

The Effect of Audit Quality on the Relationship Between Integrated Financial Reporting and Tax Avoidance in Companies Listed on the Tehran Stock Exchange

Majid Shoaee¹, Maryam Sadeghi^{2,*}



¹ Master's Student, Department of Accounting, Faculty of Management and Innovation, Shahid Ashrafi Esfahani University, Isfahan, Iran; 

² Assistant Professor, Department of Accounting, Faculty of Management and Innovation, Shahid Ashrafi Esfahani University, Isfahan, Iran; 

* Correspondence: m.sadeghi@ashrafi.ac.ir

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Abstract: The primary objective of the present study was to examine the effect of audit quality on the relationship between integrated financial reporting and tax avoidance in companies listed on the Tehran Stock Exchange. The statistical population comprised all companies listed on the Tehran Stock Exchange over a 10-year period from March 21, 2015, to March 20, 2025. In this study, the companies were selected from the statistical population using systematic elimination sampling. Based on the criteria specified for systematic elimination, 146 companies were selected as the statistical sample. Library and field methods were used to collect the required data and information. The information required to calculate the variables and estimate the research models was collected from the balance sheets, income statements, and cash flow statements of the sample companies, the accompanying notes to their financial statements, and the CODAL website. Panel-data econometric techniques were employed for data analysis using EViews software, along with descriptive and inferential statistics. Panel data are obtained by combining time-series and cross-sectional data. The results indicated an inverse relationship between integrated financial reporting and tax avoidance. Regarding the control variables, financial leverage and firm loss had positive and statistically significant effects on tax avoidance, whereas return on assets had a negative and statistically significant effect on tax avoidance. The results of the second hypothesis demonstrated that audit quality strengthens the relationship between integrated financial reporting and tax avoidance. Furthermore, regarding the control variables, financial leverage and firm loss had positive and statistically significant effects on tax avoidance, whereas return on assets had a negative and statistically significant effect on tax avoidance.

Keywords: Audit quality, integrated financial reporting, tax avoidance.

1. Introduction

In contemporary capital markets, the quality, scope, and transparency of corporate reporting have become central concerns for investors, regulators, auditors, tax authorities, and other stakeholders. Traditional financial statements, although indispensable for evaluating financial position and performance, have increasingly been criticized for providing an incomplete representation of how firms create and preserve value over time. In response to these limitations, integrated reporting has emerged as a broader reporting approach that combines financial information with material nonfinancial information concerning governance, strategy, risks, opportunities, environmental performance, social responsibilities, and organizational prospects. The International Integrated Reporting

Framework conceptualizes integrated reporting as a mechanism for explaining how an organization's strategy, governance, performance, and prospects lead to value creation over the short, medium, and long term [1]. By improving the connectivity of corporate information, integrated reporting can reduce information fragmentation and provide stakeholders with a more comprehensive understanding of corporate activities and their consequences. Earlier research has also shown that integrated information can influence firms' information environments and financing conditions by reducing information asymmetry and improving the usefulness of corporate disclosures [2]. Evidence from the Iranian context similarly suggests that integrated reporting can contribute to higher-quality earnings through its association with agency costs and reporting behavior [3]. At the governance level, board characteristics have been identified as important determinants of firms' willingness and ability to provide integrated disclosures [4], while recent studies emphasize that high-quality disclosure has become particularly important for organizational sustainability and resilience in increasingly complex business environments [5].

One important consequence of enhanced corporate reporting concerns the transparency of firms' tax strategies and tax-related decision-making. Corporate taxation is no longer viewed exclusively as a technical matter of compliance with tax legislation; rather, it is increasingly interpreted through the lenses of corporate governance, accountability, sustainability, and stakeholder responsibility. Tax avoidance refers broadly to the use of legal arrangements, accounting choices, transactions, and organizational structures to reduce a firm's tax burden. Although tax avoidance may increase after-tax cash flows and provide short-term financial benefits, extensive or aggressive tax avoidance can generate regulatory, reputational, agency, and litigation risks. Organizational resources and accumulated capabilities may affect both firms' incentives and ability to engage in tax avoidance, and the value implications of such behavior depend on whether tax savings outweigh the associated agency and reputational costs [6]. More recently, changes in organizational technologies and digital transformation have further expanded the mechanisms through which firms may alter taxable income, reporting processes, and tax planning strategies [7]. At the same time, firm-specific characteristics and governance structures can affect tax avoidance decisions because they shape financing needs, monitoring intensity, managerial discretion, and the costs and benefits associated with tax planning [8]. Corporate social responsibility has likewise been linked to tax behavior, reflecting the growing expectation that socially responsible companies should display consistency between their public commitments and fiscal practices [9]. International evidence further indicates that environmental, social, and governance practices can mediate or alter the effect of board structures on corporate tax avoidance [10], whereas firm size, leverage, and capital intensity may create heterogeneous tax incentives whose consequences can depend on the quality of external monitoring [11].

Integrated financial reporting may be particularly relevant to tax avoidance because it broadens the range of information that managers are expected to disclose and strengthens the connection between economic performance, governance arrangements, social responsibilities, and long-term value creation. A firm that adopts a more comprehensive reporting approach may face greater pressure to justify tax strategies in relation to its publicly articulated commitments to accountability and sustainable value creation. Integrated reporting may therefore constrain highly opportunistic tax planning by increasing transparency, improving stakeholder scrutiny, and making inconsistencies between reported corporate responsibility and actual fiscal behavior more visible. Empirical evidence from South African listed companies suggests that higher integrated reporting quality is associated with differences in corporate tax avoidance practices, highlighting the capacity of integrated disclosure to influence tax-related behavior [12]. Research has also argued that integrated reporting can mitigate tax risks by improving the

visibility of tax positions, governance procedures, and related exposures [13]. Consistent with this perspective, evidence from listed firms indicates that integrated reporting can discipline corporate tax avoidance behavior by reducing informational opacity and increasing accountability [14]. European evidence has similarly documented a meaningful relationship between integrated reporting practices and corporate tax avoidance [15]. Furthermore, recent research from South Africa has connected integrated reporting quality, tax avoidance, and sustainable development, suggesting that tax behavior should be examined as part of the broader architecture of responsible corporate reporting rather than as an isolated financial outcome [16]. Integrated reporting has also been associated with greater transparency regarding corporate tax strategy, supporting the argument that a more connected disclosure system can reduce the informational advantages available to managers when designing and implementing opaque tax arrangements [17].

Nevertheless, integrated reporting alone may not be sufficient to ensure that disclosed information faithfully represents underlying corporate behavior. The effectiveness of any reporting framework depends not only on the quantity of disclosed information but also on its credibility, reliability, verifiability, and consistency with economic reality. In this respect, audit quality represents a critical component of the corporate monitoring system. High-quality auditing can strengthen confidence in reported information by increasing the likelihood that material misstatements, aggressive accounting choices, weak internal controls, and opportunistic managerial actions will be detected or constrained. Evidence from research on ESG disclosure demonstrates that audit quality can alter the consequences of nonfinancial reporting by strengthening the reliability of information provided to stakeholders [18]. Regulatory reforms affecting auditor independence, audit market structure, and auditor responsibilities have likewise been examined as mechanisms intended to enhance audit quality and reinforce the credibility of corporate reporting [19]. Auditor effectiveness may also be influenced by behavioral and governance-related attributes within the audit process, including the characteristics of audit committee leadership [20]. From a broader emerging-market perspective, audit quality has been identified as an important driver of corporate financial transparency across developing economies [21]. Research also suggests that audit quality can affect capital-market outcomes by improving the reliability of firm-specific information and reducing uncertainty surrounding reported corporate conditions [22]. Within the Iranian setting, integrated reporting itself has been associated with dimensions of auditor quality, indicating that more comprehensive reporting and external assurance mechanisms may develop in a mutually reinforcing manner [23].

The relevance of audit quality becomes especially pronounced in the context of tax avoidance because tax planning frequently involves complex judgments, estimates, classifications, transactions, and interpretations of tax rules. Managers may possess considerable informational advantages regarding the economic substance and tax implications of corporate transactions, creating opportunities for aggressive tax strategies that may not be readily observable by outside stakeholders. High-quality auditors can reduce this information asymmetry by scrutinizing tax-related estimates, deferred tax positions, unusual transactions, provisions, and accounting policies and by imposing greater discipline on managers' financial reporting choices. Iranian research has shown that auditor quality interacts with managerial and governance characteristics in explaining corporate tax avoidance [24]. Auditor expertise has also been examined in relation to the association between financial reporting quality and tax avoidance, supporting the view that the effectiveness of financial disclosure depends partly on the competence of the external auditor [25]. Similarly, audit committee characteristics and audit quality have been linked to differences in firms' tax avoidance practices [26]. More recent evidence indicates that the relationship between audit quality and tax avoidance may depend on complementary governance mechanisms such as board independence and the

financial expertise of audit committees [27]. Audit quality has also been identified as a moderating factor in the relationship between audit committee characteristics, gender representation, and tax avoidance [28]. International evidence further indicates that audit quality can constrain aggressive tax avoidance, particularly when firms' ownership structures create stronger incentives for tax minimization [29].

These arguments suggest that audit quality may not merely have an independent effect on tax avoidance; it may also shape the extent to which integrated financial reporting influences firms' tax behavior. Integrated reporting can increase the availability of information, but the disciplinary effect of such information is likely to be greater when external auditors provide credible monitoring and assurance. When audit quality is high, managers may have less ability to use symbolic or selective disclosure to create an impression of transparency while simultaneously engaging in aggressive tax practices. High-quality auditors can enhance the reliability of integrated reporting, increase consistency between financial and nonfinancial disclosures, and reinforce the accountability mechanisms through which stakeholders evaluate corporate tax behavior. Accordingly, several studies have explicitly conceptualized audit quality as a gatekeeping mechanism between integrated reporting and tax avoidance [30]. Longitudinal evidence further suggests that the relationship between integrated reporting and tax avoidance varies according to the strength of audit quality [31]. Comparable findings from emerging markets indicate that the interaction between integrated reporting and audit quality can influence the extent of corporate tax avoidance [32]. The combined role of integrated reporting and audit quality has also been emphasized in studies of corporate tax aggressiveness, where stronger audit monitoring appears to reinforce the constraining effect of transparent disclosure [33]. Cross-country evidence provides particularly direct support for the moderating role of audit quality in the association between integrated reporting quality and corporate tax avoidance practices [34]. Recent research similarly identifies audit quality as a moderator of the integrated reporting–tax avoidance relationship [35], while evidence on tax information disclosure suggests that the joint operation of integrated reporting and audit quality can improve corporate accountability and transparency regarding tax-related information [36].

The effectiveness of these mechanisms is also embedded in broader systems of corporate governance and stakeholder accountability. Integrated reporting is not produced in an institutional vacuum; its credibility and consequences depend on boards of directors, audit committees, ownership structures, assurance mechanisms, and organizational norms governing disclosure. Research on corporate social responsibility and shareholder wealth has demonstrated that board-related mechanisms can materially shape the quality and consequences of corporate responsibility practices [37]. Board gender diversity has also been identified as a factor that can moderate the association between integrated reporting quality and corporate tax avoidance, indicating that governance composition may affect how reporting practices translate into tax behavior [38]. From another perspective, accounting comparability and financial reporting quality can influence tax avoidance by reducing informational asymmetry and limiting managerial discretion in financial reporting [39]. These findings collectively reinforce the view that tax avoidance is best understood as the outcome of an interconnected system in which reporting practices, governance structures, managerial incentives, and external assurance jointly determine the scope available for opportunistic tax behavior.

The issue is particularly important in emerging capital markets, where institutional characteristics, ownership concentration, enforcement mechanisms, information asymmetry, and the development of corporate governance practices may cause the effects of reporting and auditing to differ from those observed in advanced economies. Evidence from emerging markets demonstrates that the interaction of audit quality and integrated reporting can

have distinctive implications for tax avoidance [32]. In such settings, improvements in disclosure do not automatically guarantee improvements in reporting credibility, because stakeholders must also be confident that disclosed information has been subject to effective monitoring. This issue is highly relevant to the Tehran Stock Exchange, where listed companies operate within a regulatory, ownership, reporting, and taxation environment that differs substantially from those of the countries in which much of the existing integrated reporting literature has been developed. Iranian evidence has separately examined integrated reporting, financial reporting quality, auditor characteristics, corporate governance, and tax avoidance [3, 23-27, 39]; however, comparatively less empirical attention has been directed toward whether audit quality systematically changes the relationship between integrated financial reporting and tax avoidance among firms listed on the Tehran Stock Exchange.

Addressing this gap is important for several reasons. First, examining integrated financial reporting in relation to tax avoidance extends the consequences of integrated reporting beyond conventional outcomes such as information quality, cost of capital, and stakeholder communication to a domain with direct implications for public revenues and corporate legitimacy. Second, considering audit quality as a moderator permits a more realistic assessment of whether transparency-oriented reporting mechanisms are equally effective under different levels of external monitoring. Third, examining the issue in an emerging-market setting contributes to the external validity of a literature that has increasingly documented cross-country heterogeneity in the reporting–tax avoidance relationship [34]. Fourth, the findings may assist regulators, investors, tax authorities, audit committees, and corporate boards in determining whether improvements in disclosure should be accompanied by stronger external assurance mechanisms. This perspective is consistent with evidence that effective governance and audit arrangements can influence tax behavior and enhance the credibility of corporate disclosures [28, 29]. It is also consistent with the growing conceptualization of integrated reporting as part of a broader accountability infrastructure in which high-quality reporting, sound governance, and effective auditing work together to reduce information asymmetry and constrain opportunistic managerial behavior [17, 36].

Therefore, the aim of the present study is to investigate the effect of integrated financial reporting on tax avoidance and to determine whether audit quality moderates this relationship among companies listed on the Tehran Stock Exchange.

2. Methodology

In terms of its objective, this research is applied and retrospective in nature. Based on the method of data collection, the study is descriptive-correlational. The statistical population comprised all companies listed on the Tehran Stock Exchange over a 10-year period from March 21, 2015, to March 20, 2025. In this study, the companies were selected from the statistical population using systematic elimination sampling and according to the following criteria:

1. The company must have been listed on the Tehran Stock Exchange before March 21, 2015, and must have remained active during the period from March 21, 2015, to March 20, 2025.
2. For comparability purposes, the company's fiscal year must end in March.
3. The company's financial information must be accessible.
4. The company must not be classified as a financial company (such as a bank or financial institution), leasing company, investment company, or financial intermediary.

Applying the aforementioned criteria resulted in the selection of 146 companies as the statistical sample of the study.

The variables in this study consist of dependent, independent, moderating, and control variables. The dependent variable is tax avoidance, which was measured as follows:

Tax Avoidance (TAit): Tax avoidance was measured using the effective tax rate. Because this measure is capable of capturing both temporary and permanent tax avoidance techniques, it is considered an appropriate indicator for examining corporate tax behavior. The effective tax rate is defined as the ratio of total tax expense to income before tax (Hassan et al., 2021). There is a negative relationship between the degree of tax avoidance and the effective tax rate; that is, as the effective tax rate increases, the level of corporate tax avoidance decreases. Accordingly, the calculated rates are generally multiplied by -1 to account for the inverse direction of this relationship.

The independent variable in this study is integrated financial reporting, which is examined below:

Integrated Financial Reporting (IFRit): Integrated financial reporting reflects management's commitment to developing a comprehensive perspective that encompasses both the financial and nonfinancial dimensions of the company. To evaluate this concept, the checklist developed by Sánchez and Gámez (2017) was used. The checklist includes environmental factors (resource reduction, emission reduction, and product innovation), social factors (health and safety, training and development, and diversity and opportunity), governance factors (board structure, compensation policy, and shareholder rights), and economic factors (customer loyalty, performance, and shareholder loyalty). Based on a content analysis of the board of directors' reports, a score of 1 was assigned to each disclosed item and a score of 0 otherwise (Ashtab & Dehghan Khanqahi, 2023). Accordingly, each criterion was assigned a value of 1 when disclosed and 0 when not disclosed. Finally, the integrated reporting score was calculated as the ratio of the total number of disclosed criteria to the total number of disclosable items (12 items). Integrated financial reporting was calculated according to Equation (1):

$$IFR = \text{Number of disclosed items} / \text{Total number of disclosable items} \quad (1)$$

The moderating variable in this study is audit quality, which is described below:

Audit Quality (AQit): Audit quality was measured using auditor tenure. Accordingly, if the auditor had been responsible for auditing the company for more than three years, a value of 1 was assigned; otherwise, a value of 0 was assigned (El-Deeb et al., 2023). This measure was selected on the premise that, as the duration of the auditor-client relationship increases, the auditor develops a more profound understanding of the client's activities, internal control structure, operational risks, and industry characteristics and, consequently, becomes more capable of identifying material misstatements and opportunistic managerial behavior.

Based on Ben Ali (2026), the following control variables are expected to affect tax avoidance.

1. **Firm Size (SIZEit):** Measured as the natural logarithm of total assets.
2. **Financial Leverage (LEVit):** Measured as the ratio of total liabilities to total assets.
3. **Return on Assets (ROAit):** Measured as the ratio of net income to total assets.
4. **Firm Age (AGEit):** Calculated as the natural logarithm of the number of years since the company's listing on the Tehran Stock Exchange.
5. **Firm Loss (LOSSit):** A dummy variable assigned a value of 1 if the company reports a loss and 0 otherwise.

To test the first hypothesis, the following multiple regression model based on panel data, adopted from Ben Ali (2026), was used according to Equation (2):

$$TAit = \beta_0 + \beta_1 IFRit + \beta_2 SIZEit + \beta_3 LEVit + \beta_4 ROAit + \beta_5 AGEit + \beta_6 LOSSit + \epsilon it \quad (2)$$

In this model:

TAit: Tax avoidance of company i in year t

IFRit: Integrated financial reporting of company i in year t

SIZE_{it}: Size of company *i* in year *t*

LEV_{it}: Financial leverage of company *i* in year *t*

ROA_{it}: Return on assets of company *i* in year *t*

AGE_{it}: Age of company *i* in year *t*

LOSS_{it}: Loss status of company *i* in year *t*

All research hypotheses were tested at the 95% confidence level. To test the first research hypothesis, the coefficient β_1 was considered. If this coefficient was negative and statistically significant at the specified confidence level, the first research hypothesis would not be rejected.

To test the second hypothesis, the following multiple regression model based on panel data, adopted from Ben Ali (2026), was used according to Equation (3):

$$TA_{it} = \beta_0 + \beta_1 IFR_{it} + \beta_2 AQ_{it} + \beta_3 (IFR_{it} \times AQ_{it}) + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 ROA_{it} + \beta_7 AGE_{it} + \beta_8 LOSS_{it} + \epsilon_{it} \quad (3)$$

In this model:

AQ_{it}: Audit quality of company *i* in year *t*

To test the second research hypothesis, the coefficient β_3 was considered. If this coefficient was negative and statistically significant at the specified confidence level, the second research hypothesis would not be rejected.

In this study, library and field methods were used to collect data and information. The theoretical foundations of the study were obtained from Persian- and English-language books, journals, and specialized websites. The information required to calculate the variables and estimate the research models was collected and entered into Microsoft Excel. All required information was obtained from the balance sheets, income statements, and cash flow statements of the sample companies, the accompanying notes to the financial statements of the sample companies, and the CODAL website.

Panel-data econometric methods were employed for data analysis using EViews software, together with descriptive and inferential statistics. Panel data are obtained by combining time-series and cross-sectional data. The integration of time-series and cross-sectional data, and the need to use panel data, are primarily attributable to the increased number of observations, higher degrees of freedom, reduced heteroskedasticity, and reduced multicollinearity among variables. After the data were collected and defined in the software, the first step involved calculating descriptive statistics for the variables used in the study. These statistics included the mean, median, standard deviation, and other relevant measures. Following the examination of descriptive statistics, correlation analysis was used to determine the preliminary relationships among the variables. Finally, depending on the results of the diagnostic tests, the research hypotheses were tested using pooled, fixed-effects, or random-effects estimation methods, and decisions were made regarding the support or rejection of the research hypotheses.

3. Findings and Results

In this section, data from 146 companies over the period from March 21, 2015, to March 20, 2025, are examined. Table 1 presents the descriptive statistics of the variables used in the study. The mean is the most important measure of central tendency, representing the equilibrium point and center of gravity of a distribution and serving as an appropriate indicator of data centrality. As shown in Table 1, the mean value of tax avoidance was -0.083. Integrated financial reporting had a mean value of 0.460. The mean audit quality was 42.67%, representing companies whose auditor tenure exceeded three years. Firm size, calculated as the natural logarithm of total assets, had a mean value of 15.725. The mean financial leverage was 0.515, indicating that these companies financed approximately 51% of their financial resources through debt; accordingly, it may be stated that these companies assumed a relatively high

level of financial risk. Return on assets had a mean value of 0.171, indicating the extent to which the companies were successful in converting invested resources into net income. Firm age, calculated as the natural logarithm of the number of years since the company's listing on the stock exchange, had a mean value of 2.912. The minimum value of firm age was 0.000, representing the company's first year of activity on the Tehran Stock Exchange. The mean value of firm loss was 7.33%, representing loss-making companies.

Table 1. Descriptive Statistics

Symbol	Variable	Mean	Median	Maximum	Minimum	Standard Deviation	Observations
TA	Tax avoidance	-0.083	-0.078	0.000	-0.757	0.085	1,460
IFR	Integrated financial reporting	0.460	0.500	0.750	0.166	0.115	1,460
SIZE	Firm size	15.725	15.569	22.216	10.813	1.903	1,460
LEV	Financial leverage	0.515	0.509	1.071	0.047	0.226	1,460
ROA	Return on assets	0.171	0.143	0.837	-0.623	0.178	1,460
AGE	Firm age	2.912	2.995	4.043	0.000	0.520	1,460
Symbol	Variable	Percentage of 1		Percentage of 0		Observations	
AQ	Audit quality	42.67		57.33		1,460	
LOSS	Firm loss	7.33		92.67		1,460	

Pearson correlation coefficients were calculated and are presented in Table 2. Correlation analysis indicates the presence or absence of correlations among variables. Table 2 presents the correlations among the research variables. Consistent with the preceding discussion and the results shown in the table, there is a negative correlation between integrated financial reporting and tax avoidance, with a correlation coefficient of -0.084. Furthermore, a negative correlation exists between audit quality and tax avoidance, with a correlation coefficient of -0.101. These coefficients indicate the magnitude and direction of the linear relationship between two quantitative variables.

Table 2. Correlation Coefficients of the Research Variables

Variable	TA	IFR	AQ	SIZE	LEV	ROA	AGE	LOSS
TA	1.000							
IFR	-0.084	1.000						
AQ	-0.101	0.066	1.000					
SIZE	-0.038	0.248	0.281	1.000				
LEV	0.096	0.051	-0.015	-0.187	1.000			
ROA	-0.093	0.098	0.127	0.284	-0.465	1.000		
AGE	-0.077	-0.019	0.091	-0.028	-0.036	-0.041	1.000	
LOSS	0.227	-0.014	-0.051	-0.157	0.310	-0.488	-0.014	1.000

Before estimating the model parameters, the stationarity of the variables was examined using the Phillips-Perron test. The purpose of the stationarity test was to ensure that spurious regression would not occur. The quantitative results of the stationarity tests for the research variables are presented in Table 3. As shown, the significance levels associated with the Phillips-Perron test statistics were below the 5% error level. Therefore, at the 5% significance level, H0 concerning the stationarity of the variables was confirmed, and the research variables were considered stationary at the 95% confidence level. Consequently, the model parameters could be estimated without concern regarding spurious regression.

Table 3. Phillips-Perron Test

Variable	Phillips-Perron Test Statistic	Significance Level
Tax avoidance	-27.580	0.000
Integrated financial reporting	-11.080	0.000
Audit quality	-27.900	0.000
Firm size	-15.538	0.000
Financial leverage	-14.375	0.000
Return on assets	-18.667	0.000
Firm age	-11.920	0.000
Firm loss	-25.604	0.000

A summary of the results of the F-Limer and Hausman tests is presented in Table 4. According to the results shown in Table 4, the probability associated with the F-Limer statistic was less than .05; therefore, the panel-data approach was selected. Furthermore, the significance level of the Hausman test was less than .05; therefore, the fixed-effects estimation method was employed.

Table 4. F-Limer and Hausman Tests

Model	F-Limer Statistic	Probability	F-Limer Result	Chi-Square Statistic	Probability	Hausman Result
First	3.997	0.000	Panel data	40.318	0.000	Fixed effects
Second	3.920	0.000	Panel data	36.035	0.000	Fixed effects

The White (1980) test is commonly applied in EViews to examine the homogeneity of the model error variances. The results of the White test are presented in Table 5. As shown, the significance level of the White test was below the 5% error level. Therefore, at the 5% significance level, H0 concerning homogeneity of variances was rejected, whereas the alternative hypothesis indicating heteroskedasticity was accepted. Consequently, the final models were estimated using the generalized least squares method to address heteroskedasticity in the regression analysis.

Table 5. Results of the White Test

Model	F Statistic	Probability	Result
First	3.483	0.002	Heteroskedasticity
Second	4.507	0.000	Heteroskedasticity

According to Table 6, the results indicate that the variance inflation factors of the explanatory variables in the research models were within the acceptable range; therefore, no problem was identified in this regard. As shown in Table 6, the variance inflation factor (VIF) was below 5 for all variables, indicating the absence of problematic multicollinearity among the independent and control variables.

Table 6. Multicollinearity Test Among the Variables

Variable	Symbol	Model 1 VIF	Model 2 VIF
Integrated financial reporting	IFR	1.090	1.519
Audit quality	AQ	—	2.240
Integrated financial reporting × Audit quality	IFR × AQ	—	2.868
Firm size	SIZE	1.156	1.240
Financial leverage	LEV	1.511	1.534
Return on assets	ROA	1.850	1.870
Firm age	AGE	1.008	1.021
Firm loss	LOSS	1.320	1.321

Table 7 presents the results obtained from estimating the first research model. According to Table 7, the probability associated with the F statistic for the model was less than .05; therefore, the model was statistically

significant at the 95% confidence level. Furthermore, the adjusted coefficient of determination was approximately 72%, indicating that the independent and control variables explained 72% of the variation in the dependent variable. The Durbin-Watson test was also used to detect autocorrelation in the model. When the value of this statistic falls between 1.5 and 2.5, the hypothesis of autocorrelation among the residual terms is rejected. Given the Durbin-Watson statistic of 1.822, the presence of autocorrelation in the model was rejected. The significance level of the t statistic for integrated financial reporting was below .05 (0.000), indicating statistical significance at the 95% confidence level. The coefficient of integrated financial reporting was negative (-0.115), demonstrating an inverse relationship with tax avoidance. Accordingly, the hypothesis stating that "integrated financial reporting has a significant negative effect on tax avoidance" was not rejected. Regarding the control variables, financial leverage and firm loss had positive and statistically significant effects on tax avoidance, whereas return on assets had a negative and statistically significant effect on tax avoidance.

Table 7. Results of Testing the First Hypothesis

$$TA_{it} = \beta_0 + \beta_1 IFR_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \beta_5 AGE_{it} + \beta_6 LOSS_{it} + \epsilon_{it}$$

Variable	Symbol	Coefficient	Standard Error	t Statistic	Probability of t Statistic
Integrated financial reporting	IFR	-0.115	0.060	-4.372	0.000
Firm size	SIZE	-0.002	0.001	-1.852	0.064
Financial leverage	LEV	0.027	0.009	-2.994	0.002
Return on assets	ROA	-0.041	0.009	-4.262	0.000
Firm age	AGE	-0.006	0.005	-1.154	0.248
Firm loss	LOSS	0.058	0.005	10.250	0.000
Constant	C	0.0005	0.016	0.032	0.973
Model Statistic		Value	Model Statistic		Value
R-squared		0.750	Adjusted R-squared		0.721
Durbin-Watson statistic		1.822	F statistic		25.998
				Probability of F statistic	0.000

The results of the second research model are presented in Table 8. According to Table 8, the probability associated with the F statistic for the model was less than .05; therefore, the model was statistically significant at the 95% confidence level. Furthermore, the adjusted coefficient of determination was approximately 76%, indicating that the independent and control variables explained 76% of the variation in the dependent variable. The Durbin-Watson test was also used to detect autocorrelation in the model. When the value of this statistic falls between 1.5 and 2.5, the hypothesis of autocorrelation among the residual terms is rejected. Given the Durbin-Watson statistic of 1.833, the presence of autocorrelation in the model was rejected.

The significance level of the t statistic for the interaction variable (integrated financial reporting × audit quality) was below .05 (0.023), indicating statistical significance at the 95% confidence level. The coefficient of the interaction variable was negative (-0.041), and the negative sign of this coefficient indicates that audit quality strengthens the relationship between integrated financial reporting and tax avoidance. Accordingly, the hypothesis stating that "audit quality has a significant negative moderating effect on the relationship between integrated financial reporting and tax avoidance" was not rejected. Regarding the control variables, financial leverage and firm loss had positive and statistically significant effects on tax avoidance, whereas return on assets had a negative and statistically significant effect on tax avoidance.

Table 8. Results of Testing the Second Hypothesis

$$TA_{it} = \beta_0 + \beta_1 IFR_{it} + \beta_2 AQ_{it} + \beta_3 (IFR_{it} \times AQ_{it}) + \beta_4 SIZE_{it} + \beta_5 LEV_{it} + \beta_6 ROA_{it} + \beta_7 AGE_{it} + \beta_8 LOSS_{it} + \epsilon_{it}$$

Variable	Symbol	Coefficient	Standard Error	t Statistic	Probability of t Statistic
Integrated financial reporting	IFR	-0.161	0.029	-5.470	0.000
Audit quality	AQ	-0.024	0.009	-2.761	0.005
Integrated financial reporting × Audit quality	IFR × AQ	-0.041	0.018	-2.262	0.023
Firm size	SIZE	-0.0008	0.001	-0.635	0.525
Financial leverage	LEV	0.034	0.009	3.560	0.000
Return on assets	ROA	-0.052	0.010	-5.125	0.000
Firm age	AGE	-0.003	0.005	-0.664	0.506
Firm loss	LOSS	0.059	0.005	10.640	0.000
Constant	C	-0.013	0.017	-0.796	0.425
Model Statistic	Value	Model Statistic	Value		
R-squared	0.798	Adjusted R-squared	0.762		
Durbin-Watson statistic	1.833	F statistic	19.743		
		Probability of F statistic	0.000		

4. Discussion and Conclusion

The present study examined the effect of integrated financial reporting on tax avoidance and investigated whether audit quality moderates this relationship among companies listed on the Tehran Stock Exchange. The findings of the first regression model showed that integrated financial reporting had a negative and statistically significant effect on tax avoidance ($\beta = -0.115$, $p < .001$). The adjusted coefficient of determination was 0.721, indicating that approximately 72.1% of the variation in tax avoidance was explained by the independent and control variables included in the model. These findings provide empirical support for the first research hypothesis and indicate that companies with higher levels of integrated financial reporting tend to engage in lower levels of tax avoidance. This result is consistent with previous evidence suggesting that integrated reporting improves corporate transparency and reduces managerial opportunities to conceal aggressive tax strategies [12, 14-16]. The finding is also consistent with the fundamental principles of integrated reporting, according to which greater connectivity between financial and nonfinancial information enhances organizational accountability and provides stakeholders with a more comprehensive understanding of how firms create value and manage their economic, social, and governance responsibilities [1].

The negative relationship between integrated financial reporting and tax avoidance can primarily be explained through the reduction of information asymmetry. Tax avoidance practices frequently involve complex transactions, estimates, accounting classifications, and managerial judgments that may not be fully observable to external stakeholders. When corporate reporting is fragmented or limited predominantly to traditional financial information, managers may have greater informational advantages and consequently more opportunities to undertake tax strategies without attracting substantial stakeholder scrutiny. Integrated reporting expands the information environment by connecting financial outcomes with governance practices, business strategy, risk management, environmental activities, and social responsibilities. As a result, stakeholders can more readily evaluate whether a company's tax behavior is consistent with its broader claims regarding responsible and sustainable business conduct. Prior evidence indicates that integrated reporting can improve the quality of corporate information, reduce information asymmetry, and influence firms' financing and accountability environments [2]. Similarly, integrated reporting has been associated with improved earnings quality in the Iranian capital market, suggesting that comprehensive reporting can constrain opportunistic financial reporting behavior

[3]. Therefore, increased transparency generated by integrated financial reporting may make aggressive tax practices more detectable and more costly for managers.

The first finding is also consistent with studies that explicitly connect integrated reporting to tax strategy and tax risk. Adams and Baker argued that integrated reporting may mitigate tax-related risks by forcing organizations to disclose a more coherent account of their activities, governance mechanisms, and economic consequences [13]. Kim et al. likewise reported that integrated reporting disciplines corporate tax avoidance behavior by increasing transparency and reducing managerial discretion [14]. Schneider et al. documented a negative association between integrated reporting and tax avoidance among European companies [15], while Müller et al. demonstrated that integrated reporting is associated with greater transparency regarding corporate tax strategy [17]. Evidence from South Africa similarly indicates that integrated reporting quality is relevant to corporate tax avoidance and sustainable development, reinforcing the argument that corporate tax behavior constitutes an important component of organizational accountability [16]. Taken together, these studies support the interpretation that integrated reporting does not merely increase the quantity of corporate disclosure; rather, it can impose greater discipline on managerial decisions whose economic or reputational consequences extend beyond shareholders to governments and society.

Another explanation for the observed negative relationship concerns the reputational and legitimacy consequences of tax avoidance. Companies adopting more extensive integrated reporting generally communicate their commitments to sustainable development, social responsibility, stakeholder engagement, ethical governance, and long-term value creation. Aggressive tax avoidance may conflict with these declared commitments because payment of corporate taxes contributes to the public resources required for infrastructure, education, healthcare, and other social services. Consequently, a substantial discrepancy between a firm's publicly reported responsibility practices and its aggressive tax behavior may generate reputational costs. Research on corporate social responsibility has indicated that firms' social and governance characteristics are associated with tax avoidance decisions [8, 9]. ESG practices have likewise been found to play a role in explaining corporate tax behavior, especially when combined with governance characteristics [10]. The findings of the present research may therefore reflect a consistency mechanism whereby companies committed to integrated disclosure are less willing to undertake tax strategies that could undermine the credibility of their broader corporate responsibility narrative.

The results for the control variables in the first model showed that financial leverage had a positive and statistically significant effect on tax avoidance, whereas return on assets had a negative and statistically significant effect. Firm loss also had a positive and significant effect on tax avoidance, whereas firm size and firm age were not statistically significant. The positive association between leverage and tax avoidance may be explained by the tax advantages associated with debt financing and the greater incentives of highly leveraged firms to minimize cash outflows in order to meet contractual obligations. Previous research has emphasized that leverage is an important firm-specific determinant of corporate tax behavior and that its effect may depend on governance and monitoring arrangements [8, 11]. The negative effect of return on assets suggests that more profitable firms in the sample were less inclined toward aggressive tax avoidance. One possible explanation is that highly profitable firms face greater stakeholder and regulatory visibility and may therefore place greater value on reputational legitimacy. Conversely, the positive relationship between reported losses and tax avoidance may reflect both the tax consequences of loss positions and greater managerial incentives to employ tax-planning mechanisms under conditions of financial pressure. These findings reinforce the importance of controlling for firm-specific economic circumstances when examining tax avoidance behavior.

The second major finding of the study concerns the moderating role of audit quality. The interaction between integrated financial reporting and audit quality was negative and statistically significant ($\beta = -0.041$, $p = .023$), thereby supporting the second research hypothesis. Furthermore, audit quality itself had a significant negative coefficient ($\beta = -0.024$, $p = .005$), while the coefficient of integrated financial reporting remained negative and significant ($\beta = -0.161$, $p < .001$). The adjusted R^2 increased from 0.721 in the first model to 0.762 in the second model, suggesting that incorporating audit quality and its interaction with integrated financial reporting increased the explanatory power of the model. These findings indicate that audit quality strengthens the negative relationship between integrated financial reporting and tax avoidance. In other words, the tax-avoidance-reducing effect of integrated reporting becomes stronger when firms are subject to higher-quality auditing.

This moderating effect is consistent with the monitoring and assurance role of external auditors. Integrated reporting increases the breadth and connectivity of corporate information; however, disclosure alone does not guarantee that information is reliable, complete, or representative of the firm's underlying economic activities. Managers may potentially use extensive disclosure symbolically, selectively emphasizing favorable dimensions of organizational performance while obscuring undesirable practices. High-quality auditing can reduce this risk by increasing managerial accountability and enhancing the credibility of financial reporting. Evidence from developing countries identifies audit quality as a key mechanism for strengthening corporate financial transparency [21]. Similarly, Samy El-Deeb et al. found that audit quality can moderate the consequences of ESG disclosure, indicating that external assurance affects how stakeholders interpret and respond to corporate nonfinancial information [18]. The present results extend this logic to corporate taxation by showing that high audit quality enhances the capacity of integrated financial reporting to constrain tax avoidance.

The finding is particularly consistent with studies that have directly investigated the interaction between integrated reporting, audit quality, and tax avoidance. Patel et al. characterized audit quality as a gatekeeping mechanism that strengthens the relationship between integrated reporting and tax avoidance by reducing the opportunities for managers to exploit information asymmetries [30]. Li and Wang similarly reported that audit quality significantly affects the link between integrated reporting and tax avoidance over time [31]. Evidence from emerging markets also demonstrates that audit quality can strengthen the consequences of integrated reporting for corporate tax behavior [32]. Davis and Brown reported that stronger audit quality reinforces the association between integrated reporting and lower tax aggressiveness [33]. Most directly, cross-country evidence provided by Ben Ali demonstrated that audit quality moderates the relationship between integrated reporting quality and corporate tax avoidance [34]. Similar recent findings have shown that audit quality functions as a significant moderator between integrated reporting and corporate tax avoidance [35]. The consistency between these studies and the present findings suggests that audit quality represents an essential institutional complement to corporate transparency.

The negative moderating effect may also be explained by the auditor's accumulated knowledge of the client. In the present study, audit quality was operationalized through auditor tenure, with auditor relationships exceeding three years representing higher audit quality. Longer auditor tenure may enable auditors to develop deeper knowledge of a client's internal control system, industry conditions, operating processes, financial reporting policies, recurring transactions, and areas of tax risk. Such accumulated knowledge can increase the auditor's ability to detect unusual accounting arrangements, inconsistent disclosures, and potentially opportunistic tax strategies. This interpretation is consistent with evidence showing that auditor expertise influences the relationship between financial reporting quality and tax avoidance [25]. Iranian studies have similarly indicated that auditor quality

interacts with corporate governance and managerial characteristics in explaining tax avoidance [24], while audit committee characteristics and audit quality jointly influence firms' tax behavior [26]. Furthermore, audit quality has been shown to moderate the effects of board independence, audit committee expertise, and other governance arrangements on tax avoidance [27, 28]. Accordingly, experienced auditors may increase the substantive effectiveness of integrated reporting rather than allowing it to function merely as a formal disclosure exercise.

The findings may also be interpreted within a broader corporate governance framework. High-quality auditing and integrated reporting operate as complementary governance mechanisms. Integrated reporting improves the information available to stakeholders, whereas auditing strengthens the credibility and reliability of the information environment. When these mechanisms operate simultaneously, managerial discretion may be constrained more effectively than when either mechanism operates alone. The quality of governance arrangements has repeatedly been associated with both corporate disclosure and responsible business behavior [4, 37]. Board gender diversity has also been shown to moderate the relationship between integrated reporting quality and corporate tax avoidance [38], illustrating that the effectiveness of integrated reporting depends on the wider governance architecture surrounding the reporting process. Similarly, accounting comparability and higher financial reporting quality may constrain tax avoidance through improvements in information transparency and external monitoring [39]. Thus, the significant $IFR \times AQ$ interaction observed in this study supports the view that effective tax governance emerges from a combination of transparent disclosure and credible external oversight.

The significant negative direct effect of audit quality on tax avoidance provides additional support for this interpretation. High-quality auditing can increase the probability that aggressive tax-related accounting practices will be detected, challenged, or disclosed, thereby raising the expected costs of aggressive tax planning. Syukur et al. showed that audit quality can restrain aggressive tax avoidance, even when ownership structures create incentives for such behavior [29]. Audit quality has likewise been connected with stronger transparency across developing economies [21], while changes in auditing regulation have been investigated specifically for their ability to improve audit quality and strengthen external monitoring [19]. At the same time, characteristics of audit committee leadership may affect audit quality itself, illustrating that external assurance quality is embedded in broader governance processes [20]. Audit quality can also reduce uncertainty within capital markets and improve the reliability of information incorporated into investor decisions [22]. These mechanisms help explain why better-quality auditing was associated not only with lower tax avoidance directly but also with a stronger negative association between integrated reporting and tax avoidance.

The study's findings have particular relevance to the Tehran Stock Exchange. Much of the empirical evidence regarding integrated reporting, audit quality, and tax avoidance has been produced in developed markets or through multinational samples. However, institutional conditions in emerging markets may differ substantially in terms of enforcement quality, ownership concentration, investor protection, auditing structures, tax regulation, and disclosure practices. Evidence from emerging economies indicates that these institutional characteristics can influence the effectiveness of integrated reporting and external audit mechanisms [32]. In Iran, previous studies have investigated integrated reporting and earnings quality [3], accounting comparability and tax avoidance [39], auditor characteristics and tax avoidance [25, 27], and the relationship between integrated reporting and auditor quality [23]. The present study integrates these streams of research by demonstrating that audit quality materially strengthens the negative effect of integrated financial reporting on tax avoidance. This finding is important because it suggests that simply encouraging more comprehensive disclosure may not be sufficient; the effectiveness of

integrated reporting also depends on the strength of mechanisms that verify, challenge, and lend credibility to reported information.

Overall, the findings demonstrate that integrated financial reporting and audit quality should not be treated as isolated elements of the corporate reporting system. Integrated financial reporting appears to reduce tax avoidance by increasing transparency, connecting financial and nonfinancial information, increasing stakeholder scrutiny, and potentially increasing the reputational costs of aggressive taxation. Audit quality reinforces this mechanism by enhancing information credibility and constraining managerial discretion. Recent research emphasizing the joint role of integrated reporting and auditing in tax information disclosure and accountability supports this conclusion [36]. The results are also consistent with the view that greater transparency concerning tax strategies accompanies stronger integrated reporting practices [17]. Accordingly, the evidence from the Tehran Stock Exchange supports a complementary-governance interpretation: integrated financial reporting provides the informational infrastructure for accountability, while audit quality increases the credibility and disciplinary power of that infrastructure in limiting corporate tax avoidance.

The findings of this study should be interpreted in light of several limitations. First, the sample was restricted to companies listed on the Tehran Stock Exchange that satisfied the systematic elimination criteria, and therefore the results may not be directly generalizable to unlisted firms, financial institutions, small and medium-sized enterprises, or companies operating under substantially different regulatory environments. Second, integrated financial reporting was measured through content analysis using a disclosure checklist, which captures the presence or absence of specified items but may not fully reflect the depth, quality, credibility, or substantive usefulness of individual disclosures. Third, audit quality was operationalized using auditor tenure, whereas audit quality is a multidimensional construct that may also reflect auditor size, industry specialization, independence, audit fees, partner characteristics, audit report quality, and institutional reputation. Fourth, tax avoidance was measured using the effective tax rate approach, and alternative measures may capture different dimensions of tax planning behavior. Finally, although several important firm-level control variables were included in the regression models, other organizational, governance, macroeconomic, regulatory, and ownership-related factors may also affect corporate tax avoidance and could not be incorporated into the present analysis.

Future studies could extend the present research by employing alternative and multidimensional measures of integrated reporting quality, audit quality, and tax avoidance to examine the robustness of the identified relationships. Researchers could distinguish between the quantity and quality of integrated disclosure and assess whether specific dimensions, such as governance, environmental, social, strategy, or risk disclosures, have different effects on tax avoidance. Future investigations may also measure audit quality through auditor industry specialization, audit firm size, audit fees, auditor independence, partner tenure, audit report characteristics, or composite audit-quality indices. Comparative studies across different industries, emerging economies, or institutional environments could determine whether regulatory quality, investor protection, tax enforcement, and capital-market development influence the moderating role of audit quality. Researchers could additionally examine nonlinear relationships, lagged effects, dynamic panel models, and potential endogeneity between reporting quality and tax behavior. Incorporating other moderating or mediating variables, such as ownership concentration, board independence, audit committee expertise, corporate social responsibility, ESG performance, managerial characteristics, institutional ownership, or financial constraints, could also provide a more comprehensive explanation of the mechanisms through which integrated reporting affects tax avoidance.

The results suggest that corporate managers, boards of directors, auditors, regulators, investors, and tax authorities should view integrated reporting and audit quality as complementary mechanisms rather than independent practices. Listed companies should develop integrated reports that provide substantive connections between financial performance, governance, strategy, risk, sustainability, and tax-related responsibilities instead of treating integrated reporting as a compliance-oriented disclosure exercise. Boards and audit committees should strengthen oversight of both financial and nonfinancial reporting and ensure that corporate tax strategies are consistent with the company's publicly communicated governance and sustainability commitments. Audit firms should develop sufficient client- and industry-specific knowledge to evaluate the consistency between integrated disclosures and underlying economic activities while maintaining the independence necessary for effective monitoring. Capital-market regulators could establish clearer integrated reporting guidelines and encourage assurance mechanisms that increase the reliability and comparability of integrated information. Tax authorities may also use integrated reports as complementary sources of information for identifying inconsistencies between firms' reported business models, sustainability commitments, financial outcomes, and tax positions. Collectively, these measures could improve corporate transparency, strengthen stakeholder confidence, and reduce opportunities for excessively aggressive tax avoidance.

Authors' Contributions

Authors equally contributed to this article.

Ethical Considerations

All procedures performed in this study were under the ethical standards.

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Conflict of Interest

The authors report no conflict of interest.

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