Audit Financiar, XXIV Nr. 2(182)/**2026**, *329-343*
ISSN on-line: 1844-8801

Paper presented at the IXth Congress of the Romanian financial auditor profession

From Tax Avoidance to Tax Compliance – Realities and Trends in Financial Reporting in Romania

Univ. Prof. Habil. Costel ISTRATE, Ph. D.,
Faculty of Economics and Business Administration,
"Alexandru Ioan Cuza" University of Iași, Romania,
e-mail: istrate@uaic.ro

Associate Prof. Maria GROSU, Ph. D.,
Faculty of Economics and Business Administration,
"Alexandru Ioan Cuza" University of Iași, Romania,
e-mail: maria.grosu@uaic.ro

Univ. Prof. Habil. Ioan-Bogdan ROBU, Ph. D.,
Faculty of Economics and Business Administration,
"Alexandru Ioan Cuza" University of Iași, Romania,
e-mail: bogdan.robu@feaa.uaic.ro

Abstract

Most of the financial and accounting empirical studies on Romanian companies analyse populations or samples of companies listed on the Bucharest Stock Exchange, either on the regulated market or on the alternative AeRo market. This study aims to analyse accounting data provided by unlisted companies and available on a portal of the Ministry of Public Finance (https://data.gov.ro/). These companies apply Romanian accounting standards (RAS). The authors calculated the effective tax rate (ETR) as the ratio of current income tax expense to profit before tax and used this indicator (following models already found in the literature) as a proxy for measuring the level of the corporate income tax avoidance. The main results show that, if the average ETR is used, there are almost no differences between the statutory rate and the effective one. However, intuitively, this result does not seem to characterize the Romanian economic environment very well, so in the present study was used the ETR-STR differential. The latter indicator shows a completely different situation, with significant differences between ETR and STR. This result confirms, to a certain extent that, at an individual level, the accounting income is very often far from the tax income, 2/3 of the observations being in situations characteristic for the application of tax avoidance techniques, with effective rates significantly lower than the statutory ones.

Key words: *corporate income tax; tax avoidance; private companies; effective tax rate; statutory tax rate;*

JEL Classification: *H25, H71, M41*

To cite this article:
Istrate, C., Grosu, M., Robu, I.-B. (2026), From Tax Avoidance to Tax Compliance - Realities and Trends in Financial Reporting in Romania, *Audit Financiar*, vol. XXIV, no. 2(182)/2026, pp.329-343, DOI: 10.20869/AUDITF/2026/182/008

To link this article:
http://dx.doi.org/10.20869/AUDITF/2026/182/008
Received: 2.09.2025
Revised: 22.09.2025
Accepted: 25.02.2026

1. Introduction

Most recent research in accounting is based on the financial indicators resulting from the financial reports of the listed companies. For Romania, this population of companies and – often – samples extracted from it are quite limited in size and do not allow the generalization at country level of the results produced by various studies. At the time of the documentation of this study, on the Romanian financial market – Bucharest Stock Exchange (BSE) – are listed, on the regulated market, 82 companies registered in Romania; to these are added another 260 companies listed on the alternative AeRo market. We reach less than 350 companies which, no matter how big they are and no matter how many Romanian subsidiaries they control, represent only a very small part of the total number of active Romanian companies. According to the data published by ANAF, in the fiscal statistical bulletin for the 1st quarter, 2025 (https://static.anaf.ro/static/10/Anaf/Informatii_R/Buletin%20statistic%20fiscal%20nr%201%202025.pdf, accessed at July 5th, 2025), at the end of December 2024, there were 764,766 corporate tax payers (622,058 on the same date as in 2023) and 332,704 micro-enterprise tax on revenues payers (459,417 on the same date as in 2023). Thus, on December 31, 2024, we had a total of 1,097,470 taxpayers reviewed by the Romanian tax authority. If we establish a simple ratio, the listed companies represent very little over 0.03% of the total and no matter how many subsidiaries they have, they still do not come close to at least 1%. In these circumstances, it would be extremely interesting to analyse the population of unlisted companies or at least samples of them, in order to be able to propose conclusions that better characterize the Romanian economic environment at national level.

In principle, the Ministry of Public Finance (MFP) has access to data reported by firms that meet their annual (and semi-annual) submission obligations of financial statements. From this data, MFP publishes some information, available individually on the ministry website (https://mfinante.gov.ro/info-pj-selectie-nume-si-judet). This site is very useful for identifying and analysing individual companies. On the contrary, for analysis on large populations of firms, manual data collection by individual access to the site would be extremely time consuming. MFP somehow meets the curiosity of some users and groups some of this data on the data.gov.ro portal. Even if the number of companies available for the last years on this portal is relatively small compared to the total of companies operating in Romania, we still find several tens of thousands of observations to be analysed annually, which can represent a quite useful sample in characterizing the global population of Romanian companies.

The orientation of companies towards fiscal optimization/tax avoidance (TA) shows that companies perceive the benefits of this kind of behaviour (Abdul Wahab, 2016) and can manifest itself through various techniques. In the particular context of Romania, a trend towards doing business through micro-enterprises could be very clearly observed, for which the corporate tax is replaced by the revenues tax. The latter is much easier to manage and much less burdensome for firms that meet the criteria for classification as micro-enterprises. As regards corporate tax payers, the trend towards tax planning/tax avoidance (TA) can be identified by analysing the effective tax rate (ETR): an ETR lower than the statutory or legal rate (STR) signals the possible application of some TA techniques.

In the context of public and private research and discussions on the tax avoidance/reduction of corporate tax payments, we can mobilize the information on data.gov.ro, in the sense of using it for the purpose of ETR calculation, as a proxy that allows us to measure the difference between the theoretical and the actual tax reported. Considering the fact that such a relationship is investigated mainly by comparing the accounting regime of revenues and expenses with their tax regime, our analysis can make sense only in the case of companies that pay corporate income tax. This limitation involves the removal of firms which, in the period under review, had to pay tax on revenues as micro-enterprises, which further diminishes the number of observations.

As mentioned earlier, the indicator we intend to use is *the effective tax rate* (ETR), calculated as the ratio between the corporate tax expense and the income before tax. The second step is to establish the differential ETR-STR. The latter legal (statutory) corporate tax rate has been 16%, since 2005. Through the differential ETR-STR we can avoid the effect of some compensations between the individual observations. If this differential is significant, then the difference between accounting and tax treatment of revenues and expenses is also significant, with the possible intervention of some tax optimization/tax avoidance techniques. On the other hand, the significant differences between accounting income and taxable income suggest a certain *de facto* disconnection between accounting and taxation, after the *de jure* disconnection is a reality demonstrated in literature (Istrate, 2024). We are aware that the negative difference between ETR and STR, even if it is a credible proxy for TA, does not allow any

distinction between legal and illegal actions from which the reported tax decreased (Jimenez-Angueira, 2018). ETR is, in fact, the most widely used variable to approximate TA in the literature on the tax behaviour of firms (Sarhan et al., 2024) and has the major advantage that it can be calculated based on data from financial statements.

Our main results show that, if we take into account individual observations (eliminating the compensation introduced by the calculation of averages), the differences between ETR and STR become statistically significant; with the identification of some behaviours that can fit the tax avoidance, for a majority (almost two-thirds) of the analysed observations.

Continuing the analysis of the ETR-STR differential by categories of companies, depending on some criteria frequently used in literature, it can be seen that, for example, the negative differential is significantly different for small companies compared to large ones, in the sense that large companies seem to have more resources and more opportunities from which to reduce the declared tax, that is to reach lower ETR. Significant differences also arise in the case of firms more leveraged to those less leveraged. Significant are also the results of the analysis according to the profitability of the companies (over and below the median), or according to the presence of provisions in the balance sheet. Less clear results occur when we consider the weights of some asset categories on the balance sheet.

The continuation of this study proposes a brief review of the literature, followed by the presentation of the data and the methodology, a results section, to finish with the conclusions and references.

2. Literature review

In a review of the literature on proxies used by researchers to measure tax avoidance/optimization/tax planning/tax aggressiveness – TA - (Istrate, 2023), a long list of such indicators was identified, proposed by various authors and previously centralized mainly by Hanlon & Heinzman (2010), the most commonly used being ETR. It is calculated as the ratio between income tax expense and the profit before tax reported by companies. The literature proposes three variants of ETR, depending on the amount taken into account in the numerator: current tax expense, total tax expense (current and deferred), income tax paid. Calculations can also be made on an annual or multi-annual basis (3, 5, or even 10 years). However, ETR is not always a meaningful indicator, especially in the context of changing tax rates. In these circumstances, the difference between ETR and STR can provide a clearer picture of the company's tax situation; similarly, the ratio between the two rates (ETR/STR) can also be calculated. The hundreds of studies in which ETR or its derivatives are used as dependent or independent variables demonstrate the usefulness of this indicator in research and in the analysis that could be carried out by decision-makers at the level of companies, groups of companies, or tax authorities.

Most studies using ETR refer almost exclusively to listed companies, mainly due to the availability of data on these companies (Athira & Jijo Lukose, 2024). Badertscher et al. (2019) consider that listed companies, being more exposed, give rise to higher levels of non-conforming tax avoidance (higher accounting income and lower taxable income), unlike unlisted companies, which achieve higher levels of conforming tax avoidance (reduction of taxable income, along with accounting income). On the other hand, it is considered that listed companies are more exposed, in the sense that there are more parties monitoring their activity, and that they would therefore have an interest in limiting the extent of tax avoidance for reasons related to reputation and public image. Based on this argument (to which are added the closer links between ownership and management), Jacob & Rohlfing-Bastian (2020) consider that unlisted companies are more inclined to engage in TA. In the case of large populations of companies analysed, the public/private nature of the company can be introduced as a discriminating factor: for example, Athira & Jijo Lukose (2024) analyse ETR developments by separating listed companies from unlisted ones. The listed-unlisted distinction is also considered by Pierk (2016), who finds that listed companies are more aggressive in their tax avoidance than unlisted ones.

With regard to the present study, the companies analysed are not listed, which does not really allow for comparison with the results of many studies published in this field. Fortunately, there are other authors who have analyzed unlisted companies. Sanchez-Ballesta & Yagüe (2021) find that SMEs are less aggressive in terms of TA, even if they engage in upward earnings management (which can be assimilated to conforming tax avoidance), meaning that incentives related to reporting higher net incomes prevail over the interest in engaging in tax optimization (in line with the results of Pierk, 2016). Floropoulos et al. (2024) identify 12 studies (published between 2005 and 2021)

that analyse the tax behaviour of private companies and find significant differences between it and the behaviour of listed companies.

Thomsen & Watrin (2018) calculate the differences between statutory and effective tax rates and find, for European companies over a 12-year period (2005-2016), a decrease in these differences, which can be interpreted as a reduction in tax avoidance attempts. A complementary explanation for these results could be that, over time, statutory tax rates have fallen and mechanisms to combat tax avoidance have been developed by the authorities.

Analyses of the effective tax rates of Romanian companies have also been published in studies that took into account listed Romanian companies. Lazăr & Istrate (2018) use a much more comprehensive ETR, in the sense that they take into account all taxes and fiscal/social contributions expensed by companies (income tax being only one of these taxes and not the most important one). As expected, Lazăr & Istrate (2018) report a negative effect of the increase in the tax burden on the profitability of companies. Using ETR (calculated using the same formula as in our study: current tax expense relative to gross profit), Istrate (2024) finds, for Romanian companies listed on both the regulated market and the AeRo alternative market, average effective tax rates significantly higher than the statutory rate, with a fairly clear downward trend over the period (2012-2021 for companies applying IFRS and 2000-2021 for companies applying Romanian standards).

The TA measurement is also done by Mocanu et al. (2021) for unlisted companies, based on their involvement in tax litigations with the authorities, disputes that resulted in convictions. The population analyzed by Mocanu et al. (2021) is identified on the Romanian court portal and includes a limited number of observations (236 companies), with observations over a five-year period and compared with the same number of companies with no tax issues. TA is approximated by Mocanu et al. (2021) by the differences between the accounting net income and the reconstituted taxable income as a ratio between the tax expense and the statutory tax rate, without taking into account the meaning of these differences.

3. Data and research methodology

The data processed in this study comes from a public portal (https://data.gov.ro/organization/mfp), where the Romanian Ministry of Public Finance has posted the main indicators from the financial statements submitted by Romanian companies. In column 1 of **Table no. 1** can be seen that the data made public by the Ministry of Finance is quite uneven in terms of numbers from year to year.

Table no. 1. Observations analysed

Year	Number of observations			Threshold METR (euro)
	Total	From which CIT		
		N	%	
0	1	2	3	4
2024	77,669	43,977	56.62	500,000
2023	79,949	44,167	55.24	500,000
2022	76,639	32,470	42.37	1,000,000
2021	71,808	28,215	39.29	1,000,000
2020	78,670	26,902	34.20	1,000,000
2019	76,664	27,353	35.68	1,000,000
2018	79,340	25,950	32.71	1,000,000
2017	93,138	36,207	38.87	500,000
Total 2017-2024	**633,877**	**265,241**	**41.84**	

Source: the portal data.gov.ro, accessed at 29 March 2024, 17 January 2025 and 6 July 2025

The tax classification of companies paying corporate income tax or tax on revenues (as microenterprises) is not available: we could not find the information on data.gov.ro, so it was necessary to use approximations. Therefore, in order to identify approximately the companies paying corporate income tax (CIT), only the observations with

sales higher than the threshold for classification under the micro-enterprise tax on revenues (METR) were retained (in column 3 of **Table no. 1**). We multiplied by the leu/euro exchange rate at the ending of the financial year immediately preceding each financial year. We did not take into account the total revenue indicator, as it may also include some revenues that are not included in the calculation of the threshold or in determining the basis for calculating the METR: pseudo-revenues from, income from subsidies, income from the cancellation/reduction of impairment adjustments and provisions, exchange rate differences, discounts received/granted).

In this study, we only consider observations from 2017 to 2024, as during this period the threshold for recognition as an METR payer increased significantly from €100,000 in 2016 to €500,000 (starting in February 2017) and €1,000,000 (starting in 2018, to drop again to €500,000 in 2023 and 2024). These important thresholds have created the conditions for many companies to turn more seriously to METR, given that it is an easy tax to manage and its consequences on the company's treasury have been considered much more bearable than those of other taxes (especially CIT). These arguments (to which others undoubtedly add) have made METR a preferred tax, to the detriment of corporate income tax, a fact somewhat acknowledged by the vehement opposition from the business community when the government initiated procedures to change the law, in the sense of significantly tightening the conditions for classification as micro-enterprises, by bringing the threshold back to EUR 500,000 (starting in 2023 and continuing in 2024), then to EUR 250,000 (starting in 2025) and EUR 100,000 (2026), but also introducing new restrictions, particularly legal restrictions on the number of METR-paying companies in which a person can hold more than a 25% stake, the type of activity carried out, or the existence/non-existence of at least one employee. For the last two years (2023 and 2024) we also retained only companies with sales higher than the specific METR threshold, which certainly led to the exclusion of other companies with lower revenues but which do not meet other criteria introduced for these last two fiscal years.

Table no. 2. Comparison between the number and the percentage of the firms analysed and the total number of companies paying CIT

Year	Number of observations from companies supposed to pay corporate income tax		Percentage of companies analysed in total population*** %)
	Total*	Number of companies published by ANAF as being a corporate income tax payers**	
2024	43,977	726,473	6.05
2023	44,167	578,688	7.63
2022	32,470	128,114	25.34
2021	28,215	121,269	23.27
2020	26,902	118,477	22.71
2019	27,353	115,987	23.58
2018	25,950	103,993	24.95
2017	36,207	137,253	26.38
Total	**265,241**	**2,030,254**	**13.06**

* We reached this number by processing the information from data.gov.ro, that is after retaining only the companies whose sales exceeds the ceiling for tax on revenues of microenterprises. The total on the last column and the last row (for the eight years of the period) is not statistically significant – is only used to establish the 13.06% percentage for the whole period.

** Number published by ANAF in the fiscal statistical bulletins related to the 1st quarter of the year following each of the 8 years analysed, available at https://www.anaf.ro/anaf/internet/ANAF/despre_anaf/strategii _anaf/rapoarte_studii, last consulted on 6 July 2025

*** The significant restriction of the access to category of micro-enterprise paying tax on revenues, starting with 2023, is materializing in a massive increase in the number of companies paying corporate income tax and, therefore, in a decrease of the share of those retained in our sample, even if their absolute number in 2024 is the highest.

Source: own processing

On the other hand, for the years analysed in this study, the number of observations from data.gov.ro is limited in relation to the number of companies that the Romanian tax authority (ANAF) reports as paying corporate income tax. **Table no. 2** shows that we have, on average, about 13% of income tax-paying companies in our analysis. The difference is justified by companies that apply IFRS, banks and other financial and similar institutions, but especially by the fact that the data.gov.ro portal does not collect all the data available from what has been reported as financial statements to the authorities. In the period prior to the one covered by this study, on the same portal of the Ministry of Public Finance, we can find a much larger number of observations: over 600,000 per year in 2009-2014 and just over 100,000 per year in 2015 and 2016. We did not take into account this pre-2017 period, given that the threshold for micro-enterprises was low (€100,000) and did not represent a major attraction in terms of tax optimization through inclusion in this special category of companies.

We calculated the income tax expense by subtracting net profit from profit before tax, as these two indicators appear on data.gov.ro. In a first phase, the available data provides 265,241 observations (**Tables no. 1 and no. 2**), for which our approximations suggest that they would be subject to CIT. A summary of the observations is presented in **Table no. 3**, which also shows that the vast majority of companies for which the ministry provides public information report profits (89.75%), which tends to reinforce the results of the analyses.

Table no. 3. A brief description of the observations related to corporate income tax payers in the period 2017-2024

Year	Number of observations from companies supposed to pay corporate income tax				
	Total	From which			
		Reporting net profit		Reporting net income less than or equal to zero	
		N	%	N	%
2024	43,977	38,940	88.55	5,037	11.45
2023	44,167	39,566	89.58	4,601	10.42
2022	32,470	30,019	92.45	2,451	7.55
2021	28,215	26,015	92.20	2,200	7.80
2020	26,902	24,038	89.35	2,864	10.65
2019	27,353	24,599	89.93	2,754	10.07
2018	25,950	23,165	89.27	2,785	10.73
2017	36,207	31,700	87.55	4,507	12.45
Total	**265,241**	**238,042**	**89.75**	**27,199**	**10.25**

Source: own processing

The effective tax rate (ETR) is calculated as the ratio between income tax expense on the one hand and the profit before tax, on the other. There are no deferred taxes in RAS, so we have only one way to calculate ETR, using current income tax expense as the numerator. In order to eliminate/mitigate the effects of outliers, we opted to limit ETR values between 0 and 1, as in many articles in the literature: Gaertner (2014), Balakrishnan et al. (2019), Chyz et al. 2019, Habib et al. (2024). There were 6,086 observations with negative ETR, of which 5,988 are due to positive income tax expense reported on a negative income before tax. For these 5,988 observations, we winsorized the ETR to 1. In the other 98 observations with an initial negative ETR, the tax expense is negative, which leads us to consider an ETR = 0. Conversely, we found 724 observations with ETR > 1, which we brought to 1, equivalent to an income tax equal to the income before tax.

After calculating the ETR, we determined the difference between it and the STR, as Abdul Wahab et al. (2017) or Braga (2017) did; in the literature, STR-ETR often appears in reverse, as in Thomsen & Watrin (2018), Araujo et al. (2021), Amiram et al. (2018), Sanchez-Ballesta & Yagüe (2021), or Majeed & Yan (2019). Because the meaning of

the difference is important in identifying TA, we counted the observations with negative differences (ETR < STR) separately from those with positive differences (ETR > STR), but also calculated averages after converting them into absolute values, which gave us a clearer picture of the overall differences between the two indicators.

We performed analyses based on classic financial indicators frequently used in the literature: company size, profitability (ROA), the share of fixed assets in total assets, the share of cash in the total assets, and the presence of provisions in the balance sheet.

4. Results

After eliminating the outliers by bringing them to 0 or 1, we calculated an average ETR of 17.09% for the eight-year (**Table no. 4**). Compared to the statutory income tax rate and despite the significant differences that may arise between the accounting income and taxable income, this average ETR could suggest that the Romanian companies analysed behave, on average, in a manner consistent with tax compliance in terms of income tax, without engaging in TA. Indeed, the difference between the ETR of 17.09% and the statutory/legal rate (STR) of 16% is small and does not seem to lead to the identification of excessive tax avoidance behavior. For the years analysed, the differences between the STR and the average ETR are insignificant, with a fairly clear downward trend in the ETR. We can attribute this trend to better tax management on the part of companies paying income tax, given that relatively large companies with resources and, probably, interested in applying tax optimization techniques have remained in this category.

The decline in ETR from 2017 to 2022, averaging 0.3 percentage points per year, is close to the 0.4 percentage point ETR found by Dyreng et al. (2017) for a period of 25 years, leading the authors to conclude that TA increased significantly during that period. In our case, the data for only 6 years does not allow us to make such a statement, especially since the average ETR remains very close to the statutory rate and it would be interesting to add more years to the analysis in order to identify a possible long-term trend. The significant increase in ETR in 2023 is probably explained by the large number of observations in that year, but also by the fact that many profitable companies that, in 2022, paid only METR, entered the category of CIT payers and did not have time to adapt their tax policies in order to reduce their tax expenses or, perhaps, did not have the means to do so.

Table no. 4. Average ETR for the 2017-2024 period

Year	Average ETR by years, total observations (%)	Statutory income tax rate (%)
2024	17.72	16.00
2023	17.22	16.00
2022	15.88	16.00
2021	15.55	16.00
2020	16.26	16.00
2019	17.58	16.00
2018	17.94	16.00
2017	18.08	16.00
Total	**17.09**	**16.00**

Source: own processing

This result is somewhat unexpected, given the major *de jure* differences between the accounting and taxation of the revenues and expenses in Romania.

In order to see the extent to which this approximation between the effective rate and the statutory rate is confirmed, it is therefore necessary to analyse the difference between the two. The first step we took in this regard was to consider individual observations. Applying the t-test for ETR and STR to all observations analysed (265,241), we arrive at a two-tailed P(T<=t) much lower than 0.05, which shows us that the differences between ETR and STR are, however, significant if we analyse them individually. To identify the meaning of these significant differences, we calculated the differential ETR-STR and obtained a number of 168,933 observations (63.85%) in which ETR < STR, compared to 96,308 observations with ETR ≥ STR (**Table no. 5**).The simplest interpretation of these results suggests that most companies (about two-thirds of them) pay less tax than the statutory rate applied to the income before tax, with an average difference of 5.97 percentage points (p.p.), and that we can suspect a certain orientation towards TA in the case of these companies. In the opposite situation, the effective rate is higher than the statutory rate with 13.47 p.p. This helps us better understand why the t-test gives significant differences between ETR and STR. To get an even clearer picture of these differences, we put them in absolute values and got an average difference between ETR and STR of 8.69 p.p, which we can also consider quite significant. Therefore, the analysis of the difference between ETR and STR clearly refutes the general trend suggested by the ETR averages in Table 4.

Table no. 5. Differential ETR-STR for the 2017-2024 period

Year	Observations with ETR≥STR		Average differential, for companies with ETR≥STR (percentage points)	Observations with ETR<STR		Average differential, for companies with ETR<STR (percentage points)	Differential ETR-STR, in absolute value (percentage points)
	N	%		N	%		
2024	16,321	37.11	13.48	27,656	62.89	-5.22	8.28
2023	13,954	31.59	16.89	30,213	68.41	-6.02	9.45
2022	9,594	29.55	13.24	22,876	70.45	-5.72	7.95
2021	7,999	28.35	12.89	20,216	71.65	-5.73	7.76
2020	8,526	31.69	13.53	18,376	68.31	-5.90	8.32
2019	11,944	43.67	11.83	15,409	56.33	-6.37	8.75
2018	11,360	43.78	12.69	14,590	56.22	-6.43	9.17
2017	16,610	45.88	12.68	19,597	54.12	-6.89	9.55
Total	**96,308**	**36.15**	**13.47**	**168,933**	**63.85**	**-5.97**	**8.69**

Source: own processing

The figures reported in **Table no. 5** describe a situation that is completely different from what results from the simple average of the ETR over the entire period and confirm the results of the t-test mentioned above. In the case of negative differences (ETR < STR), we can estimate that a significant number of companies (almost 2/3 of the total) apply tax optimization techniques that lead to a reduction in reported income tax. We say tax optimization and not tax evasion or tax fraud because we assume that these companies have not broken tax laws—we have no evidence to suggest otherwise. It is very possible, for example, that ETR < STR results from tax exemptions or reductions (investments, positive equity, other facilities), tax credits or similar items, or tax deductions and non-taxable revenues greater than non-deductible expenses. In turn, very large positive differences (ETR > STR) could be generated by non-deductible expenses that are (much) higher than tax deductions or tax credits.

Of course, the averages, both for total ETR and for the difference between ETR and STR, can hide numerous extremes, and it becomes interesting to continue the analysis by taking into account discriminating factors, such as the those mentioned above in the methodology section. It would also be useful to mobilize other types of data—to which we do not have public access – regarding, for example, the structure of shareholding, the degree of exposure to foreign operations, presence in tax havens, membership in groups of companies, and involvement in intra-group transactions, etc.

4.1. The difference ETR-STR according to firm size

According to Romanian accounting standards, the size of companies is determined by taking into account three indicators: total assets, turnover, and number of employees. In fact, financial and accounting literature enshrines these measures of company size: Hashmi et al. (2020) remind us that assets, sales, number of employees, and market capitalization are the most commonly used indicators for measuring company size. It is even possible to calculate an aggregate size indicator that takes all three variables into account. As far as we are concerned, we consider that the most appropriate indicator in our analysis is sales, on the grounds that sales flows are more representative of unlisted Romanian companies than the balances recorded in the balance sheet or the number of employees.

To ensure better comparability of the figures used over time, we divided the amounts in lei by the average euro exchange rate, then calculated the median sales for each year. The result would have been the same for the figures reported in lei (except for the total period row), but expressing them in euros makes the comparison over time between the medians of the sales more relevant. We consider companies with sales above the median to be large, and the others to be small.

Table no. 6 reports the differences between ETR and STR, depending on the size of the company.

Table no. 6. Differential ETR-STR for the 2017-2024 period, by firm size, according to the median of the sales (in percentage points)

Year	Median of sales (euro)	ETR-STR≥0 (percentage points)		ETR-STR<0 (percentage points)		Abs (ETR-STR) (percentage points)	
		Large firms	Small firms	Large firms	Small firms	Large firms	Small firms
2024	2,004,966	13.94	13.13	-4.88	-5.61	7.78	8.79
2023	1,957,984	12.72	20.13	-5.46	-6.65	7.46	11.45
2022	2,771,424	12.46	13.91	-5.29	-6.19	7.22	8.67
2021	2,636,524	12.27	13.39	-5.38	-6.11	7.14	8.37
2020	2,564,534	13.60	13.47	-5.64	-6.18	7.98	8.66
2019	2,509,163	10.94	12.62	-5.98	-6.81	8.00	9.51
2018	2,469,303	11.39	13.83	-6.19	-6.69	8.31	10.02
2017	1,575,563	11.60	13.60	-6.32	-7.55	8.56	10.53
Total period	**2,256,751**	**12.31**	**14.42**	**-5.55**	**-6.44**	**7.76**	**9.63**

Source: own processing

In **Table no. 6** we observe, first of all, that the median sales increased systematically from 2018 to 2022 – years in which the threshold for METR payers exceeded €1,000,000. For 2017 and 2023/2024 (€500,000), the median is naturally lower due to the large number of companies with revenues between the two thresholds.

Regarding the ETR-STR differential, we applied the t-test, and the differences between small companies (sales below the median) and large companies (sales above the median) are significant. In fact, we rerun the calculations for the other size indicators (total assets and average number of employees), and the results (not reported here) are similar and significant.

Overall, the figures reported by small firms lead to more significant ETR-STR differences than those reported by large firms, both for positive and negative differences and in absolute values. This result may suggest greater fiscal aggressiveness on the part of small companies in the case of negative differences, i.e., a greater inclination toward TA. Conversely, in the case of positive differences, small companies appear to be more exposed, in the sense that the data they provide show significantly higher effective tax rates than those calculated for large companies. In all cases, the differences between ETR and STR are significant and, in the case of positive differences for small firms, almost double the statutory tax rate of 16%.

Although the ETR-STR differences are significant for all companies, they are slightly lower for large companies, which can be interpreted as an indication that large companies, knowing that they are more exposed – precisely because of their size – pay more attention to the application of tax optimization techniques.

4.2. ETR-STR and the leverage

In the literature we find conclusions from studies according to which more leveraged companies may have lower ETRs for at least two reasons. First, more liabilities may have generated interest and similar expenses, which reduce taxable income and, therefore, income tax. Also, debt, to the extent that it stems from the company's desire to make investments, can lead to a reduction in taxable profit as a result of the tax exemption facility for invested profit. At the same time, investments do not immediately translate into spectacular increases in profits, as they are specific to the launch phases of certain products/activities. High debt can also be interpreted as a financial constraint, in the sense that the company has more limited access to loans, in which case internal resources obtained through tax optimization may be cheaper (Wilson, 2009; Law & Mills 2015) and the ETR would be lower. A decrease in ETR – as a measure of the company's tax planning – is also found by Edwards et al. (2016) for companies subject to various financial constraints, not necessarily related to debt.

Leverage was calculated as the ratio between liabilities (total assets – equity) on the one hand, and total assets on the other, after which the observations were divided into two groups: low leverage (below the median) and high

leverage (above the median), both for each year analysed and for the entire period. Table no. 7 shows a very clear differentiation between companies with low debt and those with high debt. For all categories of ETR-STR (negative, positive, absolute value), companies with high leverage have significantly different – higher – figures in terms of the differences between the effective rate and the statutory rate (the t-test confirms this statement).

Table no. 7. Differential ETR-STR for the 2017-2024 period, by leverage (in percentage points)

Year	Median of leverage (L)	ETR-STR≥0 (percentage points)		ETR-STR<0 (percentage points)		Abs (ETR-STR) (percentage points)	
		High leverage	Low leverage	High leverage	Low leverage	High leverage	Low leverage
2024	0.5802	15.00	11.49	-6.46	-4.16	10.06	6.51
2023	0.5647	18.65	14.19	-6.85	-5.34	11.37	7.54
2022	0.6122	15.28	10.08	-6.39	-5.17	9.59	6.31
2021	0.5659	15.10	9.39	-6.76	-4.93	9.61	5.91
2020	0.5776	15.53	10.65	-7.37	-4.66	10.42	6.22
2019	0.5907	14.63	8.39	-8.04	-4.94	11.22	6.29
2018	0.6071	15.76	8.98	-8.10	-4.98	11.77	6.57
2017	0.6255	15.99	8.94	-8.82	-5.15	12.31	6.78
Total period	**0.5899**	**15.76**	**10.37**	**-7.38**	**-5.06**	**10.94**	**6.61**

Source: own processing

It is possible that these results are also influenced by a specific of Romanian companies, especially the unlisted ones. Many of these companies, especially when they have few associates/shareholders (or even unique associate) are indebted by contracting loans from these associates/shareholders. Such indebtedness is often not cost-bearing or, if there are such costs (interests), then they are subject to a special tax regime, being deductible with some difficulties.

4.3. ETR-STR and the profitability

It is expected that more profitable companies will pay higher taxes, but it should also be borne in mind that they have greater resources for tax avoidance (McGuire et al., 2012). Thus, we could expect that the profitability of the company will influence the effective tax rate. To measure profitability, we chose the ratio return on sales (ROS); here too, we considered that sales is a more representative measure of companies' activity and that it can better characterize their operational performance. Table no. 8 shows that for the profitability indicator we chose (ROS), there are significant differences in the ETR-STR differential, both overall and for each year, with significantly lower figures for more profitable companies. It is also interesting to note that, on average, better profitability brings ETR below STR for all three ETR indicators. Thus, companies with above-median profitability have (much) smaller differences between ETR and STR than companies with below-median profitability. The differences are significant (according to the t-test) and probably reflect a specific feature of the Romanian economy – it would be worth doing the calculations for other economies, especially in Central and Eastern Europe, to get a broader picture of the financial profiles of companies in this region.

These results can be explained by the fact that, in the case of investments in equipment and other fixed assets eligible for tax exemptions on invested profits, more profitable companies benefit from higher amounts exempt from income tax, which can significantly reduce the tax due, even if the taxable result is high. Apart from the tax exemption on invested profits, it is possible that for profitable companies, the amounts granted as sponsorships may go up to 0.75% of sales, until they reach 20% of the calculated CIT. This confirms the statement we quoted above from the literature, according to which the trend is for companies with high profits to try to reduce their tax liability through tax optimization techniques.

Table no. 8. Differential ETR-STR for the 2017-2024 period, according to the median of the ROS (in percentage points)

Year	Median of ROS	ETR-STR≥0 (percentage points)		ETR-STR<0 (percentage points)		abs(ETR-STR) (percentage points)	
		Large ROS	Small ROS	Large ROS	Small ROS	Large ROS	Small ROS
2024	0.0528	2.27	18.46	-3.20	-7.88	2.97	13.04
2023	0.0582	2.21	21.72	-4.92	-7.78	4.50	14.40
2022	0.0605	1.90	17.20	-5.00	-6.82	4.52	11.37
2021	0.0589	2.03	16.59	-4.82	-7.07	4.42	11.10
2020	0.0499	2.19	18.56	-4.24	-8.29	3.84	12.80
2019	0.0436	2.00	17.58	-4.64	-8.98	3.79	13.72
2018	0.0418	2.05	18.94	-4.62	-9.15	3.79	14.55
2017	0.0417	2.11	19.64	-4.57	-10.19	3.67	15.42
Total period	0.0508	**2.08**	**18.71**	**-4.46**	**-8.29**	**3.91**	**13.47**

Source: own processing

4.4. ETR-STR according to the weight of some asset/liabilities items

The presence of certain structures in the balance sheet may be related to ETR. The items most frequently found in the literature are fixed assets, inventories, and treasury. We calculated the ratio between the values of these indicators and total assets, determined the median, and calculated the average ETR-STR differential, by year and in total.

The differences between the two categories of companies – with fixed asset weights (IMO = fixed assets/total assets) above the median and below the median, respectively – are significant (according to the t-test) for all three situations we are analysing in terms of the ETR-STR differential. We see that a higher share of fixed assets can be associated with higher ETR-STR differentials than in the case of fixed asset shares below the median. In the case of ETR-STR<0, where we can say that tax optimization is significant, the higher differential for companies with higher proportions of fixed assets could be explained by the tax deductions associated with this type of asset: first, the tax exemption on profits invested in certain fixed assets can be significant and may prove that the respective tax facility is frequently activated by companies paying income tax. Second, tax depreciation deductions may be higher than accounting deductions; these could be, for example, accelerated or declining tax depreciation, or depreciation over tax periods shorter than accounting periods. At the same time, companies with more fixed assets may be more leveraged, which generates interest-deductible expenses and reduces both the taxable and accounting incomes (**Table no. 9**).

Table no. 9. ETR-STR, depending on the share of total fixed assets (IMO), for the period 2017-2024

Year	Median of the capital intensity (IMO)	ETR-STR≥0 (percentage points)		ETR-STR<0 (percentage points)		abs(ETR-STR) (percentage points)	
		Big IMO	Small IMO	Big IMO	Small IMO	Big IMO	Small IMO
2024	0.2975	14.20	12.67	-5.89	-4.59	9.14	7.43
2023	0.2928	18.33	15.39	-6.89	-5.16	10.58	8.32
2022	0.2743	13.98	12.54	-6.48	-4.95	08.65	7.24
2021	0.2859	14.29	11.53	-6.55	-4.90	08.71	6.81
2020	0.2869	15.76	11.25	-6.66	-5.15	09.57	7.07
2019	0.3066	12.98	10.78	-7.21	-5.47	09.63	7.88
2018	0.3103	14.28	11.24	-7.29	-5.49	10.20	8.13
2017	0.3261	14.32	11.15	-7.72	-6.01	10.64	8.46
Total period	**0.2970**	**14.81**	**12.03**	**-6.79**	**-5.15**	**9.70**	**7.69**

Source: own processing

Given the balance sheet equality between assets and equity + liabilities, we can expect the situation to be reversed in the case of inventories and cash. Indeed, our calculations – not reported in the text – show significant differences between the ETR-STR differential for companies with above-median inventories/cash flow and those below the median. Thus, the average positive differential (ETR-STR > 0) over the entire period is 12.38 p.p. for companies with above-median inventory shares in assets, compared to 14.57 p.p. for companies with below-median inventories. The same is true for the negative differential (-5.49 p.p. versus -6.45 p.p.) and for the absolute value (7.99 p.p. versus 9.39 p.p.). In the case of cash, the differences are even more significant (according to the t-test, as in the case of the share of inventories) and have the same meaning as for inventories: 11.56 p.p. compared to 15.15 p.p. (for companies with ETR-STR>0), -5.13 p.p. compared to -6.87 p.p. (for companies with ETR-STR<0) and 7.32 p.p. compared to 10.07 p.p. for the differential taken in absolute values.

Table no. 10. Differential ETR-STR for the 2017-2024 period, according to the presence of the provisions in the balance sheet (in percentage points)

Year	ETR-STR≥0 (percentage points)		ETR-STR<0 (percentage points)		abs(ETR-STR) (percentage points)	
	with provisions	without provisions	with provisions	without provisions	with provisions	without provisions
2024	19.67	12.52	-6.19	-5.06	11.07	7.84
2023	17.99	16.72	-6.89	-5.88	10.38	9.31
2022	17.18	12.41	-6.79	-5.52	10.07	7.53
2021	15.40	12.31	-6.98	-5.49	09.62	7.38
2020	17.99	12.47	-7.51	-5.57	11.10	7.72
2019	14.11	11.40	-8.04	-6.04	10.65	8.39
2018	15.08	12.25	-8.18	-6.09	11.16	8.79
2017	14.94	12.36	-8.68	-6.63	11.47	9.27
Total period	**16.60**	**12.91**	**-7.27**	**-5.74**	**10.67**	**8.34**

Source: own processing

Romanian accounting standards also include the principle of prudence, which justifies a significant part of the detailed rules, especially regarding the treatment of favourable vs. unfavourable differences in value found during inventory or at other occasions, in relation to the company's assets and liabilities. Of course, the application of these rules requires a high-performance information system, and the costs of designing and operating such a system are significant, which many companies are not fully prepared to bear. This leads us to assume that many companies do not make any provisions or adjustments for depreciation, precisely in order to avoid the costs of additional actions and records. Continuing with our assumptions, we believe that compliance with these consequences of prudential rules is particularly important when accounting and financial reporting are verified, especially by financial audits. As few companies are subject to auditing requirements, we expect fewer companies to report adjustments/provisions. From the data published by the MFP, we have no indication of the existence of impairment adjustments, but we can identify the companies that report provisions in their balance sheets. This latter information is also incomplete, as some companies may use their provision accounts during the financial year without having a closing balance: this information could be seen in the profit and loss account – if we had access to its entire structure, which is not the case – but we cannot detect it on the balance sheet. In the data retained in the analysis, out of the 265,241 observations, 225,146 (84.88%) do not show provisions in the balance sheet, leaving relatively few observations (40,095) in which companies report such probable liabilities: 15.12%. For companies paying CIT, the presence of provisions is sometimes also correlated with their tax deductibility: we know that the Tax Code significantly restricts this deductibility, which may have an effect on the presence of the aforementioned structures in the balance sheet. The link between taxation and

accounting in the case of provisions can also manifest itself in another way – although we believe this is unlikely to happen, especially in Romania – there are provisions that are recognized for tax purposes and are not necessarily accounted for as such: so the tax presence of some provisions is not necessarily conditional on their reporting in the balance sheet (this is confirmed by a specific line in the tax deductions section of the income tax return).

In the case of the ETR-STR differential, the differences between the two categories of firms (with and without provisions, respectively – **Table no. 10**) are statistically significant (according to the t-test), in the sense that firms with provisions report higher ETR than STR in all three situations. The explanation probably lies, as shown above, precisely in the non-deductible nature of the respective provisions. For companies with provisions in their balance sheets, we tested whether the ETR-STR differential shows differences, depending on whether the observations are above or below the median of the share of provisions in total assets: the results (not reported) show that there are no significant differences, with almost all observations being on the same coordinates, depending on the direction of the ETR-STR difference.

5. Conclusions

The disconnect between accounting and taxation is a global trend observed in many studies (Floropoulos et al., 2024), as a result of developments in accounting and financial reporting standards, as well as tax regulations.

Following the publication by the MFP of accounting indicators reported by Romanian companies in their annual financial statements, we collected several observations for the period 2017-2024, given that the portal consulted only presents a portion of eligible Romanian companies. In order for the analyses proposed in this study to be meaningful, we removed from the observations those that we assumed to come from companies paying micro-enterprise revenues tax, taking into account the thresholds for classification in this category. Our analysis period begins in 2017, because in that year the threshold increased significantly from €100,000 (in 2016) to €500,000 (starting in February 2027), reaching €1,000,000 in 2018 and remaining at this level until 2022, after which it fell again to €500,000 in 2023 and 2024.

Under these circumstances, we have 265,241 observations regarding companies that we assume to be corporate income tax payers – the risk of error is low, given that we have only taken into account sales, as we do not have the information necessary to identify other revenues that is included in setting the aforementioned thresholds. It is also likely that the excluded observations include companies that pay income tax, even if they have revenues/sales lower than the aforementioned annual thresholds, for reasons related (especially in 2023-2024) to the failure to meet other criteria for classification in the category of micro-enterprises paying revenues tax.

In the case of corporate income tax payers, the literature proposes a relevant indicator used as a proxy to characterize the tax behaviour of firms. This is the effective tax rate (ETR) in its simplest form (the only one available for the observations we had access to): the ratio between current income tax expense and profit before tax. This ETR is often an indicator that measures the level of tax avoidance. We calculated the ETR for all available observations and, after bringing the extremes to 0 and 1 (i.e., 0% and 100%), we calculated the average (17.09%), which differs very little from the statutory rate (STR) of 16%, valid throughout the analysed period. However, the conclusion of almost perfect tax compliance would be too simplistic, especially given that the Romanian tax authorities seem to have major difficulties in collecting public revenues. Thus, we compared the ETR individually with the STR and, applying the t-test, we found that the differences between the ETR and the STR are, nevertheless, significant. To operationalize this situation, we continued by calculating the ETR-STR differential and interpreting it. We thus find that most of the companies in the sample (63.85%) have ETRs lower than STRs and that the average difference between the two rates is significant, standing at -5.97 p.p.; it follows that, on average, almost two-thirds of the companies in the sample pay an effective tax rate of just over 10% of gross profit. For the remaining 36.15% of observations, where ETR > STR, the average difference is much greater, rising to almost 13.5 p.p. and bringing the effective rate to almost 30%. In any case, putting together the positive and negative differences – by calculating their absolute values – we arrive at a differential of 8.69 p.p., more than half of the statutory tax rate.

Continuing the analysis, we established the average ETR and the ETR-STR differential, based on relevant indicators present in the literature, such as company size, leverage, profitability, and the presence and weight in the balance sheet of certain assets or liabilities.

If we measure the size of the company by total sales, we find that smaller companies (with below-median sales) report higher ETRs and that the differences between the two categories of companies (large vs. small) are statistically significant. The results are roughly the same if firm size is measured by total assets, but for the number of employees, the differences are significantly blurred.

On average, lower debt leads to lower ETRs, which does not necessarily correspond to the results reported in the relevant literature: it is true that the companies analysed in this study are not listed and that the results of most other studies refer to listed companies. It is very likely that the behaviours of the two categories of companies (listed vs. unlisted) differ in terms of their reaction to debt. The results we obtained by considering the average ETR are confirmed by the ETR – STR differential: for all three categories (negative, positive, and absolute differences), we find relevant differences between companies with low debt vs. companies with high debt, in the sense that the former show smaller ETR-STR differentials than the latter.

In terms of profitability, for the ROS indicator, there are significant differences in ETR, both overall and for each year, with significantly lower figures for more profitable companies. It is also interesting to note that, on average, better profitability brings ETR below STR for all three ETR indicators.

Analyzing the ETR-STR differential, we observe opposite effects of the weights of the two asset structures: while for fixed assets, levels above the median lead to significantly larger negative differentials than levels below the median, in the case of inventories, the situation is reversed. For cash, observations with levels above the median lead to larger differentials than those with levels below the median. The presence of provisions in the balance sheet leads to larger ETR-STR differentials than the absence of provisions.

The limitations of the study relate primarily to the sample analysed: even though the number of observations is very large, it corresponds to only a fraction, slightly over 10%, of the total population. Thus, the possibilities for generalising the results are limited, especially since we have no control over how the MFP selected the companies whose financial data is made public on the platform from which it was downloaded. Another limitation is the lack of data that would allow us, according to the models established in the literature, to perform analyses based on non-financial indicators related to governance (ownership structure, family or non-family nature, intervention of an auditor, structure and size of the board, where applicable, professional experience of key persons in the company's management, etc.). We can also point out as a limitation the lack of an econometric model through which ETR or the ETR-STR differential can be correlated with relevant financial or non-financial variables.

References

1. Abdul Wahab, N. S. (2016), Malaysian multinational companies (MNC): Permanent and temporary nature of tax planning, *Cogent Business & Management*, vol. 3, no. 1, 1248644
2. Amiram, D. Bauer, A. M., Frank, M. M. (2019), Tax Avoidance at Public Corporations Driven by Shareholder Taxes: Evidence from Changes in Dividend Tax, *The Accounting Review*, vol. 94, no. 5, pp. 27-55
3. Araújo, V. C., Góis, A. D., Mendes De Luca, M. M., Franco de Lima, G. A. S. (2021), CEO narcissism and corporate tax avoidance, *Revista Contabilidade & Finanças*, vol. 32 (85), pp. 80-94
4. Athira, A., Jijo Lukose, P. J. (2024), The Increasing Trend in Effective Tax Rates in India: Role of Macroeconomic Factors, Tax Policy Changes and Firm Characteristics, *Journal of Emerging Market Finance*, vol. 23 (3), pp. 279-305
5. Badertscher, B. A., Katz, S. P., Rego, S. O., & Wilson, R. J. (2019), Conforming tax avoidance and capital market pressure. *Accounting Review*, vol. 94, no. 6, pp. 1–30.
6. Balakrishnan, K., Blouin, J., Guay, W. (2019), Tax Aggressiveness and Corporate Transparency, *The Accounting Review*, 94 (1): 45–69
7. Braga, R. N. (2017), Effects of IFRS adoption on tax avoidance, *Revista Contabilidade & Finanças*, vol. 28, no. 75, pp. 407-424
8. Chyz, J. A., Gaertner, F. B. (2018), "Can Paying Too Much" or "Too Little" Tax Contribute to Forced CEO Turnover?, *The Accounting Review*, vol. 93, no. 1, pp. 103-130
9. Dyreng, S. D., Hanlon, M., Maydew, E. L., Thornock, J. R. (2017), Changes in corporate effective tax rates over the past 25 years. *Journal of Financial Economics,* 124: 441–63.

10. Edwards, A., Schwab, C., Shevlin, T (2016), Financial Constraints and Cash Tax Savings, *The Accounting Review*, vol. 91, no. 3, pp. 859-881
11. Floropoulos, S., Tsipouridou, M., Spathis, C. (2024), Book-tax conformity and earnings management: A research agenda, *Journal of International Accounting, Auditing and Taxation*, vol. 54: 100603
12. Gaertner, F. B. (2014), CEO After-Tax Compensation Incentives and Corporate Tax Avoidance, *Contemporary Accounting Research*, vol. 31, no. 4, pp. 1077–1102
13. Habib, A., Ranasinghe, D., Perera, A. (2024), Strategic Deviation and Corporate Tax Avoidance: A Risk Management Perspective, *Journal of Risk and Financial Management* 17: 144.
14. Hanlon, M., Heitzman, S. (2010), A Review of Tax Research, *Journal of Accounting and Economics*, Volume 50, Issues 2–3, Pages 127-178
15. Hashmi, S., D., Gulzar, S., Ghafoor, Z., Naz, I. (2020), Sensitivity of firm size measures to practices of corporate finance: evidence from BRICS, *Future Business Journal*, vol. 6, no. 1, 9
16. Istrate, C. (2023), A brief literature review on the proxies used to measure the corporate income tax avoidance, in volume „European Financial Resilience and Regulation - EUFIRE 2023" (editors Mihaela Tofan, Irina Bilan, Elena Cigu), *Editura Universității „Alexandru Ioan Cuza" din Iași*, pp. 142-150
17. Istrate, C. (2011), Evolutions in the accounting – taxation (dis)connection in Romania, after 1990, *Review of Economic and Business Studies*, vol. 4, no. 2, pp. 43-61
18. Istrate, C. (2024), Accounting and taxation in Romania: from connection to disconnection?, Journal of *Accounting and Management Information Systems*, vol. 23, no. 1, pp. 5-28
19. Jacob, M., & Rohlfing-Bastian, A. (2020). Why do not all firms engage in tax avoidance?, *TRR 266 Accounting for Transparency Blog*, available on https://www.accounting-for-transparency.de/why-do-not-all-firms-engage-in-tax-avoidance/, accesat pe 11 mai 2024
20. Jimenez-Angueira, C. E. (2018), The effect of the interplay between corporate governance and external monitoring regimes on firms' tax avoidance, *Advances in Accounting*, vol. 41, p. 7–24
21. Kubick, T. R., Lynch, D. P., Mayberry, M. A., Omer, T. C. (2015), Product market power and tax avoidance: Market leaders, mimicking strategies, and stock returns. *The Accounting Review*, 90: 675–702.
22. Law, K. K. F, Mills, L. F. (2015), Taxes and financial constraints: Evidence from linguistic cues. *Journal of Accounting Research*, 53: 777–819.
23. Lazăr, S., Istrate, C. (2018), Corporate tax-mix and firm performance. A comprehensive assessment for Romanian listed companies, *Economic Research-Ekonomska Istraživanja*, vol. 31, no. 1, pp. 1258-1272
24. Majeed, M. A., Yan, C. (2019), Financial statement comparability and corporate tax avoidance: evidence from China, *Economic Research-Ekonomska Istraživanja*, vol. 32, no. 1, pp. 1813-1843
25. McGuire, S. T., Omer, T. C., Wang, D. (2012). Tax avoidance: Does tax-specific industry expertise make a difference? *The Accounting Review,* 87: 975–1003
26. Mocanu, M., Constantin, S. B., Răileanu, V. (2021), Determinants of tax avoidance – evidence on profit tax-paying companies in Romania, *Economic Research-Ekonomska Istraživanja*, vol. 34, no. 1, pp. 2013-2033
27. Pierk, J. (2016), Are Private Firms Really More Tax Aggressive Than Public Firms?, *WU Vienna University of Economics and Business. WU International Taxation Research Paper Series No. 2016-02*, available at https://research.wu.ac.at/de/publications/are-private-firms-really-more-tax-aggressive-than-public-firms-3, accessed on 11 May 2024
28. Sánchez-Ballesta, J. P., Yagüe, J. (2021), Financial reporting incentives, earnings management, and tax avoidance in SMEs, *Journal of Business Finance & Accounting*, Volume 48, Issue 7-8, pp. 1404-1433
29. Sarhan, A. A., Elmagrhi, M. H., Elkhashen, E. M. (2024), Corruption prevention practices and tax avoidance: The moderating effect of corporate board characteristics, *Journal of International Accounting, Auditing and Taxation*, vol. 55, 100615
30. Thomsen, M. Watrin, C. (2018), Tax avoidance over time: A comparison of European and U.S. firms, *Journal of International Accounting, Auditing and Taxation*, vol. 33, pp. 40–63
31. Watrin, C., Ebert, N., & Thomsen, M. (2014). Book-tax conformity and earnings management: Insights from European one- and two-book systems. *Journal of the American Taxation Association*, vol. 36, no. 2, pp. 55-89
32. Wilson, R. J. (2009), An examination of corporate tax shelter participants, *The Accounting Review*, 84(3): 969–999.