



THE RELATION OF MARKET PERCEPTION AND DEFERRED TAX: EVIDENCE FROM THAILAND

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ABSTRACT

This study examines how the market perceives the relevance value of deferred taxes and current period tax deferrals under the balance sheet method of TAS 12 over the period of 2010–2013. Our results suggest that deferred tax assets are viewed as future tax saving only for loss firms in financial industry and deferred tax liabilities are viewed as future tax payment from using a price levels model. Moreover, the net deferred tax assets provide more value relevance to investors than the separate deferred tax assets do. For a returns model, the increase in deferred tax assets is viewed as a signal of future losses and provides a negative relation with returns.

Key words: deferred tax assets, deferred tax liabilities, current tax deferral, TAS12, value relevance,
market perception