of book-to-tax conformity will provide a higher transparency of financial reporting and greater tax conformity (Desai,2005; Guenther, Maydew &Nutter,1997).

iv) Preparing financial statements to conform

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with the requirements of tax administration can prevent both financial reporting intrigue and antagonistic tax planning.
v) Further dominance of book earnings assured by ta authorities will probably be advantageous impacts of BTC.
vi) If financial reporting and taxation are not made to be in conformity with one another, divergence between them is will probably be costly to the extent that it either draws the attention of the tax administration to antagonistic tax planning or subjects the capital markets to poor earnings quality. On the contrary, the attackers of BTC argue as follows:
i)Allowing accounting and taxation to depend on one another is considered as an arrangement that could tempt firms lobby on accounting standards in order to affect reported figures in financial statements consequently avoid or postpone tax obligation (Zeff 2002), (Hoffmann & Zülch, 2014).
ii) If BTC is embraced by a country, government will be compelled to make available its fiscal needs through accounting legislations. This may impair the ability of accounting to provide information for economic decision-making.
iii) Value pertinence of accounting earnings diminishes with increasing BTC (Ali & Hwang (2000). For example, the loss of earnings informativeness to the capital markets under tight BTC using the explanatory value of earnings of the companies of USA companies was report by Hanlon and Shevlin (2005), Hanlon, Laplante and Shevlin (2005), Hanlon, Maydew and (2008). Even when Atwood, Drake and Myers (2010) applied an alternative approach and dissimilar data-set, they emerged with similar conclusions. Based on worldwide data, they confirm that persistence contemporary earnings reduce with increasing BTC.
iv) If financial reporting and corporate taxation are relatively independent, that does not matter. It happens that way because the executive may utilize the discretion in accounting standards to disclose private information and thus reduce information asymmetry (Marshall 1974; Bushman 1991; Bushman & Indjejikian 1993).
v) Empirical research produces extensive proof that increased interdependence between accounting and taxation reduces accounting quality, as each system serves completely some dissimilar motives. Consequently, financial accounting decisions and tax accounting ought not be allowed to interfere with one another. Current earnings and future cash flows move in opposite direction with the progress of BTC. The implication is that a rise in current earnings will bring about a decrease in future cash movements flows; the reverse is the case as BTC is developed.
vii) The firms that are located in the countries having higher BTC show higher instead of lower levels of earnings management (Blaylock, Gaertner &Shevlin, ,2015).
viii) A proposed closer connection between accounting and taxation is not workable and fails to enhance accounting quality of earnings Lang, Lins, and Maffett (2012) discovered that earning management is lower for companies domiciled in the nations having a weaker connection between taxation and financial reporting.
x) Real data indicates that higher BTC results in lower earnings persistence and lower dependency between current earnings and expected cash movement.
ix) Under a strong BTC, the executive will be inclined towards smoothing earnings in order to minimize income taxes and, consequently,

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decrease earnings informativeness.

6. Effect of IFRS adoption and law enforcement on book-tax aggressiveness

Firms face a trade-off between financial and tax reporting hostility (Shackelford & Sevlin ,2001; Damayanti, 2019). Erickson, Hanlon and Maydew (2004) posit that companies desire to pay higher tax and report higher income. The reason for this is that under the classical taxation system, the calculation of tax is based on profits (Kantsukov & Sander 2018). Contrarily, Kamila and Martani (2017) argue that companies are not all the time faced with a trade-off between financial reporting antagonism and tax reporting hostility Rather, firms commit both forms of aggressiveness simultaneously (book-tax aggressiveness) or even conform accounting rules with tax laws (book-tax conformity). According to Damayanti(2019), there are two reasons why financial reporting hostility is closely related to tax reporting antagonism. They are:

i) Both financial reporting antagonism and tax reporting antagonism are needed by firm executive simultaneously. Kim, Li and Zhang (2011) affirm that the executive usually commit tax reporting antagonism in order to maximize firm value and financial reporting hostility to enhance their managerial performance by increasing firms' profits.

ii) The connection between financial reporting aggressiveness and tax reporting antagonism is probably complementary. When companies have specific income targets, they are capable of employing tax expence as a means of committing earnings management (Dhaliwalet al.,2008). Thus, Frank, Lynch and Rego (2009) indicate that numerous works have found that tax reporting hostility affects financial reporting hostility Damayanti (2019) cite Chan et al. (2010), Chan et al. (2013), Karampinis and Hevas (2013), Chen and Gavious (2017) and Jiraskova (2015) as asserting that IFRS embrace widens the dissimilarity between financial reporting for commercial and purposes. This implies that,the adoption of IFRS tends to increase the gaps between the financial reporting hostility and tax reporting hostility. Damayanti,2019). However, any studies conclude that the reverse is the case with book-tax conformity. Similarly, Frank et al. (2009) demonstrates empirically that financial reporting hostility has a positive effect on tax reporting hostility The study by Damayanti (2019) concludes that (i)IFRS adoption increases book-tax hostility whe the quality of law implementation is low and (ii)when law implementation is highly effective, IFRS embrace significantly affects book-tax aggressiveness.

7. The effects of BTC and tax accounting initiatives

The greater part of study on BTC is based on the notion that financial reporting and tax accounting standards avail firms the considerable discretion in preparing their financial statements and tax statements (Watrin, Pott & Ullmann (2012). In situations where tax and financial accounting decisions have impacted on one another because of conformity requirements, it is natural to consider an optimal accounting procedure that takes into consideration the tax savings, tax costs, and non-tax costs arising from the procedure. Where there is a tax rate decrease, the urge to generate tax savings by deferring income recognition until it can be taxed at the lowest rate possible that may be dominated by the competing incentives

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of financial and tax accounting (Scholes, Wolfson, Erickson, Maydew & Shevlin, 2005). However, non-tax factors also affect a taxpayer's decision to postpone income recognition as income shifting that reduces taxes are frequently accompanied by other costs.

This would cause a kind of trade-off between tax savings, tax costs, and non-tax costs (Watrin, etal., 2012). All in all, tax income shifting is attractive only if it will bring about a positive net effect of the tax savings, tax costs, and non-tax costs (Scholes, Wilson& Wolfson,1992). According to Watrin, et al.(2012). The empirical findings by Guenther (1994), Guenther, Maydew and Nutter (1997), Lopez, Regier and Lee, (1998) and Scholes et al. (1992) imply that firms manage ta income downward as much as possible whenever the incentives of tax accounting are strong.

Past work indicates that tax rate reductions increase the motivation to shift income to periods that have lower tax rates. For instance, Guenther (1994) and Lopez et al. (19988) indicate that the possibility of making negative discretionary current accrual shifts in the financial reports of the year before there is a tax rate change has a direct relationship with the tax hostility of public companies. Scholes et al. (1992) claim that other research findings reveal that the firms anticipating a decrease in the tax rate are more likely to postpone the recognition of revenue and/or accelerate expense recognition. On the whole, prior results indicate that companies are generally desirous of temporarily reporting lower book income in order to generate tax savings. Other major aspects of the non-tax costs of income shifting are agency costs that emanate from such an activity. For instance, the cost of equity capital will increase to the extent that management will engage in income decreasing earnings management. When managers, anticipate this effect, they will be generally hesitant to bear the perceived cost of reporting reduced book income (Scholes, Wilson & Wolfson,1990). An additional agency cost might surface from some disagreements of interests as a result of dissimilar ownership structures (Scholes et al., 1992).

8. Recommended approaches to implementing Book-To-Tax Conformity in nations worldwide

The findings in this study clearly show that despite the long-established connection between taxation and accounting, the tax authorities universally are yet to find the information disclosed financial statements significantly useful to them while taking decisions related to assessments and collection.

Since the past twenty years, when the controversy took off all over the world on the reasonableness od ensuring conformity of financial statements with taxation, the book-to-tax conformity strategy is yet to be embraced by all nations. Some countries have embraced only the weak form of, while others are still reluctant to implement it probably because of the possible negative repercussions. As an attempt to bridge the long-lasting gap between financial statements and tax accounting such that their aims can be achieved simultaneously, we recommend thus:

1. Notable strategies including graphical presentation of results and inclusion of financial ratios are known to have been embraced in financial reporting to promote the decision usefulness to stakeholders like investors and creditors We opine that these gestures ought to

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be extended in the manner that will also ensure the decision usefulness of financial decision usefulness of financial reporting to the tax authority.

2.To beef up financial reporting quality, many countries have adopted IFRS which may affect book to tax reporting dissimilarities (Chan, Lin & Tang,2013). Our findings indicate that this policy alternative is less desirable from a tax accounting perspective. We join Chan,et al,2013) in suggesting that account5ing standards setters and securities regulators around the globe take into consideration not only how such change is intended to benefit capital markets, but also what unintended consequences this policy choice may have for public revenue.

3. Tax authorities demand decision usefulness of financial reporting enable them to carry out tax assessment and collection fairly. Consequently, we recommend that a part of the financial statement of each company in every country be dedicated to making disclosure of the tax matters.

4. Finally, instead of having a singular method of dealing with the manipulations of report which often come with embracing IFRS and weak BTC, nations should consider combining trust and control which are considered more effective and less radical radical (Chen and Gavious ,2015).

9. Conclusion

The link between accounting and taxation is evolving; it is more complex than it might at first appear (James,2009). The tax authority is one of the end-users that require accounting information to be useful in their decision-making process towards ensuring fairness in income tax assessment and collection in the economy. Nevertheless, a sizeable body of extant literature of global settings is yet to reach a consensus on whether or not financial reports should be prepared to be in conformity with the demands of the tax authorities

Using exploratory research approach, this work presented an update on the BTC controversy and probed the usefulness of financial information disclosure the tax authorities. It concludes that the diversity in the information requirements and desires by tax authorities for more usefulness for their decision-making financial statements necessitates a rethink aim of financial information.

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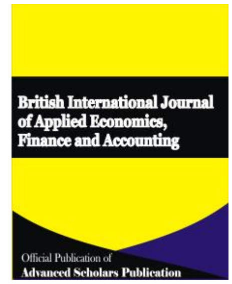

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