

Kimea, Alfred James; Mkhize, Msizi; Maama, Haruna

Article

The Sociocultural and Institutional factors influencing Tax Avoidance in sub-Sahara Africa

Cogent Business & Management

Provided in Cooperation with:

Taylor & Francis Group

Suggested Citation: Kimea, Alfred James; Mkhize, Msizi; Maama, Haruna (2023) : The Sociocultural and Institutional factors influencing Tax Avoidance in sub-Sahara Africa, Cogent Business & Management, ISSN 2331-1975, Taylor & Francis, Abingdon, Vol. 10, Iss. 1, pp. 1-15, <https://doi.org/10.1080/23311975.2023.2186744>

This Version is available at:

<https://hdl.handle.net/10419/294321>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by/4.0/>

The Sociocultural and Institutional factors influencing Tax Avoidance in sub-Saharan Africa

Alfred James Kimea, Msizi Mkhize & Haruna Maama

To cite this article: Alfred James Kimea, Msizi Mkhize & Haruna Maama (2023) The Sociocultural and Institutional factors influencing Tax Avoidance in sub-Saharan Africa, Cogent Business & Management, 10:1, 2186744, DOI: [10.1080/23311975.2023.2186744](https://doi.org/10.1080/23311975.2023.2186744)

To link to this article: <https://doi.org/10.1080/23311975.2023.2186744>



© 2023 The Author(s). This open access article is distributed under a Creative Commons Attribution (CC-BY) 4.0 license.



Published online: 01 Apr 2023.



Submit your article to this journal [↗](#)



Article views: 1615



View related articles [↗](#)



View Crossmark data [↗](#)



Citing articles: 1 View citing articles [↗](#)



Received: 20 October 2022
Accepted: 28 February 2023

*Corresponding author: Alfred James Kimea, Industries, Trade and Environment Committee, The School of Accounting, Economics and Finance, University of KwaZulu-Natal - Westville Campus and Parliament of Tanzania, Tanzania, South Africa
E-mail: dralfredjkimea@gmail.com

Reviewing editor:
Collins G. Ntim, Accounting,
University of Southampton,
Southampton, United Kingdom

Additional information is available at
the end of the article

ACCOUNTING, CORPORATE GOVERNANCE & BUSINESS ETHICS | RESEARCH ARTICLE

The Sociocultural and Institutional factors influencing Tax Avoidance in sub-Saharan Africa

Alfred James Kimea^{1*}, Msizi Mkhize² and Haruna Maama³

Abstract: Businesses find ways to reduce their tax while the government also establishes laws and policies to prevent tax avoidance. These conflicting objectives and strategies have heightened the interest in establishing the factors that influence firms' level of tax avoidance. The study examined a country's institutional and sociocultural elements that influence tax avoidance practices by firms in sub-Saharan Africa (SSA). The study involved one hundred seventy-three (173) listed companies from eight sub-Saharan African countries. The study used a multiple regression analysis technique to estimate the results. The results showed that a country's institutional settings and particular sociocultural practices impact its firms' tax avoidance practices. The findings demonstrated that the degree of tax avoidance activities of firms in SSA is influenced by management quality, regulatory quality, auditing quality, culture, and ethics of a country. This result has several policy implications. First, the management of firms can use their resources to lower the tax paid to the government. Governments can also use institutional frameworks to stop businesses from using aggressive tax avoidance strategies. As a result, the study adds to the body of research on the factors influencing tax evasion in emerging markets. The findings align with the institutional theory's assertions that institutions, laws, and regulations can impact how businesses behave through coercive and normative isomorphism, which can affect how they avoid paying taxes.

Subjects: Business, Management and Accounting; Accounting; Financial Accounting; Government & Non-Profit Accounting; International Accounting

Keywords: Tax avoidance; tax planning; management quality; ethics; culture; audit quality

1. Introduction

Tax avoidance, also called tax planning, is an essential agenda item for managers when making strategic corporate decisions because it contributes significantly to cash savings, which benefit both firms and shareholders. For a government, tax collection is the main source of revenue to finance its operations. Tax avoidance reduces taxes that governments could collect for countries' economic and social development. For this reason, governments, policymakers and other stakeholders are keen to understand the factors affecting the level of tax avoidance. Nevertheless, while some companies have successfully utilised these tax-planning opportunities, others have remained tax compliant (Dyrenge et al., 2016). As tax avoidance reduces the amount of tax revenue that firms transfer to governments, thereby increasing after-tax return (Beasley et al., 2021; Gunawan et al., 2021), it may enhance firm value and increase distributable income to shareholders. In this context, shareholders can be expected to support the tax avoidance activities of

firms (Rego & Wilson, 2012). However, as the rationale behind various companies' non-adoption of tax avoidance opportunities has remained unanswered, it should be empirically investigated.

Therefore, the study sought to understand what contributes to variations in the tax avoidance activities of firms across different countries. Several factors have been identified as influencing the trend and level of tax avoidance, such as firm characteristics (size, profitability, leverage, capital intensity, age and asset tangibility, for example) and corporate governance characteristics (Atwood et al., 2012; Fernández-Rodríguez et al., 2021; Jingga & Lina, 2017; Wang et al., 2020). An essential piece of information missing in the tax avoidance literature is whether a country's institutional arrangements influence the tax avoidance activities of firms operating in it. Little is known about the variations in tax avoidance activities of firms across different countries. This means that the literature still does not fully understand the factors that may support tax avoidance among firms.

This unanswered question is relevant because understanding how a country's institutional, social, cultural, political and economic settings influence firms' tax avoidance strategy can assist policymakers and investors in formulating policies and making investment decisions. On the other hand, the majority of corporate tax avoidance studies, such as those of Schmidt and Fahlenbrach (2017), Chen et al. (2019), and Ermasova et al. (2021) concentrate on firm-specific variables as determinants of tax avoidance activities. Moreover, the results of these studies using firm and corporate governance factors conflict with one another, leading to incomplete information on why and how some companies avoid taxes compared to their contemporaries. This study examines the impact of countries' institutional settings on the tax avoidance activities of firms in sub-Saharan Africa (SSA).

Apart from the identified gaps in the tax planning literature, Payne and Raiborn (2018) argue that studies investigating the determinants of tax avoidance focus on developed nations, thus sidelining developing countries. Although prior studies are useful in understanding the determinants of tax avoidance yet, there is a lack of consensus among them. Moreover, they offer little insight into why some firms in some developing countries engage in more tax avoidance activities than others (Kerr et al., 2016). A possible determinant of tax avoidance that has not been fully explored is mainly considered in this study. This is a complete departure from the literature, which has concentrated chiefly on firm and corporate governance variables. Identifying these factors could assist government revenue authorities in finding solutions to the tax-planning problem. For shareholders, tax avoidance can facilitate the elimination of rent-seeking behaviour that maximises the wealth of managers at the expense of shareholders, which is possible owing to the opaque nature of tax avoidance.

2. Literature review

The study postulates that a country's specific features can influence its firms' tax avoidance practices. In the following paragraphs, a country's sociocultural and institutional elements that can influence tax avoidance are discussed, comprising management quality, culture, regulatory quality, ethics and audit quality.

3. Management quality and tax avoidance

Firms with quality management can substantially reduce their tax expenses; hence a link can exist between management quality and tax avoidance. The management of firms are expected to have a high standard of knowledge and understanding of the operating environment of firms, which will result in a reduction of the taxes paid because such managers can align a firm's decisions with tax strategies (Demerjian et al., 2013). This would enable them to identify and utilise tax-planning opportunities due to their superior understanding of the operating environment of their firms. For instance, the timing, classification and location of research and development (R&D) activities have significant ramifications for tax reduction (Koester et al., 2017). This suggests that highly qualified managers could use research and development activities to reduce the tax burdens of their firms.

Another reason for a possible relationship between the quality of management and tax avoidance is that quality managers can set objectives that emphasise cost minimisation (Dyreng et al., 2010; Iazzi et al., 2022). Even though all managers aim to reduce costs, managers with a high level of experience, expertise and skills are more likely to attain substantial cost savings, which can positively affect their tax savings. Therefore, it is anticipated that the shrewdness of managers in managing resources would result in cost reduction through tax avoidance strategies.

However, there are conceptual explanations of how management quality may not be related to tax avoidance. *Ceteris paribus*, all good managers should manage firms so that they would pay the lowest possible tax. However, the skills needed to manage a firm may differ from the specialised training and expertise required to find and implement tax avoidance strategies. Another explanation for a possible nonlinearity between good-quality management and tax avoidance is that management may be concentrated on the primary business operations of the firms; hence, the implication of their tax decisions would not be their major concern. Other conceptual reasons suggest that management quality may not result in high tax avoidance activities. For instance, all managers may wish to pay the least taxes legally tolerable for a given income. However, managers may have dissimilar opportunities to achieve a lower tax rate. This may be caused by factors such as industry affiliation, research and development (R&D) activities and location decisions (Koester et al., 2017). In addition, evidence indicates that compensation paid to management affects their tax avoidance activities (Gaertner, 2014; Rego & Wilson, 2012). In the views of Koester et al. (2017), where compensation motives and firm characteristics drive the variations in tax avoidance, there is little or nothing that managers, even top-quality ones, can do to reduce the tax burden of companies.

The preceding discussion indicates that quality management will have the ability and skills to effectively manage a firm's resources and reduce its tax burden. Based on the argument advanced in this section, the following hypothesis was developed:

H₁: Management quality increases a firm's tax avoidance activities

4. Culture and tax avoidance

The literature predicts that culture plays a crucial role in explaining the tax avoidance activities of firms in a particular country (Richardson, 2008; Brink & Porcano, 2017; Ermasova et al., 2021). The current study predicted that a country's culture would influence its firms' tax avoidance activities. In this context, culture is measured by Hofstede's (2011) uncertainty avoidance cultural dimension. Hofstede (2011) defined uncertainty avoidance as the degree to which a group of individuals feels threatened by uncertainty and unknown or unstructured conditions. In the context of an organisation, uncertainty avoidance is characterised as the extent to which a firm as a whole and its agents handle their inability to predict the future correctly and to be fully ready for it because of unclear circumstances or free and amorphous situations (Glazer, 2021; Sutrisno & Dularif, 2020). It is possible to relate culture to the tax avoidance activities of firms because a country with a strong uncertainty avoidance culture upholds unyielding codes of beliefs and attitudes and is intolerant of heretical behaviour and views. This attitude can limit the ability of a firm and its staff to embrace the concept of tax avoidance because they would consider such practices unethical and unacceptable, which may land them in trouble. This view held by a firm would force it to organise its operations according to the prescripts of the law and regulations, hence less tax avoidance activities.

The foregoing argument is consistent with that of Gallego-Álvarez and Ortas (2017), who contend that firms and individuals in societies with high uncertainty avoidance mainly accept and follow rigid codes. Moreover, they are inclined to embrace many rules and norms, making them less disposed to innovation and change. This indicates that firms operating in countries

demonstrating high uncertainty avoidance will be less prone to tax avoidance. Studies provide evidence that a country's culture influences a firm's tax avoidance activities. For instance, Richardson (2008) demonstrates that higher uncertainty avoidance results in higher tax avoidance activities in firms. In a related study, Brink and Porcano (2017) revealed that a firm's tax avoidance is influenced by culture. A study in the US and Germany by Ermasova et al. (2021) found that culture significantly predicts tax avoidance activities in firms in these countries. Based on their results, the authors suggest that policymakers should factor cultural variables in the design and implementation of tax administration as well as in understanding the increasing amount of tax evasion. The literature discussed above resulted in the formulation of the following hypothesis.

H₂: Culture (uncertainty avoidance) reduces a firm's tax avoidance activities

5. Regulatory quality and tax avoidance

The study relates regulatory quality to tax avoidance because in a country with a good-quality regulatory regime, tax authorities may have unrestricted access to the financial records of a firm and its worldwide business transactions. This will serve as a deterrent to firms engaging in tax avoidance strategies. In addition, access to sensitive information may expose firms to litigation risk, which they would wish to avoid. In this context, firms operating in countries with a good-quality regulatory regime will avoid tax avoidance strategies because they may be disputed by regulatory authorities, which may give rise to litigation (Montenegro, 2021). Furthermore, a robust regulatory environment enables investors and creditors to enforce their rights, and non-compliant firms will likely face liquidation or take-over in such an environment. This would deter management from engaging in tax avoidance activities that may receive greater scrutiny. However, in the absence of a detection mechanism, firms will take advantage of the flexibilities in regulations, laws and standards and engage in aggressive tax avoidance.

This view is in accord with Bushman and Piotroski (2006), who found that firms in countries with robust regulatory systems reflect bad news in earnings faster than those in countries with weak regulatory systems. However, it is conceptually possible that firms operating in countries with strong investor protection would pay a lower tax. This position is possible because firms operating in a country with a robust regulatory system would adopt more aggressive accounting policies and estimates in financial reporting than those operating in countries with weaker regulation regimes. The literature discussed above led to the study formulating the following hypothesis:

H₃: Strong regulatory quality in a country reduces its tax avoidance activities.

6. Ethics and tax avoidance

The relationship between ethical values and the tax avoidance strategies of firms has received considerable attention in recent times. As a result, taxation has been included in the discipline of business ethics (Scarpa & Signori, 2020). According to Scarpa and Signori (2020), tax laws are imperfect; hence, firms will always find loopholes to avoid paying taxes. In this context, ethics would help firms to self-regulate their tax avoidance behaviour. Firms with high ethical values would want to avoid damaging public information and engaging in tax avoidance activities, especially in contentious transactions. Zeng (2019) agrees that a responsible citizen in a country is tax compliant, and tax avoidance is considered contradictory to ethical corporate citizenship.

Lanis and Richardson (2018) view that highly ethical firms are less likely to be involved in tax avoidance activities because tax avoidance is risky and leads to high costs, including reputational damage and government/public scrutiny. Ethics can prevent firms from engaging in tax avoidance activities, especially when negative information can damage a firm's image. Indeed, firms can reduce reputational risks by reducing or avoiding tax avoidance activities. Henderson and Kaplan

(2005) provide evidence that ethics influence the tax compliance behaviour of firms. This evidence implies that unethical firms typically have considerable tax benefits, indicating that ethical values reduce tax avoidance. Similarly, ethics are negatively related to tax avoidance, which suggests that ethics reduce the tax avoidance activities of firms. Based on the strength of the argument favouring a negative relationship between ethics and tax avoidance, the study provides the following hypothesis:

H₄: A country's ethics influence its firms' tax avoidance activities.

7. Audit quality and tax avoidance

Owing to their unique role and relationship with firms, auditors influence a firms' tax avoidance activities, which has been a subject of discussion among academics and practitioners. The majority of the arguments appear to favour the view that quality audits decrease the tax liabilities of firms. Several reasons have been provided to support this position. First, auditors can provide additional services, such as tax avoidance advice to firms. In this case, quality auditors can develop comprehensive and effective tax strategies for their clients because they would have accumulated substantial knowledge about their operations, systems and internal processes and further gained access to broad financial information (Chyz et al., 2021; Rizqia & Lastiati, 2021).

Anecdotal evidence indicates that good-quality audit firms rely on the inside information of their clients to provide the best tax audit service (Chyz et al., 2021; Yuniarwati et al., 2017). In addition, Cripe and McAllister (2009) and Shehata et al. (2022) assert that firms engage the services of audit firms with extensive knowledge about their clients' tax structure and can bring tax savings as well as efficiency to their business. This suggests that firms that hire quality auditors would save tax costs by paying less.

Another reason to support that a good-quality audit can increase a firm's tax avoidance activities is that audit firms can draw on broad tax-specific knowledge because they offer tax services to a wide array of clients (Chyz et al., 2021; Monika & Noviri, 2021). The specialised knowledge of auditors would enable them to provide quality tax services to their clients when they are called to do so. Similarly, Klassen et al. (2016) opine that for audit firms to provide tax services, they must incessantly invest in modern audit and accounting technologies. This would eventually help their clients through a tax reduction. In addition to the number of clients they may serve, audit firms may have modern tax technologies, which can be deployed to reduce their clients' tax liabilities. Moreover, firms may lack such technologies, expertise and skills. This view is supported by Dai et al. (2007), who provide evidence to suggest that it would take many years for firms to develop tax and business expertise similar to those possessed by auditors who have performed their services for decades. Because they have provided tax services for a long time, auditors may also have broad global exposure that they can use to benefit their clients (Dai et al., 2007; Yuniarwati et al., 2017). This would enable top-quality audit firms to employ effective tax-planning strategies to favour their clients since such strategies mainly encompass the international and departmental transfer of resources, funds and other assets. The literature above suggests that audit quality would increase a firm's tax avoidance activities. In this context, the study proposes the following hypothesis:

H₅: Audit quality increases the tax-planning activities of firms.

8. Methodology

8.1. Data and data source

The study used a sample of listed firms from eight (8) sub-Saharan African countries. The countries included in the study were South Africa, Zimbabwe, Mauritius, Ghana, Nigeria, Kenya, Tanzania and Uganda. The dataset included taxation and country-level information. Due to the unavailability of data for certain firms, 173 firms were included in the study. The taxation information was archival, as companies were required to publish their annual reports. On the other hand, data on the countries were obtained from the database of World Economic Forum. Data were collected on the variables of interest for 14 years, from 2007 to 2020. The study used data covering 2104 firm-year observations.

9. Model specification and estimation method

The study used a longitudinal data estimation technique, where the behaviours of each firm were observed across time. Longitudinal data allows for the inclusion of variables at different levels of analysis suitable for multilevel or hierarchical modelling. Following previous studies, such as those of Parisi (2016), Irianto et al. (2017), Huseynov et al. (2017), and Schmidt and Fahlenbrach (2017), and Chen et al. (2019) as well as Ermasova et al. (2021), the study developed models 1 and 2 to examine the country-specific determinants of tax avoidance activities in SSA. Here, the study investigated whether sociocultural and institutional factors specific to a particular country significantly influence the tax avoidance activities of firms in that country.

$$CETR_{it} = \beta_0 + \beta_1 QM_{it} + \beta_2 Culture_{it} + \beta_3 RQ_{it} + \beta_4 Ethics_{it} + \beta_5 AQ_{it} + \beta_6 GDP_{it} + \epsilon_{it} \quad (1)$$

$$AETR_{it} = \beta_0 + \beta_1 QM_{it} + \beta_2 Culture_{it} + \beta_3 RQ_{it} + \beta_4 Ethics_{it} + \beta_5 AQ_{it} + \beta_6 GDP_{it} + \epsilon_{it} \quad (2)$$

Where:

CETR	Cash effective tax rate	AQ	Audit quality
AETR	Accounting effective tax rate	β_0	The constant of the equation
QM	Management quality	β_1 to β_6	Coefficients of the variables
Culture	Culture of a country	ϵ_{it}	The stochastic error term
RQ	Regulatory quality	i	Firms
Ethics	Ethics	t	Time (the year 2007 to 2020)
GDP	Gross Domestic Products		

10. Definition and measurement of variables

10.1. Dependent variables

The study's dependent variable is effective tax rate (ETR), which is used to indicate the level of tax avoidance by a firm. ETR is the actual tax liability of a firm. Hence, a firm with a lower ETR compared with its peers would be regarded as implementing a tax avoidance strategy. An inverse relationship between the dependent variables and ETR would mean that these variables reduce the actual tax liabilities of a firm, hence increasing the possibility of tax avoidance practice. The effective tax rate was also measured using cash effective tax rate (CETR) and accounting effective tax rate (AETR). Using more than one measure helps capture the broad range of activities that are symptomatic of tax avoidance. In addition, the use of multiple measures improves the robustness

of the results. The ETR was computed as the tax expense divided by a firm's pre-tax accounting income (Hanlon & Heitzman, 2010). Therefore, an ETR measures the ability of a company to minimise its tax compared with its pre-tax accounting income and indicates its tax burden relative to other firms. Firms with lower ETRs are more tax aggressive than those with higher ETRs tax rates. The ETR variables were measured as follows:

CETR: CETR represents cash effective tax rate. CETR was computed as cash taxes paid divided by pre-tax accounting income (Chen et al., 2010; Dyreng et al., 2008).

AETR: The AETR denotes the accounting effective tax rate. The AETR was computed as total tax expense divided by pre-tax accounting income (Chen et al., 2010; McGuire et al., 2012).

Management Quality: In the study, the management quality variable (MQ) measured the extent to which a country relied on professionals in senior management positions and ranged from 1 to 7, where 1 represented usually hiring relatives or friends without regard to merit, and 7 denoted hiring mostly professional managers chosen for merit and qualifications. This data was sourced from the WEF database.

Culture: The national cultural dimension was adopted from Hofstede's Values Survey Modules (VSM), and it was measured by the level of uncertainty avoidance. Uncertainty avoidance is the degree to which a group of individuals feels threatened by uncertainty and unknown or unstructured conditions (Hofstede, 2011). The culture variable (Culture) was sourced from Hofstede's uncertainty avoidance index, which ranges from 1 to 100, where 1 represents a country with low uncertainty avoidance, and 100 denotes a country with high uncertainty avoidance.

Regulatory Quality: Regulatory quality (RQ) indicates the strength of regulators to ensure the stability of the financial market. Moreover, it measured the strength of the legal rights of investors. The measurement ranged from 1 to 7, where 1 implied that a regulator's ability to ensure a stable financial market was weak for country i in year t , and 7 indicated that a regulator's ability to ensure stability in the financial market was strong for country i in year t . The data for RQ were obtained from the World Economic Forum database.

Ethics: The ethics variable (Ethics) measured the level of corporate ethics in interacting with public officials, politicians and other firms. It ranged from 1 to 7 where 1 signified extremely poor (among the worst in the world) for country i in year t , and 7 represented excellent (among the best in the world) for country i in year t . The ethics data were obtained from the database of the World Economic Forum.

Audit Quality: In the study, the audit quality variable (AQ) represented the strength of the auditing standards of a country regarding financial performance and ranged from 1 to 7, where 1 signified

Table 1. Descriptive statistics

	Obs.	Mean	SD	Max.	Min.
AETR	2104	0.257	0.207	0.35	0.000
CETR	2104	0.203	0.113	0.31	0.000
QM	2075	4.87	0.745	6.00	3.00
Culture	1969	50.37	3.997	62.61	41.72
RQ	2104	4.48	1.073	7.00	3.00
Ethics	2103	3.31	2.285	6.00	3.00
AQ	2104	3.96	1.708	6.00	3.00
GDP (\$bl)	2104	57.72	26.714	100.67	26.67

Table 2. Correlation Matrix

	CETR	AETR	QM	Culture	RQ	Ethics	AQ		VIF
CETR	1.000								5.24
AETR	0.793**	1.000							1.77
QM	0.184	−0.369**	1.000						3.95
Culture	0.216***	0.257	−0.093*	1.000					2.64
RQ	−0.109**	−0.121	0.179	0.384**	1.000				2.95
Ethics	0.438	0.417	0.273	0.338	0.173	1.000			4.71
AQ	−0.153*	0.385*	0.106**	−0.219*	0.248**	0.153	1.000		2.44
GDP	0.072**	0.291*	0.182	−0.413	0.368**	0.082	0.337	1.000	3.73

Note: *** = Significance at 0.01; ** = at 0.05 and * = at 0.1, and * = at 0.1

extremely weak, for country i in year t , and 7 signified extremely strong, for country i in year t . This data was obtained from the World Economic Forum database.

Gross Domestic Product: The Gross Domestic Product (GDP) is a measure of the total value of goods and services produced within a country's borders over a specific period, usually a year. It is often used as an indicator of a country's economic health and is closely monitored by policy-makers, investors, and businesses.

11. Results and discussion

This section presents the results and discusses the influence of sociocultural and institutional variables on the level of tax avoidance activities of firms. Table 1 presents the descriptive statistics of the variables used for the estimation.

Table 1 presents the descriptive statistics of the variables used to estimate the relationship between tax avoidance and country-specific variables. The results demonstrated that the mean value of the AETR was 0.257 (25.7%) while that of the CETR was 0.203 (23.3%). These results suggest that, on average, the tax liabilities of the firms in SSA represented 25.7%. However, the firms paid 20.3% as tax, suggesting tax-planning activities. Therefore, the mean value of AETR being less than that of CETR indicates the presence of tax avoidance among firms in SSA. The standard deviation (SD) of the AETR and the CETR suggest a small degree of dispersion of AETR and CETR among the firms in the SSA.

The results indicated that the mean value of the management quality (QM) variable was 4.87 and ranged from 3.00 to 6.00. This result demonstrated that most of the firms in SSA employed quality management. The mean value of the culture variable was 50.37. This result demonstrates that the level of collectiveness among the SSA was high. Concerning the regulatory quality (RQ) variable, the mean score was 4.48, with a minimum score of 3.00 and a maximum score of 6.00, which were not far from the full score of 7.00. This result suggested a strong regulatory system that protected the various shareholders in SSA. The ethics variable ranged from 3.00 to 6.00, with a mean value of 3.31. As the maximum possible score was 7.00, this result demonstrated a low ethical standard amongst firms in SSA. Furthermore, the results showed that the mean score of the audit quality (AQ) variable was 3.96. This result implies that the firms in SSA had a relatively high level of audit quality. The average GDP of the countries of residence of these firms was also 57.72.

12. Multicollinearity tests

Table 2 presents the results of the Pearson correlations matrix and the variance inflation factor (VIF). The VIF and the correlation matrix results reveal that all the variables were not highly correlated. The results demonstrated that the VIF of all the variables was less than 5.00, which

Table 3. Regression Results

Variable	Model 1 (CETR)	Model 2 (AETR)
Management Quality	-0.0829*** (-3.748)	-0.2012** (-2.061)
Culture	0.0772*** (6.092)	0.1428** (2.206)
Regulatory Quality	0.1795** (2.175)	0.1083*** (3.907)
Ethics	0.0282** (2.061)	0.1793*** (3.475)
Audit Quality	-0.1382** (-2.291)	-0.0963* (-1.852)
GDP	-0.1036** (-1.998)	-0.0836* (-1.931)
C	-2.0791*** (-4.826)	-1.9364*** (-3.472)
R-squared	0.8163	0.8252
Adjusted R-squared	0.7856	0.7961
F-statistic	8.3652	6.0427
Prob(F-statistic)	0.0000	0.0000
Prob. of Hausman test	0.0062	0.0017
Durbin-Watson stat	3.6527	4.0526

Note: *** = Significance at 0.01; ** = Significance at 0.05 and * = Significance at 0.1, and * = at 0.1

is far less than the threshold of 10.00 suggested by the literature (Menard, 2002). These outcomes suggest that none of the variables used in this analysis suffered from multicollinearity. Similarly, the correlation matrix results suggest no strong correlation among the variables used in the analysis. All the correlation coefficients of the independent variables were less than 0.5, suggesting that the variables were not highly correlated. These results show that using these variables in the regression would not produce any spurious results.

13. Regression results

Table 3 presents the results of the relationships between sociocultural and institutional characteristics and tax-planning activities of listed firms in SSA. After establishing that the panel data estimation models were appropriate techniques, the study explored the type of panel data estimation model to be adopted, either fixed effect (FE) or random effect (FE) model. The Hausman test was used to decide whether FE or RE was the appropriate technique in equations 1 to 2. The Hausman test suggests that the results were insignificant, thus, rejecting the null hypothesis of the presence of time-specific variations in the models. As a result, a generalised least squares (GLS) random effects model was used for the estimation. The results are presented according to two main models. Model 1 measured tax avoidance based on the CETR, whilst Model 2 used the accounting effective tax rate to measure tax avoidance (AETR). However, the analysis and discussions are based on the result of model 1 (CETR), which is accepted as the most effective tax avoidance measure.

The results presented in Table 3 reveal a wide range of significant relationships between tax avoidance and country-specific factors. First, the results demonstrate a negative and significant ($p < 0.01$) relationship between management quality and CETR. The inverse relationship suggests that an increase in management quality would result in a decrease in CETR. This result implies that tax avoidance increases in countries that depend on quality management for senior management positions than those that do not. This relationship is possible because quality managers can align a firm's objectives with tax strategies. This would enable them to identify and utilise tax-planning

opportunities because of their superior understanding of the operating environment of their firms. For instance, timing, classification, and R&D activities have significant ramifications for tax reduction. Particularly, quality managers would be able to use R&D activities to reduce the tax burdens of their firms.

Another reason for this result is that quality managers can set objectives that emphasise cost minimisation, which is consistent with the views of Dyreng et al. (2010). It is agreed that all managers aim to reduce cost; however, managers with a high level of experience, expertise and skills are more likely to attain substantial cost savings. These cost savings can positively affect their tax savings. Therefore, it is not surprising that a manager's shrewdness in managing resources would result in cost reduction through tax avoidance strategies. Moreover, tax avoidance is a product of a meticulous and well-designed strategy established by management. Thus, professional and experienced managers would be able to develop sound strategies and guide business operations and tax avoidance activities. Consequently, this would result in firms paying less tax. Another reason for this result is that good-quality management may have the skills, expertise and experience of supervising and overseeing different business units over time; hence, they can draw on their expertise to reduce their tax liabilities. This result confirms the findings of earlier studies, such as those of Dyreng et al. (2010) as well as Koester et al. (2017), who reported a negative relationship between managerial quality and tax avoidance activities of firms.

The study predicted that a country's culture would reduce firms' CETR. In other words, if the CETR of the firms is high, the indication is that tax-planning activities are not taking place in firms. Confirming our expectations, the results showed that the coefficient for culture was positive and significant at 1%. This result indicated that firms in countries with rigid and strict norms and regulations are less likely to engage in tax avoidance activities. This result is reasonable because individuals living in a country with a strong uncertainty avoidance culture uphold unyielding codes of beliefs and attitudes as well as being intolerant of heretical behaviour and views. This attitude limits the ability of the firms and their staff to embrace the concept of tax avoidance because they would consider such practices unethical and unacceptable, which may land them in trouble. This view would force firms to organise their operations according to the prescripts of the law and regulations, hence less tax avoidance activities. This position is consistent with Gallego-Álvarez and Ortas (2017), who contend that firms and individuals in societies with high uncertainty avoidance mainly accept and follow rigid codes and are inclined to embrace many rules and norms, which makes them less disposed to innovation and change. This view highlights that firms operating in high uncertainty avoidance countries will be less prone to tax avoidance.

The finding is consistent with the stakeholder theory, which holds that responsible firms establish culture, standards and norms to guarantee certainty and stability in their operations. By this logic, Kim, Kim and Cameron (2009) explain that public relations practitioners might interpret the responsible actions of firms as a means to ensure the success of both firms and society. Evidence provided by the current study supported the findings of earlier studies, such as those of Richardson (2008), who provided evidence to demonstrate that higher uncertainty avoidance results in higher tax avoidance activities by firms. Brink and Porcano's (2017) study also supports this finding when they showed that the culture of countries influences the tax avoidance practice of their firms. Although the current study was conducted in developing countries, it is consistent with those conducted in developed countries. For instance, Ermasova et al. (2021) found that culture is a significant predictor of tax avoidance activities of firms in the USA and Germany.

The study investigated whether the quality of regulations in a country influences firms' ETR and their tax avoidance activities. Apriori, the study expected a positive relationship between these variables. Affirming the study's apriori prediction, the results showed that regulatory quality positively correlates with the CETR. This result suggests that when a country has robust regulations, tax avoidance among firms would not be taking place. The results further demonstrated that the positive relationship between regulatory quality and tax avoidance was significant at 5%. The

results implied that firms operating in countries with strong regulatory regimes would engage in less tax avoidance. This result was plausible because governments typically use regulations to expose firms to additional transparency. In addition, there may be harsher punishments for management who engage in activities that are contrary to a country's standards, policies and laws.

This result emphasises that without a detection mechanism, firms will take advantage of loopholes in regulations, laws and standards and engage in aggressive tax avoidance. In this context, they will be afraid to engage in aggressive tax avoidance practices. Exposure to additional transparency restricts firms from engaging in overt tax avoidance activities. This view is supported by Overesch and Wolff (2018), who explained that firms that operate in countries with a high level of transparency increase their tax levels. In other words, enforced transparency decreases the tax avoidance activities of firms, and the regulatory framework is powerful enough to prevent firms from engaging in tax avoidance activities. This finding was not surprising because it affirmed the findings of previous studies. Such studies, including that of Bushman and Piotroski (2006), showed that firms in countries with strong regulatory systems discover tax non-compliance faster than firms in countries with weak regulatory systems.

Turning to the effects of ethics on the firms' ETR, the study's results showed that the coefficient for the ethics variable is positive and statistically significant at 5%. This result indicated that the ethical behaviour exhibited by firms in SSA significantly influenced ETR, hence reducing their tax avoidance activities. This result is consistent with the study's prediction that strong corporate ethics in a firm would reduce its tax avoidance activities. Since tax laws are imperfect, firms would always find a loophole in them to avoid paying taxes. In this context, ethics would help firms to self-regulate their tax avoidance behaviour. Firms with high ethical values would want to avoid negative public information and tax avoidance activities, especially in contentious transactions. Zeng (2019) agrees that responsible citizens would not avoid the payment of tax, which is also considered contradictory to ethical corporate citizenship. Moreover, Lanis and Richardson (2018) hold the view that highly ethical firms are less likely to be involved in tax avoidance activities because tax avoidance is risky and leads to high costs for firms, including reputational damage and government/public scrutiny. Ethics can prevent firms from engaging in tax avoidance activities, especially when negative information can damage a firm's image. Indeed, firms can handle reputational threats by reducing or avoiding tax avoidance activities. Henderson and Kaplan (2005) provided evidence that ethics influence the tax compliance behaviour of firms. This suggests that unethical firms usually have large tax benefits, indicating that high ethical values reduce tax avoidance practices.

The study further hypothesised a negative relationship between audit quality and the CETR of firms in SSA. The study results confirmed this prediction by demonstrating a negative and significant ($p < 0.01$) relationship between auditor quality and CETR, which indicates that an improvement in firms' audit quality increase tax avoidance. This result is reasonable because auditors can provide extra tax-related services, such as tax avoidance advice to firms to reduce their tax liabilities. Quality auditors would be able to develop comprehensive and effective tax strategies for their clients because they have accumulated substantial knowledge about their clients' operations, systems and internal processes, as well as gaining access to comprehensive financial information. Moreover, firms can engage the services of audit firms that have extensive knowledge about the tax structure of their clients, which would lead to substantial tax savings.

Another reason quality auditing increases firms' tax avoidance activities is that audit firms can draw on their extensive tax-specific knowledge because they offer tax services to a wide array of clients, thus enabling them to provide tax services when asked to do so. The number of clients of quality auditors may force them to invest in human resources and technologies to help them render quality services to their clients, leading to a tax reduction. Another critical point is that individual firms may lack the expertise and technologies to reduce their tax burdens. This view is

supported by Dai et al. (2007), who provided evidence that it would take many years for firms to develop tax and business expertise similar to those possessed by auditors who have performed their services for decades. In addition, this result was not surprising because recent studies, such as those of Chyz et al. (2021), Klassen et al. (2015), Dai et al. (2007) and Yuniarwati et al. (2017) show that firms that engage the services of quality auditors benefit from their efficiency, which reduces their tax burden.

Moreover, a quality auditing provides reliable and relevant information to tax authorities, who would use it to identify inconsistencies in income, expenses and profit. Another key reason for this result is that detailed and accurate auditing can prevent managers from engaging in tax avoidance, particularly if they anticipate scrutiny from the auditors and the public because it would come with a significant risk to the firms, especially reputation risk. In this context, engaging in aggressive tax avoidance can lead to the danger of being detected, and the firm and its management may suffer reputational damage. The findings of the study agree with those of previous authors, such as Wang (2011), Kerr (2019) and Stiglingh, Smit and Smit (2022), whose evidence showed that corporate transparency emanating from quality auditing results in less tax avoidance activities by firms. However, this finding contradicts the findings of Freedman (2018) and Balakrishnan et al. (2019), who showed that quality auditing increased the tax avoidance activities of firms because managers claimed to be transparent in mitigating tax-planning problems but were engaged in covert practices.

The abovementioned results are consistent with the views of the institutional theory, which espouses that the role of institutions, laws and regulations on the behaviour of firms through coercive and normative isomorphism may influence their tax avoidance activities. In other words, in a jurisdiction with quality laws, institutions, and enforcement systems or strict investor protection regimes, firms are more exposed to risks of litigation and cost. Consequently, to mitigate such risk, firms will not employ tax-planning strategies to reduce their tax burden. Therefore, country-specific characteristics of an institutional nature such as management quality, regulatory quality, auditing quality ethics and culture significantly influence the tax avoidance activities of its firms.

The coefficient for GDP is negative (-0.1036) and significant ($p\text{-value} < 0.05$). This suggests that as the GDP increases, ETR decreases, indicating a decrease in tax planning. GDP can influence tax avoidance practices in several ways. First, a high GDP generally means higher tax revenue for the government, which may incentivise taxpayers to engage in tax avoidance to reduce their tax burden. Taxpayers may also be more likely to engage in tax avoidance practices if they perceive that the government is not using tax revenue effectively or efficiently. Additionally, a high GDP can attract foreign investment and create more business opportunities, which may increase the complexity of the tax system and create more opportunities for tax avoidance. This is because as the economy grows and becomes more diverse, the tax laws and regulations can become more complicated, which may create loopholes and opportunities for tax avoidance. The R-squared value of 0.8163 indicates that approximately 81.63% of the variability in tax planning can be explained by the independent variables in the model. The F-statistic of 8.3652 with a p-value of 0.0000 indicates that the model is statistically significant at a 5% level of significance, indicating that at least one of the independent variables is significantly related to Tax Planning.

14. Conclusion and recommendations

Tax management is an essential agenda item for managers when making strategic corporate decisions because it contributes significantly to cash savings, which benefit both firms and shareholders. For this reason, governments, policymakers and other stakeholders are keen to understand the factors affecting firms' tax avoidance practices. The study examined the sociocultural and institutional factors influencing tax avoidance in SSA. The study used a sample of 173 listed firms from eight SSA countries. The taxation information was obtained from the firms' annual reports, whilst the sociocultural and institutional data were obtained from the database of World Economic Forum.

The findings demonstrated that a country's specific sociocultural and institutional arrangements influence its firms' tax avoidance level. The evidence showed that management quality, regulatory quality, auditing quality, culture and ethics influence the level of tax-planning activities of firms in SSA. The implication of this result is that firms' management can use their resources and expertise to reduce the amount of tax paid to the government. On the other hand, the government can employ institutional structures to prevent firms from engaging in aggressive tax avoidance practices. Thus, the study contributes to existing literature that explores the determinants of tax avoidance in emerging markets. The findings provide a better understanding of tax avoidance activities in listed firms in SSA. The results are consistent with the views of the institutional theory, which espouses that the role of institutions, laws and regulations on the behaviour of firms through coercive and normative isomorphism may influence their tax avoidance activities.

Funding

The authors received no direct funding for this research.

Author details

Alfred James Kimea¹

E-mail: dralfredjkimea@gmail.com

Msizi Mkhize²

Haruna Maama³

¹ The School of Accounting, Economics and Finance, University of KwaZulu Natal, School of Accounting, Economics and Finance, South Africa.

² The School of Accounting, Economics and Finance, Dean of Teaching and Learning, College of Law and Management Studies, University of KwaZulu Natal, South Africa.

³ Durban University of Technology, Financial Accounting Department, Durban, South Africa.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Citation information

Cite this article as: The Sociocultural and Institutional factors influencing Tax Avoidance in sub-Saharan Africa, Alfred James Kimea, Msizi Mkhize & Haruna Maama, *Cogent Business & Management* (2023), 10: 2186744.

References

- Atwood, T., Drake, M. S., Myers, J. N., & Myers, L. A. (2012). Home country tax system characteristics and corporate tax avoidance: International evidence. *The Accounting Review*, 87(6), 1831–1860. <https://doi.org/10.2308/accr-50222>
- Balakrishnan, K., Blouin, J. L., & Guay, W. R. (2019). Tax aggressiveness and corporate transparency. *The Accounting Review*, 94(1), 45–69.
- Beasley, M. S., Goldman, N. C., Lewellen, C. M., & McAllister, M. (2021). Board risk oversight and corporate tax-planning practices. *Journal of Management Accounting Research*, 33(1), 7–32. <https://doi.org/10.2308/JMAR-19-056>
- Brink, W. D., & Porcano, T. M. (2017). The impact of culture and economic structure on tax morale and tax evasion: A country-level analysis using SEM. *Advances in Taxation*, 23, 87–123. <https://doi.org/10.1108/S1058-749720160000023004>
- Bushman, R. M., & Piotroski, J. D. (2006). Financial reporting incentives for conservative accounting: The influence of legal and political institutions. *Journal of Accounting and Economics*, 42(1–2), 107–148. <https://doi.org/10.1016/j.jacceco.2005.10.005>
- Chen, S., Chen, X., Cheng, Q., & Shevlin, T. (2010). Are family firms more tax aggressive than non-family firms? *Journal of Financial Economics*, 95(1), 41–61. <https://doi.org/10.1016/j.jfineco.2009.02.003>
- Chen, S., Huang, Y., Li, N., & Shevlin, T. (2019). How does quasi-indexer ownership affect corporate tax avoidance? *Journal of Accounting and Economics*, 67(2–3), 278–296. <https://doi.org/10.1016/j.jacceco.2018.01.001>
- Chyz, J. A., Gal-Or, R., Naiker, V., & Sharma, D. S. (2021). The association between auditor provided tax avoidance and tax compliance services and tax avoidance and tax risk. *Journal of the American Taxation Association*, 43(2), 7–36. <https://doi.org/10.2308/JATA-19-041>
- Cripe, B., & McAllister, B. (2009). Determinants of audit/tax separation decisions. *American Journal of Business*, 24(1), 47–56. <https://doi.org/10.1108/19355181200900004>
- Dai, Z., Maydew, E. L., Shackelford, D. A., & Zhang, H. H. (2007). Capital gains taxes and asset prices: Capitalisation or Lock-in? *The Journal of Finance*, 63(2), 709–742. <https://onlinelibrary.wiley.com/doi/pdf/10.1111/j.1540-6261.2008.01329.x>
- Demerjian, P. R., Lev, B., Lewis, M. F., & McVay, S. E. (2013). Managerial ability and earnings quality. *The Accounting Review*, 88(2), 463–498. <https://doi.org/10.2308/accr-50318>
- Dyregren, S. D., Hanlon, M., & Maydew, E. L. (2008). Long-run corporate tax avoidance. *The Accounting Review*, 83(1), 61–82. <https://doi.org/10.2308/accr.2008.83.1.61>
- Dyregren, S. D., Hanlon, M., & Maydew, E. L. (2010). The effects of executives on corporate tax avoidance. *The Accounting Review*, 85(4), 1163–1189. <https://doi.org/10.2308/accr.2010.85.4.1163>
- Dyregren, S. D., Hoopes, J. L., & Wilde, J. H. (2016). Public pressure and corporate tax behaviour. *Journal of Accounting Research*, 54(1), 147–186. <https://doi.org/10.1111/1475-679X.12101>
- Ermasova, N., Haumann, C., & Burke, L. (2021). The relationship between culture and tax evasion across countries: Cases of the USA and Germany. *International Journal of Public Administration*, 44(2), 115–131. <https://doi.org/10.1080/01900692.2019.1672181>
- Fernández-Rodríguez, E., García-Fernández, R., & Martínez-Arias, A. (2021). Business and institutional determinants of Effective Tax Rate in emerging economies. *Economic Modelling*, 94, 692–702. <https://doi.org/10.1016/j.econmod.2020.02.011>
- Freedman, J. et al. (2018). Restoring trust in the 'fairness' of corporate taxation: increased transparency and the need for institutional reform. Tax and Trust Institutions, Interactions and Instruments. The Hague: Eleven International Publishing. In S. Goslinga (Ed.), *Trust and Taxation. The Hague: Eleven* (pp. 121–141). <http://dx.doi.org/10.2139/ssrn.3396775>
- Gaertner, F. B. (2014). CEO after-tax compensation incentives and corporate tax avoidance. *Contemporary Accounting Research*, 31(4), 1077–1102. <https://doi.org/10.1111/1911-3846.12058>

- Gallego-Álvarez, I., & Ortas, E. (2017). Corporate environmental sustainability reporting in the context of national cultures: A quantile regression approach. *International Business Review*, 26(2), 337–353. <https://doi.org/10.1016/j.ibusrev.2016.09.003>
- Glazer, S. (2021). Organisational role ambiguity as a proxy for uncertainty avoidance. *International Journal of Intercultural Relations*, 85, 1–12. <https://doi.org/10.1016/j.ijintrel.2021.08.011>
- Gunawan, Y., Christy, Y., Tin, S., & Jonathan, L. (2021). The influence of independent board of commissioners, audit committee, and audit quality on tax avoidance. *Balance: Economic, Business, Management and Accounting Journal*, 18(1), 42–49. <https://pdfs.semanticscholar.org/83e7/b0166f405772b97001e3e704f55aa7c23d87.pdf>
- Hanlon, M., & Heitzman, S. (2010). A review of tax research. *Journal of Accounting and Economics*, 50(2–3), 127–178. <https://doi.org/10.1016/j.jacceco.2010.09.002>
- Henderson, B. C., & Kaplan, S. E. (2005). An examination of the role of ethics in tax compliance decisions. *Journal of the American Taxation Association*, 27(1), 39–72. <https://doi.org/10.2308/jata.2005.27.1.39>
- Hofstede, G. (2011). Dimensionalising cultures: The Hofstede model in context. *Online Readings in Psychology and Culture*, 2(1), 2307–2919. <https://doi.org/10.9707/2307-0919.1014>
- Huseynov, F., Sardarli, S., & Zhang, W. (2017). Does index addition affect corporate tax avoidance? *Journal of Corporate Finance*, 43, 241–259. <https://doi.org/10.1016/j.jcorpfin.2017.01.008>
- Iazzi, A., Vacca, A., Maizza, A., & Schiavone, F. (2022). The role of corporate board and auditors in tax avoidance: Evidence from Italy. *Management Research Review*, 1–19. <https://doi.org/10.1108/MRR-07-2021-0518>
- Irianto, D., Wafirli, A., & Sudibyo, Y. (2017). The influence of profitability, leverage, firm size and capital intensity towards tax avoidance. *International Journal of Accounting and Taxation*, 5(2), 33–41. <https://doi.org/10.15640/ijat.v5n2a3>
- Jingga, V., & Lina, L. (2017). Factors influencing tax avoidance activity: An empirical study from Indonesia stock exchange. *Indian-Pacific Journal of Accounting and Finance*, 1(1), 17–25. <https://doi.org/10.52962/ipjaf.2017.1.1.3>
- Kerr, J. N. (2019). Transparency, information shocks, and tax avoidance. *Contemporary Accounting Research*, 36(2), 1146–1183.
- Kerr, J. N., Price, R., & Román, F. J. (2016, January). The effect of corporate governance on tax avoidance. In *Proceedings. Annual Conference on Taxation and Minutes of the Annual Meeting of the National Tax Association*, Vol. 109, pp. 1–50. <https://www.jstor.org/stable/pdf/26816589.pdf>
- Kim, J., Kim, H. J., & Cameron, G. T. (2009). Making nice may not matter: The interplay of crisis type, response type and crisis issue on perceived organizational responsibility. *Public Relations Review*, 35(1), 86–88. <https://doi.org/10.1016/j.pubrev.2008.09.013>
- Klassen, K. J., Lisowsky, P., & Mescall, D. (2016). The role of auditors, non-auditors, and internal tax departments in corporate tax aggressiveness. *The Accounting Review*, 91(1), 179–205. <https://doi.org/10.2308/accr-51137>
- Koester, A., Shevlin, T., & Wangerin, D. (2017). The role of managerial ability in corporate tax avoidance. *Management Science*, 63(10), 3285–3310. <https://doi.org/10.1287/mnsc.2016.2510>
- Lanis, R., & Richardson, G. (2018). Outside directors, corporate social responsibility performance, and corporate tax aggressiveness: An empirical analysis. *Journal of Accounting, Auditing & Finance*, 33(2), 228–251. <https://doi.org/10.1177/0148558X16654834>
- McGuire, S. T., Omer, T. C., & Wang, D. (2012). Tax avoidance: Does tax-specific industry expertise make a difference? *The Accounting Review*, 87(3), 975–1003. <https://doi.org/10.2308/accr-10215>
- Menard, S. (2002). *Applied logistic regression analysis*. Sage.
- Monika, C. M., & Noviani, N. (2021). The effects of financial distress, capital intensity, and audit quality on tax avoidance. *American Journal of Humanities and Social Sciences Research*, 6, 282–287. <https://www.ajhssr.com/wp-content/uploads/2021/06/ZL2156282287.pdf>
- Montenegro, T. M. (2021). Tax evasion, corporate social responsibility and national governance: A country-level study. *Sustainability*, 13(20), 1–19. <https://doi.org/10.3390/su13201166>
- Overesch, M., & Wolff, H. (2018, January). Financial transparency to the rescue. In *Proceedings. Annual Conference on Taxation and Minutes of the Annual Meeting of the National Tax Association* (Vol. 111, pp. 1–39). National Tax Association.
- Parisi, V. (2016). The determinants of Italy's corporate tax rates: An empirical investigation. *Public and Municipal Finance*, 5(4), 7–14. [https://doi.org/10.21511/pmf.05\(4\).2016.01](https://doi.org/10.21511/pmf.05(4).2016.01)
- Payne, D. M., & Raiborn, C. A. (2018). Aggressive tax avoidance: A conundrum for stakeholders, governments, and morality. *Journal of Business Ethics*, 147(3), 469–487. <https://doi.org/10.1007/s10551-015-2978-5>
- Rego, S. O., & Wilson, R. (2012). Equity risk incentives and corporate tax aggressiveness. *Journal of Accounting Research*, 50(3), 775–810. <https://doi.org/10.1111/j.1475-679X.2012.00438.x>
- Richardson, G. (2008). The relationship between culture and tax evasion across countries: Additional evidence and extensions. *Journal of International Accounting, Auditing and Taxation*, 17(2), 67–78. <https://doi.org/10.1016/j.intaccudtax.2008.07.002>
- Rizqia, A., & Lastiati, A. (2021). Audit quality and tax avoidance: The role of independent commissioners and audit committee's financial expertise. *Journal of Accounting Auditing and Business*, 4(1), 14–31. <https://doi.org/10.24198/jaab.v4i1.29642>
- Scarpa, F., & Signori, S. (2020). Ethics of corporate taxation: A SYSTEMATIC LITERATURE REVIEW. *Handbook of Business Legitimacy: Responsibility, Ethics and Society*, 459–485. https://doi.org/10.1007/978-3-030-14622-1_115
- Schmidt, C., & Fahlenbrach, R. (2017). Do exogenous changes in passive institutional ownership affect corporate governance and firm value? *Journal of Financial Economics*, 124(2), 285–306. <https://doi.org/10.1016/j.jfineco.2017.01.005>
- Shehata, N., Nathan, S., Farooq, O., & Dahawy, K. (2022). External audit and tax evasion: Evidence from India. *Applied Economics*, 1–14. <https://doi.org/10.1080/00036846.2022.2123103>
- Stiglingh, M., Smit, A. R., & Smit, A. (2022). The relationship between tax transparency and tax avoidance. *South African Journal of Accounting Research*, 36(1), 1–21. <https://doi.org/10.1080/10291954.2020.1738072>
- Sutrisno, T., & Dularif, M. (2020). National culture as a moderator between social norms, religiosity, and tax evasion: Meta-analysis study. *Cogent Business & Management*, 7(1), 1–19. <https://doi.org/10.1080/23311975.2020.1772618>

- Wang, X. (2011). Tax avoidance, corporate transparency, and firm value. In 2011 American Accounting Association Annual Meeting-Tax Concurrent Sessions. Accessed on 26th June from <https://doi.org/10.2139/ssrn.1904046>
- Wang, F., Xu, S., Sun, J., & Cullinan, C. P. (2020). Corporate tax avoidance: A literature review and research agenda. *Journal of Economic Surveys*, 34(4), 793–811. <https://doi.org/10.1111/joes.12347>
- Yuniarwati, I., Dewi, S. P., & Lin, C. (2017). Factors that influence tax avoidance in Indonesia stock exchange. *Chinese Business Review*, 16(10), 510–517. <https://doi.org/10.17265/1537-1506/2017.10.005>
- Zeng, T. (2019). Relationship between corporate social responsibility and tax avoidance: International evidence. *Social Responsibility Journal*, 15(2), 244–257. <https://doi.org/10.1108/SRJ-03-2018-0056>



© 2023 The Author(s). This open access article is distributed under a Creative Commons Attribution (CC-BY) 4.0 license.

You are free to:

Share — copy and redistribute the material in any medium or format.

Adapt — remix, transform, and build upon the material for any purpose, even commercially.

The licensor cannot revoke these freedoms as long as you follow the license terms.

Under the following terms:

Attribution — You must give appropriate credit, provide a link to the license, and indicate if changes were made.

You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use.

No additional restrictions

You may not apply legal terms or technological measures that legally restrict others from doing anything the license permits.



***Cogent Business & Management* (ISSN: 2331-1975) is published by Cogent OA, part of Taylor & Francis Group.**

Publishing with Cogent OA ensures:

- Immediate, universal access to your article on publication
- High visibility and discoverability via the Cogent OA website as well as Taylor & Francis Online
- Download and citation statistics for your article
- Rapid online publication
- Input from, and dialog with, expert editors and editorial boards
- Retention of full copyright of your article
- Guaranteed legacy preservation of your article
- Discounts and waivers for authors in developing regions

Submit your manuscript to a Cogent OA journal at www.CogentOA.com

