

THESES OF THE DOCTORAL (PhD) DISSERTATION

ANALYSIS OF THE ACCOUNTING TREATMENT OF INCOME TAXES IN THE INDIVIDUAL FINANCIAL STATEMENTS OF COMPANIES THAT ADOPTED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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1. INTRODUCTION OF THE TOPICS AND OBJECTIVE

My research focuses on the domestic implementation of IFRS at the level of individual financial statements. Companies transitioning from the Hungarian accounting system to IFRS must manage several differences. Perhaps the most significant differences, and at the same time, the most controversial issues, are fair value measurement and deferred taxes. While progress has been made in adapting fair value measurement to the Hungarian accounting system - as in case of financial instruments it is already allowed by the Accounting Act - there has been no effort by the Hungarian legislator so far to recognise the future tax effects of deferred taxes, i.e. temporary tax differences. However, with the globalisation processes currently underway, the introduction of a global minimum tax has made it essential to implement the accounting for deferred tax into the legislation, and it has been introduced into Hungarian law since 2024.

The reason for choosing this topic for my doctoral dissertation was to investigate the inclusion of deferred taxes in financial statements in the context of the transition of Hungarian companies to IFRS. There has been an ongoing debate on the recognition of deferred taxes by standard-setting professional bodies, legislators, and practitioners around the world, as since the 1980s, disclosure requirements for deferred taxes have been steadily increasing in IFRS, US GAAP and in national regulatory systems. The aim of these changes is to provide stakeholders with more information on the nature and origin of deferred taxes. However, several empirical studies have found that users of financial statements do not take into consideration deferred taxes, as they are unable to interpret its information content and thus do not receive relevant information (CHLUDEK, 2011; MEAR et al., 2019). At the same time, they also have a distorting effect. The expansion of disclosure requirements has led to an increase in the associated administrative burden, but on the other hand it did not influence the investors' attitudes.

In writing my thesis, I had two major objectives. On the one hand, I examine the implementation of the income tax treatment of Hungarian companies transitioning to IFRS, the impact of the inclusion of deferred taxes and the different accounting treatment of reclassified income taxes on the effective tax burden of companies. Secondly, I aim to identify the factors causing deferred taxes and to evaluate the usefulness and relevance of

the information content of deferred taxes at the level of companies' individual financial statements. The findings and conclusions of my dissertation are based on the domestic and international literature, international empirical research and studies, and the results of my own data collection and analysis.

The first objective (O1) of my dissertation is to measure and compare the tax expenses and effective tax burden of Hungarian companies according to the International Financial Reporting Standards (IFRS) and Hungarian Accounting Standards (HAS) that have adopted IFRS.

For companies, the proportion of their income that is deducted by the legislator for income tax purposes is of fundamental importance, as it affects both their ability to accumulate capital and the level of dividends to which the owners are entitled.

The composition of the income tax expense presented in IFRS differs from the tax expense recognised under the Hungarian accounting system due to regulatory differences. The main reason is, that while the Hungarian accounting system shows corporate tax as a tax expense, IFRS shows income taxes as tax expense, but leaves it to the discretion of companies to decide what they consider to be income tax related to their operation besides corporate income tax. From the taxes in Hungary, IFRS adopters typically include local business tax, innovation contribution and other sector specific taxes as income taxes. Furthermore, the Hungarian accounting standards, except for companies applying the global minimum tax, does not handle deferred tax. Therefore, companies transitioning to IFRS must include deferred tax in their statements, which may increase or decrease the value of the tax expense depending on its type. Due to the difference between the regulatory systems, there is also a difference in actual, i.e. effective tax burden of companies between the two systems. For this reason, I formulated the following hypotheses for the analysis of the stated objective:

- 1) H1: There is a significant difference between the tax expense under International Financial Reporting Standards (IFRS) and the tax expense under the Hungarian accounting standards (HAS).
- 2) H2: There is a significant difference between the effective tax burden according to IFRS and HAS of companies that have adopted International Financial Reporting Standards (IFRS).
- 3) H3: The change in deferred tax expense significantly affects the effective tax burden.

The second objective (O2) of my doctoral research is to assess the usefulness and relevance of deferred tax in the financial statements of Hungarian companies that have adopted International Financial Reporting Standards (IFRS) and to examine the factors that cause deferred tax at the level of individual companies' financial statements. In 2016, the International Accounting Standards Board identified several practical issues connected to the IAS 12. These included the current model of the balance sheet in IAS 12, the complexity of deferred tax and the usefulness of related disclosures (MEAR et al., 2019).

In the literature review my goal was to investigate what we can conclude from the empirical evidence presented about the IFRS related to the characteristics of deferred taxes, besides the analyses of research papers focusing on the independence of the taxation and accounting system based on US corporate data. In the context of the transition, my aim is to explore **how the recognition of deferred taxes affects companies' earnings.**

The value and relevance of deferred taxes in financial statements may influence the extent to which users of financial statements consider them to be an important asset/liability and take them into consideration in their decision-making process, and whether they are used for tax strategy purposes. In this context, my goal is to determine whether the deferred taxes presented by those companies that adopted IFRS can be considered a relevant element of the financial reports, and thus whether it would be important for users of the statements to understand their characteristics as thoroughly as possible.

Current legislation uses the so-called balance sheet method to determine deferred taxes, which identifies deferred taxes for temporary differences. In contrast, the income method previously used only recognised deferred tax effects arising from timing differences. Based on the information disclosed in the financial reports, I will examine **the factors that cause deferred tax** for the companies, thereby I will estimate the differences between the accounting system and the tax system and the distance between the systems. After identifying the factors that cause deferred income tax, I will compare the data of financial and non-financial corporations to see whether there is a difference in the causes of deferred tax. In examining the factors give rise to deferred tax, I will use qualitative comparative methods based on the information presented in the financial statements. The following hypotheses were formulated related to the analyse deferred tax:

- H4: Companies adopting IFRS are in a worse tax position in the year of their transition, so dominantly they present deferred tax liabilities in their balance sheets.
- H5: Presentation of deferred tax in the financial statements is relevant in the investigated sample.
- H6: Factors causing deferred tax derive dominantly from temporary differences.
- H7: There is a significant difference between financial and non-financial corporations regarding the factors causing deferred tax.

In order to formulate the objectives and hypotheses of my research, I will first conduct secondary research on the measurement of the effective tax burden and on deferred taxes. In addition to the literature review, I aim to explore what empirical evidence using IFRS data presents on the characteristics of deferred taxes beyond the analysis of US corporate data on the independence of the tax and accounting system.

In the primary research, I developed a unique database covering the data of 192 companies, which includes the entire population of Hungarian companies that have adopted IFRS over the time horizon of the analysis, therefore my analyses using this database can be considered representative.

2. DATABASE AND THE APPLIED METHODS

The Institute of Accounting and Finance of the Faculty of Economics of the University of Debrecen collaborated with the Hungarian National Bank on a previous research project, which resulted in the identification of a list of companies that comply with IFRS reporting requirements. Therefore, in compiling my own database, which is the basis of the primary research for my doctoral dissertation, I covered the entire population of Hungarian companies that adopted IFRS between 2016 and 2021. The primary research contains qualitative and quantitative information mainly related to taxation. In the primary research I had to create my own hand collected database, because no database previously existed for the companies in the sample fitting to my research goals. My methodology is supported by the fact that hand collected databases have also been used for many similar studies that were based on accounting information, in order to ensure the quality of the information contained in the databases (NOBES - STADLER, 2023).

To process the company reports, I used the document analysis method, which is a systematic process for reviewing or evaluating documents, both printed and electronic (computer and internet) (BOWEN, 2009).

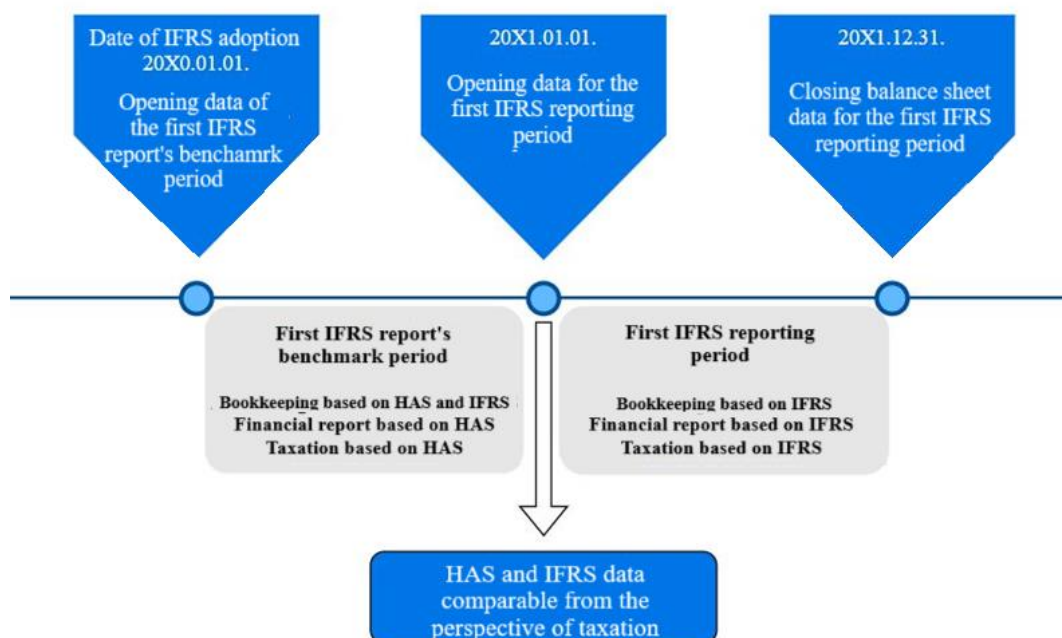


Figure 1: The process of the transition to IFRS in time

Source: Own compilation based on IFRS 1 standard (2024)

To compile the database, I determined the date when data published were available both under Hungarian and IFRS accounting rules for the companies in the sample. Companies that have been reporting under IFRS since their inception were excluded from the original list of IFRS reporting companies, as it is not possible to examine the impact of transition in their case. These data have subsequently formed the benchmark of my comparative analysis.

Figure 1 illustrates the example of the transition to IFRS over time.

The time horizon of the transition included companies transitioning between 2016 and 2021, so taking all these into account, a database of 192 companies was created, which is the complete database of Hungarian companies transitioning in the above time horizon, so the analyses I performed can be considered representative for the given population for the time horizon indicated.

Table 1: Classification of the companies included in the database based on industry (N=192, number of enterprises)

Industry	Size of the sample of companies
Other lending and other monetary intermediation	38
Other financial and insurance activity	12
Financial lease	8
Asset management (holding)	11
Electric power	4
Commerce	15
Real estate	9
Manufacturing and production	15
Building industry	2
Freight forwarding	45
Services	25
Healthcare	8
Total	192

Source: Own compilation (2024)

During the database review and the formulation of hypotheses the possibility for grouping the companies in several different ways arose. Some of the previous empirical studies described in the literature review focused on the financial firms, while the presence of firms on the stock exchanges emphasises the presence of stakeholder financing. Given the multiple grouping perspectives, I conducted a cluster analysis to group the firms in the

database before starting the analysis. Cluster analysis is a statistical method that groups data objects based solely on the information found in the data that describe the objects and the relationships between them. It aims to ensure that objects within a group are similar to (or related to) each other and different from (or unrelated to) objects in other groups. The greater the homogeneity within groups and the greater the differences between groups, the more accurate the clustering (FÜLÖP, 2011). I used statistical methods to verify the theses set out in the dissertation.

I calculated ratios in order to investigate several hypotheses and to explore causality. A ratio is the quotient of two data, and its three main types are the dynamic ratio, the intensity ratio and the distribution ratio. Distribution ratios are the ratio of the size of a sub-population to the size of the whole population (HUNYADI-VITA, 2019).

I had intended to use analysis of variance to analyse changes in tax expenses, but the standard deviation of the groups differed in such a high degree that I used the Kruskal-Wallis test and the Wilcoxon test. The Kruskal-Wallis test is a non-parametric statistical test that measures differences between three or more independently sampled groups on a single continuous variable with a non-normal distribution (KRUSKAL-WALLIS, 1952).

One key indicator used in the dissertation is the **effective tax rate**. It is determined using the backward-looking method at the micro level. The effective tax rate measures the current tax burden on companies. In my analysis, I have adapted the method of determining the (average) effective tax rate, as formulated in IAS 12, i.e. I have compared the tax expense reported by companies with their profit before taxes.

$$\text{Effective tax rate (ETR)} = \frac{\text{Tax expense}}{\text{Profit before taxes}}$$

To compare the effective tax burden associated with the transition to IFRS, I used a **paired-sample t-test**, which is a parametric test. The procedure considers two samples and all elements of the two samples are related and definitively matched. The analysis compares the effective tax rates calculated in accordance with the HAS and IFRS. The effective tax burden by cluster was tested by analysis of variance.

In my dissertation, I used regression analysis to measure the impact of deferred tax expense and other factors as dependent variables on the effective tax rate. Regression is a common

tool for analysing the relationship between variables. It is used to examine the effect of two or more explanatory (independent) variables on the outcome (dependent) variable and whether the regression coefficients are non-zero (WOOLDRIDGE, 2019).

In examining the factors that give rise to deferred tax, I reviewed the supplementary notes to the published financial statements of the companies and summarized the factors that give rise to deferred tax. Based on the frequencies of occurrence, I created a contingency table, and a **frequency ranking** was established. To compare the factors causing deferred taxes for financial and non-financial companies, I applied the chi-square test.

3. MAIN FINDINGS OF THE DISSERTATION

The first objective of my dissertation was to compare the tax expense and effective tax burden of companies that have adopted IFRS. I formulated three hypotheses related to this objective. The fundamental differences between the two accounting systems are the treatment of income taxes and the recognition of deferred taxes. The differences would lead one to believe that the tax expense and the effective tax burden of companies under the two systems would differ, thus affecting the companies' earnings. In this context, first of all, I analysed the composition and the level of income taxes. Related to this I formulated the following hypothesis: *H1: There is a significant difference between the tax expense under International Financial Reporting Standards (IFRS) and the tax expense under the Hungarian accounting standards (HAS)*. In order to compare the tax expense, first I examined the direction and composition of the change in the tax expense reported by the transitioning companies. The results suggest that 11% of the companies had the same amount of tax expense under the HAS and the IFRS. Consequently, these companies neither recorded deferred tax nor treated taxes other than corporate tax as income tax under IFRS. 22% of the sample (42 companies) showed a lower, while 67% of the companies showed a higher IFRS tax expense than the Hungarian tax expense. As a next step I examined and compared the rate of change in average tax expense. I examined the change according to several aspects, including sectoral classification, type of deferred tax recognised in the balance sheet, companies' presence on the stock exchange, and breakdown by financial or non-financial activity.

When examining average tax expense, no significant differences were found between the systems, presumably due to the fact that although the tax expense of individual companies were numerically modified by the transition, these effects balanced each other on the scale of the full sample. Thus, although there is a difference in the content of tax expense between the two systems, statistically significant difference cannot be found, and therefore *H1 hypothesis was rejected*.

My second hypothesis was that (*H2) There is a significant difference between the effective tax burden according to IFRS and HAS of companies that have adopted International Financial Reporting Standards (IFRS)*. To test the hypothesis, the effective tax rates for all

companies were calculated as the ratio of tax expense to profit before tax. The measurement of the effective tax burden differs between the two accounting systems. The differences can be explained by the differences in the accounting systems themselves. In the analysis of hypothesis H2, the effective tax rates under the HAS and IFRS were tested for various categorical variables and the tax rates calculated under the two systems were compared using a paired sample t-test. The results of the tests are presented in Table 2.

Table 2. Comparison of the effective tax burden according to HAS and IFRS with paired sample t-test

Pearson correlation	0.42
Assumed average difference	0.00
df	191.00
t-value	-0.10
P(T<=t) one-sided	0.46
t-value, critical, one-sided	1.65
P(T<=t) two-sided	0.92
t-value, critical, two-sided	1.97

Source: Own compilation (2024)

The expected value of the effective tax rate under the HAS is 8.56%, while the expected value of the effective tax rate under IFRS is 9.04%. Based on the data in Table 2, on a 5% significance level we can conclude that there is no statistically justified difference between the effective tax rates calculated under the two systems. Next, based on analysis of variance I examined the effective tax rates of the sample by the created clusters. When analysing the clusters, the p-value was 0.413, which exceeds the 0.05 significance level. The values of the statistical tests are explained by the fact that the effective tax rate of the HAS and the IFRS did not show any difference according to the paired sample t-test on the whole sample, and thus no significant difference was found according to each cluster. Based on the above results *H2 hypothesis was rejected*.

In examining the ETR indicator used to measure the effective tax burden in the IFRS transition, I found that, contrary to my expectations, there is no statistically justifiable difference between the Hungarian and IFRS tax rates. In my opinion, the indicator is not informative in its current form, but the introduction of the global minimum tax will increase the value of the information it carries. The value of the indicator is influenced by a number

of factors, for example, the inclusion of deferred taxes and the treatment of other taxes as income taxes will distort the value of the indicator in the IFRS transition.

IAS 12 Income Taxes standard includes disclosure of information about the effective tax charge, for example by disclosing a numerical reconciliation between the average effective tax rate and the statutory tax rate, as a disclosure requirement. In my research I examined whether the notes to the financial statements contain disclosures in this respect. Only 43% of the companies provided this reconciliation or disclosed the company's effective tax burden. 57% of the sample did not include any relating information.

In my research, I have broken down the ETR indicator into sub-indicators and defined the relationship between the sub-indicators, where differences in the values of the indicators show differences in the tax burden. Following the logic of the changes in the tax burden associated with the transition from Hungarian accounting to IFRS, I have broken down the ETR indicator into the following sub-indicators.

$$CETR = \frac{\text{Current tax expense (CTE)}}{\text{Profit before tax (PBT)}}$$

$$CDTR = \frac{\text{Current tax expense (CTE)} + \text{Deferred tax expense (DTE)}}{\text{Profit before tax (PBT)}}$$

$$ETR = \frac{\text{Total tax expense (TE)}}{\text{Profit before tax (PBT)}}$$

$$TE = \text{Current tax expense (CTE)} + \text{Deferred tax expense (DTE)} \\ + \text{Reclassified profit tax expense (RPTE)}$$

In the model, the statutory tax rate (STR) is assumed to be constant, which is the corporate tax rate of 9% in Hungary under the current legislation.

In the context of IFRS transition, the comparison of the statutory tax rate (STR) and the effective tax rate (ETR) cannot be used to assess the distance between the accounting system and the tax system, because of the reclassified income taxes. The statutory corporate tax rate is 9%, but in our case the ETR indicator incorporates tax items treated as income taxes other than corporate tax.

The difference between the STR and CDTR indicators measures the effective differences between the income recognized by accounting and taxation in relative terms, compared to profit before tax. It shows the difference between the statutory tax rate and the effective tax rate calculated according to the tax rules in force.

$$CBTIG \text{ (current book-tax income gap)} = STR - CETR$$

As STR is a constant value, the lower the CETR, the higher the CBTIG. The lower the effective tax liability, taking advantage of tax base reductions and tax relief.

The difference between the CETR and CDTR indicator measures the temporary differences between the income recognized by accounting and taxation in relative terms, compared to profit before tax. It shows the impact of deferred taxes.

$$TBTIG \text{ (temporary book-tax income gap)} = CETR - CDTR$$

The greater the difference between CETR and CDTR, the greater the TBTIG indicator, i.e. the greater the impact of deferred tax accounting. Here, the direction of the divergence shows the type of deferred tax.

The total distance can be expressed by the BTIG (book-tax income gap) indicator.

$$BTIG = CBTIG + TBTIG = (STR - CETR) + (CETR - CDTR) = STR - CDTR$$

Since STR is a constant, the greater the difference between CDTR and STR, the greater the BTIG, i.e. the distance between taxation and accounting.

In my dissertation, by combining the analysis of deferred tax reporting with the measurement of the effective tax burden, I formulated the fourth hypothesis, stating that *(H3) changes in deferred tax expense affect the effective tax burden.*

The hypothesis was tested by regression model on a limited sample. Based on sectoral classification the “Manufacturing” sector was selected from the total sample, including 15 enterprises in the sub-sample. The dependent variable used in the regression model was the ETR indicator, while the independent variables were the debt to total assets ratio (DAR), the fixed asset ratio (CI) and the deferred tax expense to total assets ratio (DTE).

Table 3. Results of the regression model

Independent variable	Estimated coefficient	Standard error of coefficient	t-value	p-value	VIF value
Constant	0.23	0.07	3.42	0.01	
DAR	-0.02	0.07	-0.23	0.82	1.09
CI	-0.26	0.10	-2.65	0.02	1.46
DTE	0.09	6.22	0.01	0.99	1.40

Source: Own compilation (2024)

Based on the regression model results, it can be concluded that the fixed asset ratio (CI) had an impact on the effective tax burden ratio, while the liability ratio and the deferred tax change ratio did not have a significant affect on the effective tax burden, thus *hypothesis H3* was rejected.

In my doctoral dissertation, in addition to analysing the change in the effective tax burden caused by the IFRS transition, my second objective was to assess the usefulness of deferred taxes presented in the financial statements of the transitioned companies and to examine the factors that give rise to deferred taxes.

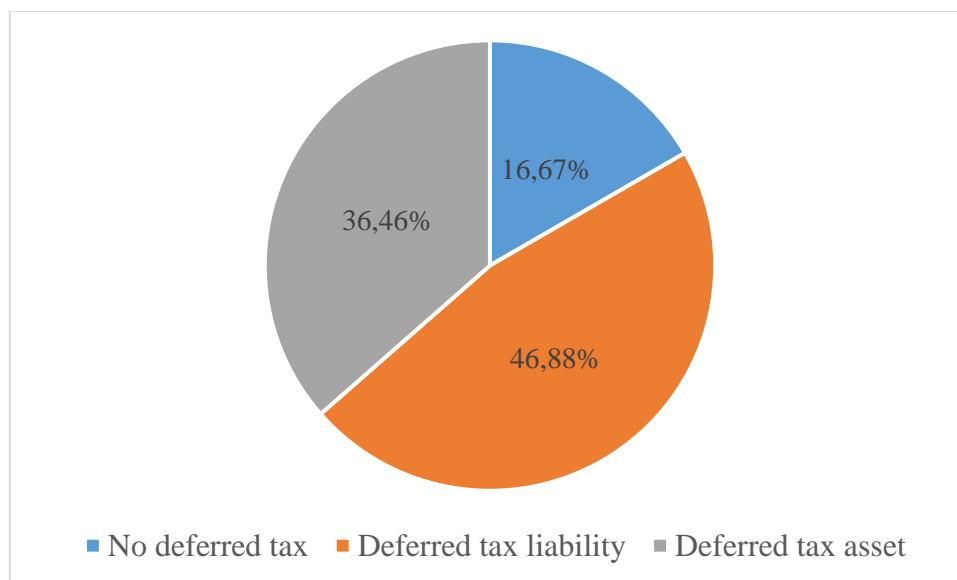


Figure 2. The breakdown of the transitioning companies based on the type of deferred tax presented in their balance sheets (N=192, in %)

Source: Own compilation (2024)

Given that in the Hungarian legal environment the tax is identified with the payment obligation, the question may arise for investors and owners when the deferred tax should be paid to the tax authority. In this context, I formulated the fourth hypothesis of my

dissertation, stating in *H4 that companies adopting IFRS are in a worse tax position in the year of their transition, so dominantly they present deferred tax liabilities in their balance sheets*. In order to investigate this hypothesis, I examined the financial statements of the 192 companies in the sample and determined their deferred tax positions.

Of the 192 companies in the sample, 47% (90 companies), had a deferred tax liability on their balance sheet at the time of transition. 36% (70 companies) had a deferred tax asset on their balance sheet, while 17% of the sample (32 companies) had no item giving rise to deferred tax or the item causing deferred tax was not recognised on their balance sheet. In this context, it is important to mention that this proportion was strongly influenced by the companies' future projections of the carry-forward losses from previous years. Based on the results of the distribution shares, my *hypothesis H4 was rejected*.

In my fifth hypothesis, related to my second objective, I examined the relevance of the information carried by deferred taxes and thus the usefulness of including it in the financial reports. According to my hypothesis (H5), *presentation of deferred tax in the financial statements is relevant in the investigated sample*.

Based on the literature, the recognition of deferred tax is relevant in the balance sheet at transition and therefore provides useful information to users of financial statements, assuming that it is influential. The IFRS does not include a specific threshold for what is considered relevant for financial reporting purposes. In determining the relevancy of deferred tax, I have relied on the methodology used by the auditors and have considered profit before tax as benchmark in determining relevancy.

Since I examined the deferred tax account balances, I used the implementation relevancy instead of the general relevancy, with a threshold of 75% of the general relevancy threshold as follows:

$$\text{Implementation relevancy threshold} = (\text{profit before taxes} \times 0.5) \times 0.75$$

Out of the total sample, 32 companies were excluded, because their financial statements did not include deferred taxes. Thus, the value of the deferred tax presented in the balance sheets exceeded at least one of the three threshold indicators in cases of 62.5% of the 160 companies, i.e. 100 companies exceed the relevancy threshold. While 37.5% of the

companies surveyed had a lower indicator value, in their case deferred tax cannot be said to be a relevant element of the financial statements if we take into account the threshold.

In addition to the analysis of the quantitative thresholds, taking into consideration the qualitative aspects described in the literature, it can be concluded, that the recognition of deferred taxes is a relevant element of financial statements, as it is possible that the recognition of deferred tax claims might turn a loss into a profit. By influencing the income, it may also have an impact on stock market prices, the EPS indicator or even the management bonus. Thus, considering both the quantitative thresholds and the qualitative criteria, it can be concluded that the fifth hypothesis (H5), namely that the *presentation of deferred tax in the financial statements is relevant in the investigated sample*, was accepted.

In my dissertation, I set out to investigate which items give rise to deferred taxes, for which I chose and carried out a content analysis, which is a qualitative research method. My sixth hypothesis (H6) is that *factors causing deferred tax derive dominantly from temporary differences*. To support this hypothesis, I reviewed the content of the mandatory supplementary notes to the accounts and categorised the deferred tax items.

I examined the frequency of the factors in the financial statements. Results are presented in Figure 3.

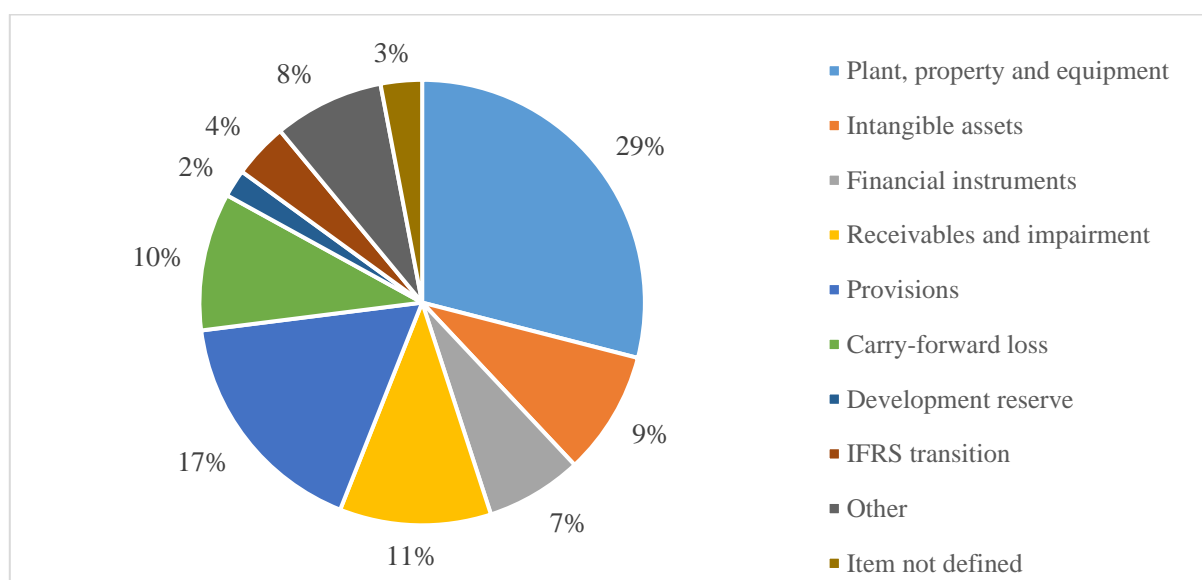


Figure 3. The breakdown of the items giving rise to deferred tax amongst the total number of items in the examined sample (N=363, in %)

Source: Own compilation (2024)

The ranking of the factors giving rise to deferred taxes was based on the share of total frequency. As a result of the ranking, the cumulative shares of the categories ‘Plant, property

and equipment' (29%), 'Provisions' (17%) and 'Receivables and impairments' (11%) reach 57%, i.e. these three factors account for more than 50% of the deferred tax recognition. My hypothesis, i.e. that the factors giving rise to deferred tax are more likely to be due to temporary differences, can be accepted already at this point. However, as I have also made assumptions for two factors, 'Plant, property and equipment' and 'Receivables and Impairment', in this case, adding the 'Carried-forward loss' factor brings the cumulative share to 67%, so this clearly *supports the acceptance of Hypothesis 6*.

The seventh hypothesis (H7) states, that *there is a significant difference between financial and non-financial corporations regarding the factors causing deferred tax*. To prove this hypothesis, I compared the factors of firms in cluster 1 and clusters 2 and 3. Cluster 1 showed firms engaged in financial activities. The frequency of occurrence for the categories 'Plant, property and equipment', 'Carried-forward loss' and 'Financial instruments' showed the largest difference. As a result of the analyses carried out, *Hypothesis 7 can be considered as confirmed and the hypothesis was accepted*.

4. NEW AND NOVEL RESULTS OF THE DISSERTATION

In my doctoral research I aimed to analyse the effects of the IFRS transition at the level of individual financial statements of Hungarian companies from a tax perspective. My research objective was primarily to compare the effective tax burden and to analyse the presentation of deferred taxes. Based on the results of primary and secondary research aiming to support the objectives and hypotheses:

1. I conclude that even though the adoption of International Financial Reporting Standards (IFRS) has led to a difference in the content of tax expense reported by companies compared to the tax expense under Hungarian accounting standards, but it has been proved that there is no statistically justifiable difference.
2. I conclude that the effective tax burden indicator calculated based on the data from International Financial Reporting Standards (IFRS) does not identical in content to the effective tax burden indicator calculated according to the Hungarian standards, but it has been proved that the effective tax burden indicator calculated from data under the two accounting systems does not show a statistically significant difference.
3. I conclude that the disclosure of the effective tax rate (ETR), calculated as the ratio of tax expense to profit before taxes, does not provide sufficient information for users of financial statements. I have broken down the ETR indicator into sub-indicators. The CETR indicator shows the effective tax burden of the company based on its actual corporate tax liability. Compared with the nominal tax rate, it is possible to determine the difference between the company's effective and statutory tax burden for the current year. The CDTR ratio shows the effective tax burden adjusted by the deferred tax expense or income. The difference between CETR and CDTR quantifies the tax burden of temporary differences. By comparing the CDTR ratio with the statutory tax rate, the impact of permanent and temporary differences can be determined. In the final ETR ratio, the tax burden is adjusted for other taxes treated as income taxes. This indicator presents the effective tax burden under IFRS.
4. It has been proved based on the analysed sample that the change in deferred tax expense did not significantly affect the effective tax burden.

5. I found that 46% of the transitioning companies reported a deferred tax liability on their balance sheet, proving that in the year of the adoption of IFRS companies typically do not report deferred tax liabilities that would reduce their earnings.
6. I proved that deferred tax assets and liabilities presented in the financial statements are relevant balance sheet items for Hungarian companies that have adopted IFRS.
7. I concluded that deferred tax at the level of individual accounts is typically caused by temporary differences. At the same time, I proved that there is a difference between financial and non-financial corporations in the frequency of the factors that causes deferred tax.

5. PRACTICAL APPLICABILITY OF THE RESULTS

The subject of my doctoral dissertation is the examination of the Hungarian implementation of the International Financial Reporting Standards (IFRS) primarily from the perspective of taxation. The accounting system of IFRS is more and more accepted and widespread worldwide as globalisation progresses.

In my opinion, the specific nature of the accounting for deferred taxes related to the characteristics of the diverse national tax system explains the fact why several information that is not included in the financial statements may be necessary to accurately interpret the nature of deferred taxes. For example, an indicator designed typically to measure the actual tax burden cannot be applied correctly to compare countries because of differences in regulation. Based on the Hungarian regulatory framework, I have defined a set of indicators that shows the difference in the current year effective tax burden relative to the statutory tax rate, and hence the distance between systems, the difference in tax effects due to temporary differences in the recognition of deferred taxes and, ultimately, the impact on the effective tax burden of tax effects due to other taxes treated as income taxes. I would suggest the use of a more detailed set of indicators that better represents the drivers of the tax burden. The presentation of framework I have developed was described in the dissertation.

Deferred tax is a specific category that combines the fields of accounting and income tax. According to LAKATOS (2014), the magnitude of deferred taxes is a preliminary measure to identify the differences between the accounting system and the tax system. It can be concluded that accounting and taxation are not independent in Hungary, as the determination of income taxes is based on the information provided by accounting. Therefore, the distance between the Hungarian accounting system and the tax system is less than the distance between IFRS and the Hungarian tax system. This is probably the reason why the regulation of deferred tax has not been implemented into the Hungarian legal system so far. At the same time, in my opinion it is important to emphasize that the adoption of IFRS requires a significantly different way of thinking from a tax point of view and changes in the measurement of the actual tax burden, as it may affect the tax strategies used by companies. Furthermore, it may affect the evolution of income and may raise tax-related uncertainties.

Overall, I conclude that, although the transition to IFRS has an impact on the tax expense and effective tax burden reported by companies at the company level, this impact is low for the sample as a whole, based on the results of the statistical analysis.

In my research, I found that deferred tax items are relevant parts of financial statements, but the disclosures in the notes to the financial statements provide little information about their nature. Because of the use of the balance sheet method, companies disclose the balance sheet items in respect of which deferred tax has arisen, but there is no published information on the temporary features of these items. I believe that the usefulness of the deferred tax information for stakeholders would be enhanced if companies disclosed their estimates of the temporary reversals in their statements. This would allow to estimate when the deferred tax will actually become payable or deductible. In my opinion, such disclosure would improve the understanding of deferred taxes and the perception of their informational content. In this regard I would suggest the inclusion of the temporary breakdown of deferred tax in the mandatory disclosures.

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7. LIST OF PUBLICATIONS RELATED TO THE DISSERTATION



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List of publications related to the dissertation

Articles, studies (6)

1. **Kiss, Á.**, Dékán Tamásné, O. I.: A szabályozott ingatlanbefektetési társasági státusz IFRS szerinti értékelési és adózási előírásainak szabályozása Magyarországon.
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3. Dékán Tamásné, O. I., **Kiss, Á.**: Az IFRS-ek szerinti beszámolásra történő áttérés gyakorlati kérdései.
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4. Dékán Tamásné, O. I., **Kiss, Á.**: Az egyéb átfogó eredmény (OCI) kimutatásának értelmezése vezetői szemszögből.
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6. **Kiss, Á.**: Evaluation of the Characteristics of Goodwill in IFRS.
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7. Murányi, N. V., **Kiss, Á.**, Dékán Tamásné, O. I.: The importance of the other comprehensive income in today's economy analysis in the Hungarian business environment.
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8. Dékán Tamásné, O. I., Murányi, N. V., **Kiss, Á.**: The regulation of Real Estate Investment Trusts (REIT) in some European countries and its effect on the IFRS financial statements.
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11. **Kiss, Á.**: A valós értékelés létjogosultsága a tőzsdei vállalatok éves és konszolidált beszámolóiban.
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12. **Kiss, Á.**: A pénzügyi instrumentumok valós értéken történő értékelésének szerepe a tőzsdén jegyzett vállalatok körében.
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14. **Kiss, Á.**: Evaluation of the Characteristics of Goodwill in IFRS.
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The Candidate's publication data submitted to the iDEa Tudóstér have been validated by DEENK on the basis of the Journal Citation Report (Impact Factor) database.

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