

Accepted Manuscript

Do investors care about corporate taxes?

Chris Brooks, Godfrey, Carola Hillenbrand, Kevin Money

PII: S0929-1199(16)30005-0
DOI: doi: [10.1016/j.jcorpfin.2016.01.013](https://doi.org/10.1016/j.jcorpfin.2016.01.013)
Reference: CORFIN 1009

To appear in: *Journal of Corporate Finance*

Received date: 13 April 2015
Revised date: 22 January 2016
Accepted date: 23 January 2016



Please cite this article as: Brooks, Chris, Godfrey, Hillenbrand, Carola, Money, Kevin, Do investors care about corporate taxes?, *Journal of Corporate Finance* (2016), doi: [10.1016/j.jcorpfin.2016.01.013](https://doi.org/10.1016/j.jcorpfin.2016.01.013)

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

Do investors care about corporate taxes?

Chris Brooks ^{a,*}, Chris Godfrey ^a, Carola Hillenbrand ^b, Kevin Money ^b

^a *ICMA Centre, Henley Business School, University of Reading, Whiteknights, Reading RG6 6BA, United Kingdom*

^b *John Madejski Centre for Reputation, Henley Business School, Greenlands, Henley-on-Thames, Oxfordshire RG9 3AU, United Kingdom*

* Corresponding author.

E-mail addresses: c.brooks@icmacentre.ac.uk (C. Brooks), C.Godfrey@icmacentre.ac.uk (C. Godfrey), carola.hillenbrand@henley.ac.uk (C. Hillenbrand), kevin.money@henley.ac.uk (K. Money).

Abstract

This paper conducts a comprehensive examination of the link between corporation tax payment and financial performance in the UK. We find no discernible link between tax rates and stock returns for the UK, no matter how tax payment is measured. This is true throughout the sample period and for both customer-facing and non-customer-facing companies. However, allowing for industry norms and a host of firm characteristics, companies with lower effective tax rates have significantly higher levels of stock market risk. Firms that are reported in the newspapers in a negative way in relation to their level of corporation tax payment experience small negative stock returns, which are partially reversed within a month. However, the initial negative effects and subsequent rebound are both more pronounced for smaller companies. News announcements of the potential involvement of a firm in a corporate inversion (expatriation) result in steeper and much longer-lasting falls in share prices, whereas news stories of a more general nature relating to a firm's tax avoidance or tax payments have little noticeable effect.

Keywords: corporation tax, tax avoidance, stock returns, tax news stories

JEL classification: G12, G28, H25, H26

Download English Version:

<https://daneshyari.com/en/article/5093295>

Download Persian Version:

<https://daneshyari.com/article/5093295>

[Daneshyari.com](https://daneshyari.com)