DIFFERENCE BETWEEN ACCOUNTING-FISCAL PROFIT: BANKERS AND POLITICIANS INTERESTS

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ABSTRACT

The objective of the study is to verify the influence of board interlocking of bankers and politicians on the difference between accounting and tax profit of companies listed on Brasil Bolsa Balcão - B3. The research sample considered 1,157 observations, corresponding to the period from 2011 to 2018. The data were treated by multiple linear regression. The results indicate that board interlocking, by itself, does not interfere with the difference between accounting and fiscal profit. However, the presence of board interlocking (BI) of politicians influences companies to prioritize the fiscal aspects of the result. The result allows us to accept the hypothesis that BI formed by policies reduces the difference between accounting and fiscal profits. On the other hand, the presence of bankers' board interlocking influences companies to prioritize the corporate aspects of the result. The result allows us to accept the hypothesis that the BI formed by bankers increases the difference between accounting and fiscal profits. The findings provide clues for shareholders to assess the relevance of keeping members with specific and interconnected expertise on the board of directors, according to the type of disclosure desired by stakeholders.

Keywords: Accounting and Tax Compliance. Corporate Governance. Social Networks. Politicians. Bankers.

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DIFERENÇA ENTRE LUCRO CONTÁBIL-FISCAL: INTERESSES DE BANQUEIROS E POLÍTICOS

RESUMO

O objetivo do estudo é verificar a influência do *board interlocking* de banqueiros e políticos na diferença entre o lucro contábil e fiscal de empresas listadas na Brasil Bolsa Balcão - B3. A amostra da pesquisa considerou 1.157 observações, correspondentes ao período de 2011 a 2018. Os dados foram tratados pela regressão linear múltipla. Os resultados indicam que o *board interlocking*, por si só, não interfere na diferença entre o lucro contábil e fiscal. Entretanto, a presença de *board interlocking* (BI) de políticos influencia para que as empresas priorizem os aspectos fiscais do resultado. O achado permite aceitar a hipótese de que o BI formado por políticos reduz a diferença entre os lucros contábil e fiscal. Por outro lado, a presença de *board interlocking* de banqueiros influencia para que as empresas priorizem os aspectos societários do resultado. O achado permite aceitar a hipótese de que o BI formado por banqueiros aumenta a diferença entre os lucros contábil e fiscal. A investigação fornece indícios para os acionistas avaliarem a pertinência de manter no conselho de administração membros com expertises específicas e interconectados, considerando o tipo de divulgação desejada pelos *stakeholders.*

Palavras-Chave: Conformidade Contábil-Fiscal. Governança Corporativa. Redes Sociais. Políticos. Banqueiros.

1 INTRODUCTION

Information useful to users of financial statements differs from that required by tax authorities, which confirms the conceptual positioning of information quality on the difference between accounting and taxable income (Hanlon, Maydew & Shevlin, 2008). Otherwise, it is recommended to account for tax effects and the form of operations, failing to prioritize the disclosure of the economic essence in operations (Tang, 2015).

In this sense, the Board of Directors (BD) monitors organizational activities and protects the interests of stakeholders (Fama & Jensen, 1983, Shleifer & Vishny, 1997; Santos & Silveira, 2007). However, the wide network of directors, conceptualized by the board interlocking (BI) (Carrera, 2013), makes companies share knowledge that shapes the attitudes of other individuals and distinctly affects corporate monitoring (Mendes-Da-Silva, 2010; Hashim & Rahman 2011; Shi, Dharwadkar & Harris 2013; Ribeiro & Colauto, 2016).

Board interlocking (BI) has been associated with the dissemination of information that impairs the quality of accounting information (Hashim & Rahman, 2011; Shi et al., 2013), such as income management practices (Chiu, Teoh & Tian, 2013; Markarian & Parbonetti, 2009; Ribeiro & Colauto, 2016; Cunha & Piccoli, 2017; Dal Magro & Klann, 2017). In this context, corporations have inserted bankers and politicians, creating a network of individuals with distinct and complementary expertise and experiences (Mizruchi, 1996; Dal Magro & Klann, 2017).

The expertise and professional experiences of BD members become relevant, to the point that the BI formed by politicians can impair the informativeness of profits (Bona-Sánchez, Pérez-Aleman and Santana-Martín, 2014), and their interests differ from the users of accounting information (Hanlon et al., 2008; Atwood, Drake & Myers, 2010; Tang, 2015), for prioritizing accounting information aligned with the interests of the tax authorities.

Differently, the presence of bankers in the BD of non-financial companies can foster investments (Glasberg (1987), monitor corporations and promote the quality of accounting information to primary users (Güner, Malmendier & Tate, 2008; Markarian & Parbonetti, 2009), which causes a gap between accounting profits and tax profits.

Given the above, the following research problem emerges: what is the influence of the board interlocking of bankers and politicians on the difference between accounting profit and tax profit? The objective of the study was to verify the influence of the board interlocking of bankers and politicians on the difference between the accounting profit and tax profit of companies listed on B3.

The practical contribution is focused on changes in corporate law in Brazil, through Laws 11,638/2007 and 11,941/2009, which enabled flexibility in professional judgment for the recognition, measurement and disclosure of accounting information. By reducing the tax effects on corporate accounting, a trend of increase in the difference between accounting and tax profit was created (Ferreira, Martinez & Costa, 2012). This gave BD members the opportunity to discuss corporate strategies, promote their corporate interests, especially when BI happens. From a theoretical point of view, the study contributes to the Agency Theory, evaluating the assumptions that individuals on the board of directors with distinct interests seek to maximize their own objectives and that corporatism prevails in business relations.

2 CONCEPTUAL FRAMEWORK AND HYPOTHESIS

2.1 Board interlocking of Bankers and Politicians

The BD is fundamental for corporate governance, by promoting corporate monitoring (Santos & Silveira, 2007). Its composition can absorb individuals interconnected to several corporate actors (Granovetter, 1983) and with simultaneous participation in two or more companies (Mizruchi, 1996; Cunha & Piccoli, 2017). BI occurs most frequently among board members involved in institutional assignments (Mizruchi, 1996; Santos & Silveira, 2007; Santos, Silveira & Barros, 2012).

In many countries, the government interferes in business activities by joining BD (Okhmatovskiy, 2010). Political connection can arise when the government is a direct or indirect shareholder of private companies; entrepreneurs enter the political environment; retired politicians become part of the BD of private companies; and the company makes donations to political election campaigns (Costa, Bandeira-De-Mello & Marcon, 2013).

Board Interlocking deals with a social relationship between two or more companies through the inclusion of the same professional on the boards of directors (Albuquerque, 2016). Wong, Gygax and Wang (2015) define that the board interlocking can be formed by two social bodies that share at least one director in common. BI is present more frequently, precisely, among the board members, who are involved with the boards and have institutional attributions that involve high-level decisions (Mizruchi, 1996; Santos & Silveira, 2007; Santos, Silveira & Barros, 2012).

Board Interlocking through political connection has been characterized by the participation of individuals with political connections in the BD of private companies (Dal Magro & Klann 2017). The political connection has occurred in larger companies that seek to minimize government actions in their activities (Agrawal & Knoeber, 2001). The political connection has been motivated by the preferential treatment that companies have with government agencies, such as: taxation, contractual privileges and regulation (Faccio, 2006).

Companies connected with politicians present incentives to earnings management practices, hiding profits that may attract stricter regulation (Fan et al., 2014). Companies with political connections express a lower level of informativeness from accounting to the market, focusing primarily on tax information (Kothari, 2001; Bona-Sánchez et al. 2014).

In turn, the financial connection occurs when bankers (Markarian & Parbonetti, 2009) occupy seats in the BD of non-financial companies (Stearns & Mizruchi, 1993). The BI formed by bankers prevails in economies with aggregate demand for capital and in companies with a need for cash flow for expansion (Mizruchi & Stearns, 1988).

The insertion of representatives of financial institutions in the BD of non-financial companies generates benefits of easy access to capital, leverage, financial advice and corporate monitoring (Mizruchi & Stearns, 1988; Stearns & Mizruchi, 1993). The favoring of companies occurs because bankers have comprehensive knowledge about the financial market, corporate finance and investment analysis (Dittmann, Maug & Schneider, 2010).

In addition, banks benefit from credit protection, business analysis (Glasberg, 1987), monitoring operations naturally and reducing the risk of default (Mizruchi & Stearns, 1988; Stearns & Mizruchi, 1993). From the perspective of corporate governance, the financial connection of BD members allows advantages by exchanging information from access to internal performance data, anticipated knowledge about investments and operations (Stearns & Mizruchi, 1993).

2.2 Tax aggressiviness and the Difference between Corporate profit and Tax profit

Fiscal aggressiveness can be measured by indicators that subsidize decision makers to detect the actual percentage of taxes on profit disbursed by organizations (Chen et al., 2010). Chen et al. (2010) identified two measures widely explored in the literature to measure tax aggressiveness, namely: a) effective tax rate (ETR) and; b) difference between accounting profit and tax profit (book-tax differences - BTD).

The effective tax rate (ETR) compares the actual effective tax burden exercised by the company with the tax burden determined by legislation (Shackelford & Shevlin, 2001). The low effective tax rate (ETR) is an appropriate parameter to suggest that the company performed aspects of tax planning (Shackelford & Shevlin, 2001).

Shackelford and Shevlin (2000) and Tang (2005) indicate that the ETR is defined by the percentage obtained from the division of the total expense with taxes on profit by income before income tax of a given company i in year t. To identify tax aggressiveness it is necessary to compare the ETR result with the tax burden provided for in the legislation (Hanlon & Heitzman, 2010).

The book tax difference (BTD) is the difference between accounting profit and tax profit arising from the peculiarities in determining the results of Financial Accounting and Tax Accounting (Martinez & Bassetti, 2016). BTD results from the disclosure of two results: one for investors and other stakeholders through the financial statements (Blaylock, Gaertner, & Shevlin, 2017; Hanlon & Heitzman, 2010) and another for the government through the tax statement (Lev & Nissim, 2004).

Financial accounting is based on principles and not rules, which makes a difference between accounting profits and tax profits. In countries where the legal form and rules prevail, there is greater compliance between Financial and Tax Accounting, causing less BTD. In short, BTD reflects an entity's accounting and tax gains and losses, being derived from standards with different objectives and purposes (Chi, Pincus, & Teoh, 2014).

Often, managers manage accounting profit to show satisfactory results to investors. Therefore, managers' accounting choices can be used to increase corporate profit without affecting tax profit (Formigoni, Antunes & Paulo, 2009; Tang & Firth; 2012). In this sense, stakeholders are interested in accounting information different from that required by the tax authorities, as they understand that the proximity between corporate profit and tax profit reduces the quality of the result (Hanlon et al., 2008; Tang, 2015). Atwood, Drake, and Myers (2010) provide evidence that there are gains in the quality of accounting information in countries with low levels of compliance in BTD.

In general, it is understood that the difference between accounting profit and tax profit improves the quality of accounting information, given that by distancing accounting profits and tax profits companies are interested in reporting qualified information to different areas of interest, being: a) primary stakeholders (shareholders and investors, employees, customers, suppliers and community) and; b) secondary stakeholders (government, competitors, the media, philanthropic entities, educational institutions and other interest groups).

For Lev and Nissim (2004), differences in the treatment of specific revenues or expenses in financial accounting and tax accounting can be classified as temporary when they differ only in the period in which they are recognized. Depreciation and contingency provisions are examples of expense items that generally result in temporary BTDs. In depreciation, the “cost” of consuming a longterm asset is recognized accountingly and fiscally, but the annual amount spent often varies between regimes (Khan, Srinivasan, & Tan, 2017).

On the other hand, permanent BTD results when the differences between accounting and tax treatments for specific revenues or expenses are not simply a matter of timing. In this case, there are items that are recognitions accounting, but not tax or vice versa. Some examples are: interest on equity, equity equivalence, tax losses and goodwill (Martinez & Bassetti, 2016).

In addition, Tang and Firth (2012) segregated BTD into discretionary and non-discretionary, that is, the information contained in BTDs can be explained by their normal and abnormal components, respectively. Standard BTDs are the recurring and legitimate differences of Financial Accounting and Tax Accounting, mainly: permanent ones. On the other hand, abnormal BTDs include the dubious motivations of managers to manipulate results and accounting standards, in addition to tax evasion or the illegitimate use of tax advantages. Therefore, this research is not interested in studying tax manipulation (tax aggressiveness), focusing on the normal BTD to ascertain political *drivers* and BD bankers that affect the quality of accounting information.

2.3 Development of Research Hypotheses

Studies on BI point out contradictory and not definitive results of its effects on corporate practices. On the one hand, it benefits corporate monitoring and reduces agency conflicts (Kim & Cannella, 2008) and, on the other hand, it compromises corporate governance and promotes information asymmetry (Dhaliwal, Naiker & Navissi, 2010).

Market players understand that the approximation between company and government can reduce uncertainties (Camilo, Marcon & Bandeira de Mello, 2012) and pressure from stakeholders for high-quality accounting information (Chaney, Faccio & Parsley, 2011). Dal Magro and Klann (2020) evaluated the structures of the interconnection of members with political expertise under a sample of 2,474 companies, in the period 2010 to 2015. The authors portrayed that BI through political expertise expands opportunistic earnings management practices, which can result from more profitable contracts and advantages offered to politicians.

According to Boubakri et al. (2012) agency problems and loss-making corporate governance, resulting from the political affiliation of business management, enable political affiliates to obtain political privileges by virtue of other stakeholders, increasing their incentives in the expropriation of minority shareholders.

Thus, BI formed by politicians can impact the recognition and measurement of accounting, and may even impair the informativity of profits (Bona-Sánchez, Pérez-Aleman & Santana-Martín, 2014). It is understood that politicians excel in private benefits and increased incentives for expropriation of minority shareholders. Therefore, they would be interested in reducing the difference between accounting profit and tax profit, in order to impair the accounting information exposed to primary stakeholders (Qian, Pan & Yeung, 2011; Boubakri et al., 2012).

The BI formed by politicians can bring informational losses to *stakeholders*, causing companies to prioritize accounting information to the tax authorities. The politicians in the BD of private companies end up prioritizing the tax result to hide their true interests that would be present in accounting information with a corporate focus. Given the above, we have the first research hypothesis:

H_1: BI formed by politicians reduces the difference between accounting profits and tax profits.

Additionally, BD can be composed of individuals who have a connection with financial institutions. Bankers promote stricter monitoring of opportunistic behaviors (Stearns & Mizruchi, 1993) and advisors with financial expertise are better able to analyze financial and non-financial information (Dhaliwal et al., 2010). When inserted in the BD of companies with financial difficulties, bankers reduce information asymmetry and seek to obtain privileged information to reduce the risk of default (Mizruchi, 1996).

Markarian and Parbonetti (2009) studied Italian companies and identified that the presence of bankers in the BD of industrial companies negatively influences earnings management practices, which suggests that bankers play a monitoring role, which constrains the opportunistic behavior of management. Dal Magro and Klann (2020) analyzed the structure of interconnection of members with financial expertise, portraying that BI through financial expertise contributes to corporate control, fundraising, mitigates agency conflicts and mitigates managerial opportunism.

Dittmann, Maug and Schneider (2010) consider that, in most cases, the financial connection causes non-financial companies to overcome the problems of adverse selection and credit rationing. It is assumed that by mitigating opportunistic practices, the connection by members with financial expertise can bring informational benefits to corporate accounting, mainly by increasing the informational quality in the search for credit and to respect the clauses of debt contracts.

Güner, Malmendier and Tate (2008) suggest that the financial connection in BD may affect the non-financial company's policies, as well as more accurate disclosure and better performance of the audit committee. In addition, bankers remain a common type of financial expert on corporate boards that provide better monitoring and reduction of agency conflicts.

It is estimated that financial members seek to assist companies in monitoring and complying with accounting rules. However, this can distance them from the informativeness to the tax authorities and, mainly, in the reporting of profits, since it devotes greater attention to the visibility of the company to the market. In view of this, the second research hypothesis is exposed:

H_2: The BI formed by bankers increases the difference between accounting profits and tax profits.

3 RESEARCH METHODS

The research population comprised the companies listed on B3 – Brasil, Bolsa, Balcão, considering the period between 2011 and 2018. Companies that did not have documentary and financial data, financial and insurance institutions were excluded due to the peculiarities of the sector that differ from other industrial, commercial and service companies in general. We also excluded companies that did not present corporate governance information, those considered as outliers and that presented negative IRPJ, abnormal negative ETR, abnormal positive ETR and abnormal ROA, in order to avoid biases in the results due to the abnormality of the variables.

As for the coverage period, it is noteworthy that in 2008, according to Law 11.638/07, the process of voluntary adoption of the International Financial Reporting Standards – IFRS in Brazil began, but only in 2010 the requirement for full implementation (FULL IFRS) occurred, which can be considered as a year of adaptation, a fact that justifies the start period of the sample. In addition, the adoption of IFRS increased the oscillation between accounting profits and taxable profits (Cardoso et al., 2017), justifying the study period.

Table 1 shows the construct of the dependent variables.

Table 1
Dependent variables

Description	Metrics	Baseline Authors
Difference between accounting profit and tax profit (ATD)	$CTE_{it} = B_0 + B1PTBI_{it} + B2DIV_{it} + \varepsilon_{it}$ Where: CTE_{it}= Current tax expenses of company i in year t, $PTBI_{it}$ = Profit before Company Taxes i in year t, DIV_{it}= Total dividends of company i in year t, ε_{it}error	Atwood et al. (2010); Blaylock, Gaertner, Shevlin (2017), Martinez and Leal (2019).
Difference between accounting profit and tax profit considering ETR (ATD_ETR)	$CTE_{it} = B_0 + B1PTBI_{it} + B2DIV_{it} + B3DIVit + \varepsilon_{it}$ Where: CTE_{it} = Current tax expenses of company i in year t, $PTBI_{it}$ = Profit before Company Taxes i in year t, DIV_{it}= Total dividends of company i in year t, ETR_{it} = Effective tax rate of company i in year t ε_{it}error	Atwood et al. (2010); Blaylock et al. (2017), Martinez and Leal (2019).

Source: Prepared by the authors.

Table 2 shows the construct of the independent variables.

Table 2

Independent variables

Description	Metrics	Expected signal	Baseline Authors
Direct *Board interlocking* (DBI)	Board members with intra-firm sharing (direct), in the form of the number of ties established. Indicator generated by UCINET software, using the following formula: $C_D(v_{i)} = \frac{d(n_{i)}}{n-1}$	(+)	Chiu et al. (2013);Ribeiro and Colauto (2016);Cunha and Piccoli (2017);Dal Magro and Klann (2020).
Indirect *Board interlocking* (IBI)	Board members with intercompany sharing (indirect), in the form of number of established ties. Indicator generated by UCINET software, using the following formula: $C_b\,(v_i) = \sum_{j<1} \frac{gjk(v_i)}{gjk}, \quad i \neq, j \neq, k$	(+)	
Board interlocking Formed by Politicians Direct (EDPOL)	Management advisors with political expertise and intra-firm sharing (direct), in the form of the number of ties established generated by UCINET software. **Political Expertise**: members of the board, who were politicians or who once belonged or belong to political or state offices or made campaign donations. *Dummy* equals 1 when the member has political expertise, and 0 otherwise.	(-)	Agrawal and Knoeber (2001); Chen, Ding and Kim (2010);Chaney et al. (2011); Camilo et al. (2012); Batta et al. (2014);Dal Magro and Klann (2020).
Board interlocking Formed by Politicians Indirect (EIPOL)	Management advisors with political expertise and intra-firm sharing (indirect), in the form of the number of ties established generated by UCINET software.	(-)	
Political connection *(CONEX_POL)*	Proportion of the number of members of the board of directors with political ties to the total number of members.	(-)	
Board Interlocking Formed by Bankers Direct (EDFIN)	Management advisors linked to the administration, management and/or MA of financial institutions (financial expertise) and with intra-firm sharing (direct), in the form of the number of ties established generated by the UCINET software. **Financial Expertise:** board members who work or have worked in banks or financial institutions, as well as members	(+)	Guner et al. (2008); Markarian and Parbonetti (2009); Dal Magro and Klann (2020).

	whose profession is a banker. *Dummy* equals 1 when the member has Financial expertise, and 0 otherwise.		
Board interlocking Formed by Bankers Indirect (EIFIN)	Management advisors linked to the administration, management and/or MA of financial institutions (financial expertise) and with intra-firm sharing (indirect), in the form of the number of ties established generated by the UCINET software.	(+)	
Financial Connection *(CONEX_FIN)*	Proportion of the number of members of the board of directors with financial ties to the total number of members.	(+)	

Source: Prepared by the authors.

It should be noted that the *BI* formed by politicians was defined by the analysis of the curriculum of each board member, considering those who held any political position, whether municipal, state or federal. It was also added the board members of state-owned companies and the board members who made donations in the 2016 and 2018 election campaigns. These were characterized as having political expertise (Faccio, 2010; Chaney et al., 2011).

The choice of the 2016 period is justified by the emergence of Law 13,165/2015, which provides for the impossibility of donations from legal entities for electoral campaigns, giving greater prominence to donations from individuals. Thus, it was decided to also consult the elections following this decree, being, therefore, 2018. To consult the donors of the 2016 and 2018 election campaign, it was necessary to inform the CPF number of each board member on the website http://divulgacandcontas.tse.jus.br/divulga.

The *BI* formed by bankers was defined by the curriculum of each board member, establishing individuals with participation in boards or boards of financial institutions (Güner, Malmendier & Tate, 2008; Markarian & Parbonetti, 2009). In view of this, an electronic spreadsheet was prepared with the names of the board members and their companies and then it was verified the board members who occupied, in parallel, seats in the BD of other companies through the preparation of cross-matrices. Finally, the matrix created in excel was inserted into the UCINET *software* to measure the *degree* (direct link) and *betweeness* (indirect link) centrality.

Table 3 shows the control variables.

Table 3
Control Variables

Metrics		**Expected signal**	**Baseline Authors**
Board Size (BDSIZE)	Number of members of the board of directors in year t.	(+)	Sun, Lan, and Liu

Board Independence (INDEPBD)	Percentage of independent members of the audit committee (those not linked to the company's management).	(+)	(2014); Doukakis (2014).
Auditing firm (BIGFOUR)	Dummy equals 1 when the company is audited by big four, and 0 otherwise.	(+)	
Market to Book MTB	Share price/ Net book value per share.	(+)	Blaylock, Gaertner and Shevlin (2017).
Return on assets (ROA).	Net Profit /Total Assets.	(+)	
Company size (SIZE)	Natural logarithm of the Total Asset of company i at the beginning of year t	(+)	Silva, Santos and Almeida (2011); Chen et al. (2015).
Debt (DEBT)	Third Party Capital/Total Asset.	(+)	

Source: Prepared by the authors.

The economic and financial data for the period 2011 to 2018 were collected in the Economática® database and on the B3 Website. BI information was collected manually in the reference forms (in section 12, items 12.5/6 and 12.7/8) of each company and for each year. The variable of political expertise for the campaign donation was collected on the Website: http://divulgacandcontas.tse.jus.br/divulga/#/, by the items 2016 and 2018 elections, whose consultation was carried out considering the CPF of each member.

To verify the influence of *BI* formed by bankers and politicians on the difference between accounting profit and tax profit, the data were analyzed using multiple linear regression using *Stata*® software, using the following equations:

$$ATD_{it} = \beta_0 + \beta_1 \sum board\ interlocking_{it} + \beta_2 \sum Connections_{it} + \beta_3 \sum Variables\ of\ Control_{it} + \varepsilon \text{(Equation 1)}$$

$$ATD\_ET_{it} = \beta_0 + \beta_1 \sum board\ interlocking_{it} + \beta_2 \sum Connections_{it} + \beta_3 \sum Variables\ of\ Control_{it} + \varepsilon \text{(Equation 2)}$$

From equations 1 and 2, econometric models were performed with variables of specific interest for different approaches on the dependent variable. It is noteworthy that the observations of the sample comprised a longitudinal period from 2011 to 2018; however, the panel data regression model was not used, due to the low variation in the composition of the members of the boards of directors of the companies from one year to another, a factor that caused little variability in the estimation of *BI* between periods of analysis.

Regarding the assumptions of the econometric model, it is evident that normality was considered by the number of observations reaching a limit higher than that indicated by the Central Limit Theorem, as recommended by Gujarati (2011). Homoscedasticity was established by the *Pesarán-Pesarán* test, which indicated heteroscedasticity of the data, which were corrected by the White method (White, 1980). The Durbin-Watson test indicated a result close to two in all models, inferring the absence of residual autocorrelation. Finally, the lack of multicollinearity was indicated by the variance inflation factor (VIF) being less than 10 in all variables of the models.

4 PRESENTATION AND ANALYSIS OF RESULTS

Overall, the descriptive results indicate that 77% of the companies analyzed had direct links with other organizations through *BI* and 45% had indirect links. About 38% of companies have directly interconnected bankers and 11% indirectly. In addition, it was observed that 41% of companies have direct links between members with political links and 9% indirect links. Overall, the findings demonstrate that in direct links there is greater density for companies with political members and in indirect links for bankers.

Table 4 presents the (Robust) model of the variables, to test the influence of *BI* formed by politicians on the difference between accounting and tax profit.

Table 4
Statistics on the influence of the board interlocking formed by politicians on the difference between accounting profit and tax profit

Dependent	**ATD**				**ATD_ETR**			
Independent	**Robust**	**Model1**	**Model 2**	**Model 3**	**Robust**	**Model 1**	**Model 2**	**Model3**
DBI	3.1798				3.2935			
IBI	-0.0000				0.0000			
EDPOL		-4.8129	**-5.9756***			-3.7635	-4.7923	
EIPOL		-0.0000	-0.0001			-0.0001	-0.0000	
CONEX_FIN	**0.6430***				**0.6410***			
CONEX_POL	**-0.1740****	**-0.1541****		**-0.2103***	-0.1430	-0.1364		**-0.1817***
BDSIZE	0.0135	0.0201	0.0180	0.0175	0.0136	0.0207	0.0188	0.0185
BIGFOUR	0.1107	**0.1670***	**0.1795***	**0.1533***	**0.1230*****	**0.1792***	**0.1903***	**0.1687***
INDEPCA	**0.5720***	**0.5336***	**0.5336***	**0.5273***	**0.5390***	**0.5014***	**0.5014***	**0.4955****
SIZE	0.0377	0.0789	0.0672	0.0680	0.0357	0.0787	0.0683	0.0703
INDEBT	**0.3990***	**0.3237***	**0.3401***	**0.3176***	**0.3839***	**0.3079***	**0.3224***	**0.3034***
ROA	**-0.147***	**-0.0142***	**-0.0138***	**-0.0148***	**-0.0181***	**-0.0174***	**-0.0171***	**-0.0179***
MTB	0.0064	0.0073	0.0071	0.0078	0.0083	0.0093	0.0091	0.0090

(Constant)	**-0.7530***	**-0.9116***	**-0.8660***	**-0.8299***	**-0.7419***	**-0.9114***	**-0.8710***	**-0.8439***
Comments	1.157	1.157	1.157	1.157	1.157	1.157	1.157	1.157
Adjusted R²	0.0653	0.0491	0.0478	0.0469	0.0744	0.0562	0.0552	0.0547
F Statistic	6.7000	7.0200	7.7600	8.6100	7.6700	8.0100	8.8800	9.8900
Prob > F	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Durbin-Watson	2.0150	2.0040	1.9990	2.0009	2.0160	2.0080	2.0030	2.0110
VIF	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10

* significant at 1%. ** significant at 5%, ***significant at 10%.

Source: Research data.

First, a Robust test was performed to test the influence of the board interlocking. Regarding the characteristics of direct and indirect board interlocking (DBI and IBI), there was no statistical significance demonstrating that the simple connection of BD members does not influence the difference between accounting profits and tax profits.

To this end, the connections test was performed and it is noted that the statistical coefficients are significant for the predicted variables and therefore the following models were prepared in order to test the influence of political formation (Table 4) and financial formation (Table 5) in ATD (accounting-tax difference).

First, a complete model was tested for the difference between accounting-tax profit (ATD) and the difference between accounting-tax profit with the inclusion of the effective tax rate (ATD_ETR), then the models were tested with the removal of some variables.

Model 1 (ATD) identified that there is a significant relationship at the level of 5% between the political connection and the difference between accounting profit and tax profit. In model 2, direct and indirect political formation was tested, represented by members with political linkage that are shared between BD through direct or indirect linkage BI. The direct political training coefficient (EDPOL) proved to be significant and negative, allowing us to infer that when there are directly interconnected members in the councils, and these are political, the accounting-fiscal difference decreases, a result that does not allow us to reject the H_1 hypothesis.

The findings are consistent with Faccio (2006), Batta et al. (2014) and Bona-Sánchez et al. (2014). Faccio (2006) identified that companies interconnected by politicians are under greater public judgment and subject to stricter monitoring. Batta et al. (2014) highlight that the advantages arising from a political link can impact decision-making processes. The insertion of politicians in BD pays greater attention to the information destined to the tax authorities, resulting in greater proximity between accounting profits and tax profits.

Bona-Sánchez et al. (2014) found a negative relationship between political links and profit informativeness, highlighting that it is an information effect, where politicians and shareholders are concerned with providing minimal information to the market, in order to protect public policy relations and prevent the leakage of information to competitors.

In addition, the model with ATD_ETR indicated that EDPOL was no longer significant, reinforcing the theoretical indicative. The results suggest that expertise from political relations influences the organization to meet the tax authorities, which can impair the information reported to other stakeholders. In addition, BI formed by politicians makes analysts' forecasts less accurate, generating information asymmetry between principal and agent, impairing transparency (Chen, Ding & Kim, 2010).

Atwood, Drake and Myers (2010) argue that the financial statements portray financial, economic and performance data of companies, which is not related to tax interests. Tax accounting compliance offers managers' emphasis on tax effects, causing informational loss in the economic essence of operations (Tang, 2015).

Regarding the characteristics of corporate governance, statistical significance is perceived at the level of 5% and 10% for the variables of *big four* and independence of the audit committee, respectively. The results allow us to infer that the more companies are audited by the *big four* and the greater the independence of the MA, the greater the difference between accounting profit and tax profit. It should be noted that *big four* audit firms carry expertise due to other services already provided, and it is natural that in order to meet the business prospects, they act to minimize expenses and impact tax adjustments.

These findings contradict the assumptions of corporate governance mechanisms. Dal Magro and Klann (2017) found similar results, showing that the characteristics of independence and audit positively influence the management of results and that these factors can come from the connections of the board interlocking that influence the practices of companies.

Hanlon, Maydew and Shevlin (2008) highlighted that the difference between accounting profit and tax profit may be due to earnings management or tax management. In addition, Carrera (2013) and Chiu, Teoh and Tian (2013) highlighted that the existence of ties between members of the audit committees reduces the quality of accounting information.

On the contrary, some studies approach corporate governance as a mechanism that drives the IFRS approach, leading to a greater gap between the calculation of tax profit and corporate profit (Daske & Gebhardt, 2006). However, the greater distance between accounting profits and tax profits does not always mean a negative effect, which can be due to the unbridled search for the reduction of the tax burden, as pointed out by Tang (2005) and Fomigoni et al. (2009).

Regarding economic indicators, ROA and indebtedness were statistically significant, showing that the lower the return on assets, the greater the difference between accounting profit and tax profit and the higher the company's indebtedness, the smaller the difference between profits. Dal Magro and Klann (2017) also found a similar influence of ROA on earnings management and Silva et al. (2011) highlighted the negative effect of corporate indebtedness on the quality of accounting information.

Regarding the continuity of the impacts of expertise, Table 5 presents the results of the influence of the board interlocking formed by bankers on the difference between profits.

Table 5
Statistics on the influence of the Board interlocking formed by bankers on the difference between Accounting Profit and Tax Profit

Dependent	**ATD**				**ATD_ETR**			
Independent	**Robust**	**Model1**	**Model 2**	**Model 3**	**Robust**	**Model 1**	**Model 2**	**Model 3**
DBI	3.1798				3.2935			
IBI	-0.0000				0.0000			
EDFIN		0.1766	**6.4311***			0.3703	**6.5833***	
EIFIN		0.0000	0.0000			0.0000	0.0000	
CONEX_FIN	**0.6430***	**0.6835***		**0.7038***	**0.641***	**0.6790***		**0.7058***
CONEX_POL	**-0.1740****				-0.143			
BDSIZE	0.0135	0.0110	0.0099	0.0117	0.0136	0.0124	0.0114	0.0132
BIGFOUR	0.1107	**0.1315***	**0.1439***	**0.1325****	**0.123*****	**0.1445***	**0.1568***	**0.1460***
INDEPCA	**0.5720***	**0.5584***	**0.5278***	**0.5631***	**0.539***	**0.5263***	**0.4959****	**0.5316***
SIZE	0.0377	0.0308	0.0431	0.0304	0.0357	0.0349	0.0472	0.0346
INDEBT	**0.3990***	**0.4226***	**0.3616***	**0.4194***	**0.3839***	**0.4061***	**0.3455***	**0.4024***
ROA	**-0.1470***	**-0.0139***	**-0.0158***	**-0.0138***	**-0.0181***	**-0.0171***	**-0.0189***	**-0.0169***
MTB	0.0064	0.0064	0.0074	0.0065	0.0083	0.0083	0.0093	0.008
(Constant)	**-0.7530***	**-0.7370***	**-0.7022***	**-0.7388***	**-0.7419***	**-0.7626***	**-0.7280***	**-0.7655***
Comments	1.157	1.157	1.157	1.157	1.157	1.157	1.157	1.157
Adjusted R²	0.0653	0.0613	0.0488	0.0609	0.0744	0.0702	0.0578	0.0696
F Statistic	6.7000	7.3100	7.9000	8.8900	7.6700	8.4100	9.0400	10.3500
Prob > F	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000
Durbin-Watson	2.0150	2.0140	2.0060	2.0130	2.0160	2.0170	2.0070	2.0170
VIF	< 10	< 10	< 10	< 10	< 10	< 10	< 10	< 10

* significant at 1%. ** significant at 5%, ***significant at 10%.

Source: Survey data.

Regarding the models analyzed in Tables 5 and 6, the R^2 of the models ranged from 4.6% to 7.4%, which apparently may seem like a low explanatory power. However, it should be remembered that not always high R^2 indicate that a model is really predictive, and R^2 with low values are not always bad, because they depend on the coefficients and significance of the variables obtained in the regression. In this case, the predictive variables of the study were statistically significant, allowing inferences to be made.

In Table 5, the findings indicate that the direct connections of bankers influence the increase in the difference between accounting profit and tax profit, not rejecting the H_2 hypothesis. The results of Stearns and Mizruchi (1993), Güner et al. (2008), Markarian and Parbonetti (2009), Dittman et al. (2010) and Dal Magro and Klann (2017) define that the power of monitoring, minimizing opportunism and benefits that financial connection can exert in companies is very important.

Dittman et al. (2010) point out that bankers act as experts and assist the recovery and financing process for companies. And, according to the findings of this study, it is perceived that the financial connection can act in an important way in the quality of information reported to the primary stakeholder, however, this generates distancing from tax information. The results remain the same for the models with the variable ATD_ETR, which demonstrates that the influence of bankers is not linked to fiscal aggressiveness, but with the best information passed on to other stakeholders to support decision-making.

Therefore, when one has a better adherence to international accounting standards and consequently an improvement in the quality of accounting information reported to *primary stakeholders,* one perceives a more efficient corporate accounting, but that is distant from the information to the tax authorities. Often, to obtain more reliable information, companies need to adopt accounting instruments that show the economic essence of operations, moving away from the legal (tax) form.

Regarding the corporate governance variables, it is noticed that the firms that have a board of directors, independence of the audit committee and are audited by *big four*, showed a greater difference between accounting profit and tax profit. In general, corporate governance was strengthened after Law 11.638/07 and with the adherence to IFRS, the information reported to the stakeholder *was prioritized,* with the objective of making financial markets more efficient (Costa & Lopes, 2015).

In addition, important inferences are perceived in the literature that justify the possibility of an effect between the connection of banks and companies. In addition, Mendes-da-Silva (2010) stressed the importance of developing contemporary Brazilian studies, with the main objective of identifying the configuration of the relationship networks between banks and non-financial companies through BI, in order to evidence more robust results on the impact on organizations.

The findings show that *BI* alone does not directly affect ATD, but expertise from previous links may reflect on ATD. Therefore, these findings indicate that the BI formed by bankers and politicians have a greater effect on the quality of accounting information, due to the links and experiences shared by these members.

Thus, it can be seen that the study was able to isolate two important factors of BD that interfere with greater and lesser distance between accounting profit and tax profit. The study confirmed that financial expertise increases the difference and political expertise decreased the difference between profits, significant to explain the phenomenon investigated.

5 FINAL CONSIDERATIONS

It is concluded that the *board interlocking* formed by politicians and bankers generates different influences on the difference between accounting profits and tax profits. The governance mechanisms were perceived as drivers of the difference, contrary to the assumptions of CG, but which may be a result of the effects of *board interlocking* or even IFRS.

When verifying the influence of the *board interlocking* formed by connections with politicians and bankers on the accounting-fiscal difference, it is concluded that there is a negative relationship for the *board interlocking* due to political expertise and a positive relationship for financial expertise.

It can be seen that *stakeholders* should pay greater attention to the effects of the *board interlocking* formed by politicians, as it was associated with less difference between accounting and tax, that is, in the existence of members with political expertise ATD decreases. Tang (2005) mentions that tax differences may occur due to the disagreement between international accounting standards and the rules imposed by the tax authorities. Therefore, by focusing on the criteria established by the government, politicians can leave aside the corporate part of the organization to focus on the tax part. However, this does not reveal itself as a negative point of the connection, it only points out that members with political expertise focus on tax information.

Bona-Sánchez et al. (2014) perceived a negative relationship between political links and profit informativeness and stressed that politicians and shareholders provide minimal information to the market in order to protect public policy relations and prevent the spread of information to competitors. In addition, Chaney et al. (2011) reinforce that companies with political connections are exposed to strict monitoring controls and are more publicly vulnerable.

Therefore, the findings related to BI formed by politicians are consistent with hypothesis H1- BI formed by politicians reduces the difference between accounting profits and tax profits, which cannot be rejected. For financial expertise, there was an increase in ATD, which demonstrates how much bankers are more engaged with the organization and results in the non-rejection of the H2 hypothesis - the BI formed by bankers increases the difference between accounting profits and tax profits.

It should be noted that Costa and Lopes (2015) mention that the accounting-tax difference may also come from the adherence to IFRS, which stimulate transparency and reliability and are aimed at improving the accounting information reported to *stakeholders*, which causes the gap between accounting profit and-tax profit to increase, but does not necessarily represent poor quality accounting information.

In practical terms, it is concluded that the difference between accounting profit and tax profit has not been a factor of tax aggressiveness, but of interest involved in the accounting information generated to primary stakeholders, in view of the interest of the board intelocking formed by bankers to have been associated with this factor. On the other hand, the board interlocking formed by politicians makes the company have a lesser concern regarding the generation of qualified information to primary stakeholders, promoting focus on tax issues.

In general, the study showed that board members use the corporate network to defend their own informational interests that stand out from collective interests. In practice, the difference between accounting profit and tax profit represents an improvement in the quality of information for each scope of interest, whether primary and/or secondary stakeholders and, therefore, the presence of bankers on the board of directors may be necessary for more efficient monitoring of corporate governance.

Given the above, the study allows the primary *stakeholders* a conception of the factors that involve the organizations and especially the informativeness of the information passed on to them and the tax authorities. Based on the findings, the presidents, managers and shareholders will be able to analyze more clearly the quality of the disclosed accounting reports and through this perspective evaluate the benefit of maintaining on the board of directors members with specific and interconnected expertise. In addition, the study allows us to verify which governance mechanisms improve accounting information and are really important for the organization.

The findings contribute to the Agency Theory by demonstrating that the BI formed by bankers focuses on corporate accounting and, in turn, promotes the maximization of the company's objectives (main), thus distancing itself from tax objectives (agent). On the other hand, the BI formed by politicians directs the accounting information to the interests of the (main) government. This finding brings tax and corporate information closer together for the purpose of the government to more easily monitor the company

In the social sphere, it contributes by providing evidence to regulatory bodies and users of accounting information. Furthermore, the results of this study are of interest to researchers in the area of corporate and tax accounting, investors, regulators, analysts and global organizations.

Despite the scientific rigor and methodological care, the research has limitations. Regarding the non-generalization of the results, considering a non-probabilistic sample. Regarding the selection of the characteristics that make up the BI, formed by bankers and politicians as well as the conformity measurement model that influences the exclusion of some companies from the sample.

It is suggested that future studies include other explanatory factors that contemplate the formation of BI. Additionally, it can be investigated whether the differences between accounting profit and tax profit prevail in different economic segments of companies.

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