Corporate Governance, Ownership Structure, and Aggressive Tax Planning of Listed Multinational Firms in Nigeria

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Abstract

This study examines the relationship between corporate governance, ownership structure and aggressive tax planning (ATP) of listed multinational companies in Nigeria. Although there is evidence on the economic drivers of tax avoidance, the discipline effect of internal governance and the impact of financial expertise on boards and audit committees on tax avoidance is still debatable, especially in the context of emerging markets. The paper identifies five governance and ownership characteristics: board independence, board financial expertise, audit committee expertise, ownership concentration and institutional ownership. Aggressive tax planning is proxied by the book–tax difference (BTD) and is estimated by a Random Effects panel regression, chosen using a Hausman specification test, using a balanced panel of 21 listed multinational firms over 2015–2024 (210 firm-year observations) and controlling for firm-level financial characteristics. The diagnostic tests show that there is homoskedasticity and no multicollinearity. The findings show a paradox of governance. As expected, Board independence ($\beta = -1.268$, $p < .001$) and ownership concentration ($\beta = -0.539$, $p < .001$) have significant negative impacts on ATP. Interestingly, board financial expertise ($\beta = 0.906$, $p < .001$) and audit committee expertise ($\beta = 1.734$, $p < .001$) – the strongest governance predictor in the model – are positively and significantly related to higher tax aggressiveness, lending weight to an "expertise-as-enablement" interpretation – financial expertise is used to develop more complex and legally defensible avoidance plans. The institutional ownership is negative, but not statistically significant, which is due to the diverse goals of institutional investors. The results contradict the view that technical expertise is always a curb on avoidance and have immediate policy implications for Nigeria's tax-governance policy, disclosure rules and design of board and audit-committee mandates.

Keywords: *corporate governance; board independence; financial expertise; audit committee; ownership concentration; aggressive tax planning; Nigeria*

1. Introduction

Aggressive tax planning by multinationals is one of the most characteristic fiscal issues of the time, which has resulted in the loss of tax revenues and has led to a loss of public trust in corporate taxation. Based on recent estimates, the annual global revenue loss from multinational profit shifting is estimated to be in the range of US$200 to 300 billion, with lower-income economies with a disproportionate reliance on corporate income tax (CIT) being the worst hit (Tørsløv et al., 2023; Clausing, 2016). In addition to a fiscal cost, aggressive tax planning has social and political costs in the form of reduced trust in the corporate sector and increased calls for transparency and accountability (OECD, 2015). Nigeria, where a lot of multinational activities take place, but where enforcement capacity is limited, is right in the middle of this problem.

The literature has shown that the economic attributes of the firms (size, profitability, leverage) influence their tax behaviour. Less settled, and more important for policy, is whether that behaviour is disciplined or enabled by a firm's internal governance structure. The traditional concept of corporate governance is a structure of monitoring devices to ensure that the management of the company is in line with the interests of the shareholders and other stakeholders. Agency Theory suggests that the greater the governance (more independent boards, more focused and attentive owners, more expert oversight committees), the more this managerial opportunism can be reduced, which is the nature of aggressive tax planning. But another strand of thought warns that governance is not one-dimensional – the same capabilities that enable a board or audit committee to identify and deter avoidance can enable it to create and validate avoidance.

The role of financial expertise is one of the areas of tension. In a monitoring-and-stewardship logic, directors and audit-committee members with accounting and financial skills should help the board better understand the complex tax risk and guide the firm to report in a conservative manner. If the same skills are deployed in an agency and resource based logic, then they serve as a means of shareholder wealth maximisation, allowing the development of more complex schemes which minimise tax without contravening the law. Which logic wins out is an empirical question, and one with important implications for the design of board and committee mandates by regulators.

There is another layer: Ownership structure. Concentrated ownership can either help dominant shareholders to make sure their tax behaviour is more aligned with their long-term interests, or it can help them to secure private benefits from opaque intra-group transactions, knowing that they will not be held accountable for their actions. Institutional ownership is also a double-edged sword – long-term institutional investors might prefer conservative avoidance, whereas short-term, return-seeking investors might prefer aggressive avoidance. The net effect of these forces has to be assumed in an emerging market like Nigeria where ownership is often concentrated in foreign parents and mixed institutional blocs.

Against this backdrop, the study pursues five objectives: to examine the effects of (i) board composition, (ii) board financial expertise, (iii) audit committee expertise, (iv) ownership concentration, and (v) institutional ownership on aggressive tax planning among listed multinational firms in Nigeria. In doing so, it makes three contributions. It supplies emerging-market evidence on governance–tax relationships that are predominantly studied in advanced economies; it directly tests the enablement-versus-constraint interpretation of financial expertise using a single coherent panel; and it offers regulators an evidence base for tax-governance reform. The remainder of the paper develops the theoretical framework and hypotheses (Section 2), describes the method (Section 3), reports results (Section 4), discusses them (Section 5), and concludes with implications and limitations (Section 6).

2. Literature Review and Hypotheses Development

2.1 Aggressive Tax Planning and the Governance Lens

Aggressive tax planning refers to companies that take steps to reduce their taxable income but do not necessarily violate the tax law. It exists between the legitimate planning and illegal evasion, and is not easily observed directly and is thus measured empirically by using proxies, one of which is the book–tax difference (BTD). BTD is the difference between accounting profit and estimated taxable income; an increase in BTD indicates that a firm is shifting its taxable income away from its economic performance (Desai & Dharmapala, 2006; Hanlon & Heitzman, 2010). In this study, we use BTD, as scaled by total assets, as our measure of ATP.

From a governance perspective, aggressive tax planning is a discretionary managerial choice that can have both positive (increased after-tax earnings) and negative (reputational, regulatory and litigation risk) implications. This trade-off is resolved by governance mechanisms. The question analyzed is whether specific mechanisms – board independence, expert oversight, concentrated or institutional ownership – push the resolution toward constraining or toward aggressiveness.

2.2 Board Composition (Independence)

Agency Theory suggests that independent directors have a positive effect on the Board of Directors' oversight, managerial opportunism, and shareholder and stakeholder interests, through transparency and reputation risk. A more independent board should therefore limit unduly risky activities, such as aggressive tax planning which may lead to regulatory and reputational sanctions. There is a lot of empirical evidence, including in Nigeria (Salihu & Olayinka, 2022) and the United States (Armstrong et al., 2021) and many others. An opposing perspective is that formal independence may be purely symbolic and have no actual disciplinary impact (Bauer & Müller, 2023). Overall, the monitoring forecast is likely to remain unchanged for the Nigerian multinationals:

H_1: Board composition (independence) has a significant negative effect on aggressive tax planning.

2.3 Board Financial Expertise

The importance of financial knowledge in the boardroom is conceptually unclear. Directors with accounting and financial experience have better understanding and control of complex financial risk and should guide firms towards conservative tax policy from a stewardship and monitoring perspective. From an agency and resource-based view, that same knowledge is a capability that can be leveraged to design, assess and legitimate complex avoidance strategies to maximise shareholder value within legal bounds. There is an increasing line of research that suggests that financial expertise on boards is a double-edged sword which is linked to more, not less, complex tax positioning (Al Maani et al., 2023; Khan et al., 2021; Kwon & Wagner, 2023). The enablement prediction is advanced because Nigerian multinationals have to deal with a complex cross-border tax environment, where expertise is a prerequisite for sophisticated planning:

H_2: Board financial expertise has a significant positive effect on aggressive tax planning.

2.4 Audit Committee Expertise

The audit committee is the most important means for the board to monitor financial reporting and internal control, and the financial expertise of its members is believed to influence the quality of financial reporting (Abbott et al., 2004; Xie et al., 2003). The traditional view is that expert audit committees limit aggressive reporting, such as tax aggressiveness. However, the inverse can also be true: a technically advanced committee could be just the committee that is able to review and approve complex and compliant tax-minimisation structures. Recent findings in the emerging and the Gulf markets show that there is a positive relationship between audit-committee expertise and tax haven use or tax planning aggressiveness (Al-Shammari & Al-Sultan, 2020; Agyei-Mensah & Agyei, 2023). Following this reasoning:

H_3: Audit committee expertise has a significant positive effect on aggressive tax planning.

2.5 Ownership Concentration

There are two rival theories, both within Agency Theory, regarding ownership concentration. The alignment view suggests that large blockholders (foreign parents, founding families) have longer horizon interests, which lead to reputation sensitive and risk averse behaviour and lessen the incentive to take too much tax risk. The entrenchment perspective argues that strong blockholders can be the advocates of more aggressive policies to reap private benefits, through hidden intra-group relationships. The results are mixed, with alignment effects being found in the MENA region (Al-Hadi & Al-Naimi, 2022) and entrenchment effects being found elsewhere (Chen et al., 2021; Medioli, 2023). In the case of the Nigerian multinationals, where the dominant owners are often identifiable foreign parents that face reputational and political pressures, the prediction of alignment is likely to prevail:

H_4: Ownership concentration has a significant negative effect on aggressive tax planning.

2.6 Institutional Ownership

Institutional investors are usually viewed as 'sophisticated monitors', but their impact on tax behaviour is disputed. It is argued that long-term institutions like pension funds promote good governance and conservative tax strategy in the Effective Monitoring Hypothesis. The Pressure Hypothesis challenges that return-focused institutions like some funds focus on short-term after-tax profit and could promote avoidance. These opposing forces can often offset each other, resulting in an overall inconsequential impact (Khurana & Moser, 2021) when institutional investors are analyzed as a group, but disaggregating investors by investor type reveals significant, offsetting effects (Boone & Kedia, 2022). Considering the diversity of the institutional base in Nigeria, no direction is imposed:

H_5: Institutional ownership has a significant effect on aggressive tax planning.

2.7 Theoretical Synthesis

The hypotheses are based on an integrated theory that incorporates Agency Theory, Stewardship Theory, Resource-Based View and Legitimacy Theory. Agency Theory provides the monitoring logic of board independence and the ownership concentration, and the pressure logic of institutional ownership. The expertise-enablement hypothesis for board and audit-committee expertise is supported by stewardship and monitoring perspectives, respectively; it is the reverse of the other two perspectives. The legitimacy theory is the basis of the alignment account of concentrated ownership, which involves dominant, visible owners mitigating avoidance to maintain social licence. The empirical test discriminates among these predictions, paying special attention to the role of financial expertise: a constraint or an enabler?

The following two aspects of the current evidence base are a source of motivation for the current enquiry. First, the literature on governance–tax is almost exclusively from advanced economies where enforcement institutions are well established, minority-shareholder protection is robust and markets are deep and liquid. The results cannot be assumed to apply to an emerging market like Nigeria with its more concentrated foreign ownership, thinner enforcement and more complicated cross-border situation, and must be tested on the ground. Second, many previous studies have only investigated one governance mechanism at a time, estimating only the impact of board independence, or expertise, or ownership. This can lead to the mistaken idea that a mechanism is responsible for an effect that is in fact really due to another mechanism to which it is correlated. This study is unique in simultaneously estimating the five governance and ownership attributes, with a single model that controls for firm-level financial characteristics; this allows for the isolation of the distinct contribution of each mechanism, and in particular, the disciplinary effect of structural monitoring from the enabling effect of technical expertise.

3. Methodology

3.1 Research Design

The study adopts an ex post facto design, appropriate for research in which the independent variables cannot be manipulated because the events under study are already recorded in public financial statements. The design supports the identification of relationships among variables using verifiable secondary data and is well suited to firm-level governance research where controlled experimentation is impossible.

3.2 Population, Sample, and Sampling Technique

The population comprises the 21 multinational companies operating in Nigeria across the oil and gas, consumer goods, telecommunications, financial services, and industrial sectors, selected on the basis of foreign ownership, cross-border operations, and material economic influence. Because the population is small and clearly bounded, the study employs a census (complete enumeration), collecting data on every firm rather than drawing a probability sample. Census sampling eliminates sampling error, ensures full coverage, and strengthens the generalisability of the findings. Over the ten-year window (2015–2024), the census yields a balanced panel of 210 firm-year observations.

3.3 Data and Measurement of Variables

The study relies on secondary data from the audited annual reports and corporate-governance disclosures of the sampled firms for 2015–2024, supplemented by Nigerian Exchange Group listings. The dependent variable, aggressive tax planning, is measured by the book–tax difference scaled by total assets. The five focal governance and ownership variables are board composition (proportion of independent directors to total board size), board financial expertise (proportion of directors with financial or accounting expertise), audit committee expertise (proportion of audit-committee members with financial expertise), ownership concentration (percentage of shares held by the top five shareholders), and institutional ownership (percentage of shares held by institutional investors). Firm size, profitability, financial leverage, and industry type are included as control variables. Table 1 summarises the measurement of the focal variables.

Table 1

Measurement of Focal Variables

Variable	Symbol	Measurement	Supporting literature
Aggressive tax planning	ATP	Book–tax difference / total assets	Desai & Dharmapala (2006)
Board composition	BC	Proportion of independent directors to board size	Armstrong et al. (2021)
Board financial expertise	BFE	Proportion of directors with financial expertise	Al Maani et al. (2023)
Audit committee expertise	AE	Proportion of committee members with financial expertise	Xie et al. (2003)
Ownership concentration	OC	% of shares held by top five shareholders	Al-Hadi & Al-Naimi (2022)
Institutional ownership	IO	% of shares held by institutional investors	Khurana & Moser (2021)

Note. Firm size, profitability, financial leverage, and industry type are included in the model as control variables.

3.4 Model Specification and Estimation

The study employs static panel regression, controlling for unobserved firm-specific heterogeneity while exploiting within-firm variation. The Fixed versus Random Effects choice is determined by the Hausman test. The estimated model, with five focal predictors and a vector of firm-level controls, is:

$$ATP_{it} = \alpha + \beta_1 BC_{it} + \beta_2 BFE_{it} + \beta_3 AE_{it} + \beta_4 OC_{it} + \beta_5 IO_{it} + \Sigma\gamma_k CONTROLS_{it} + \mu_i + \varepsilon_{it}$$

where μ_i captures firm-specific effects and ε_{it} is the idiosyncratic error. Prior to interpretation, the Breusch–Pagan/Cook–Weisberg test (heteroskedasticity), the Variance Inflation Factor test (multicollinearity), and the Hausman test (estimator selection) are conducted. Estimation is performed in STATA.

4. Results

4.1 Descriptive Statistics

Table 2 reports descriptive statistics across the 210 firm-year observations. Aggressive tax planning averages 0.034, indicating that firms report accounting profit modestly above estimated taxable income on average, with the range from –0.039 to 0.098 reflecting substantial variation in tax behaviour. Board composition averages 0.509, meaning independent directors constitute roughly half of the typical board, consistent with governance best practice; the range (0.21–0.73) distinguishes weakly from strongly independent boards. Board financial expertise averages 0.453, showing that about 45 percent of directors hold financial or accounting qualifications, with wide dispersion (0.18–0.769). Audit committee expertise is higher, averaging 0.652 within a narrow band (0.391–0.896), reflecting statutory requirements for expert committees. Ownership concentration averages 0.616, indicating that the top five shareholders hold nearly 62 percent of shares on average—evidence of dominant blockholders and parent-company control—while institutional ownership averages 0.546 across a very wide range (0.112–0.929), signalling pronounced heterogeneity in institutional involvement.

Table 2

Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ATP	210	0.034	0.021	–0.039	0.098
Board composition (BC)	210	0.509	0.093	0.210	0.730
Board fin. expertise (BFE)	210	0.453	0.105	0.180	0.769
Audit comm. expertise (AE)	210	0.652	0.102	0.391	0.896
Ownership conc. (OC)	210	0.616	0.142	0.270	0.950
Institutional own. (IO)	210	0.546	0.142	0.112	0.929

Note. ATP = aggressive tax planning (book–tax difference / total assets). Source: authors' computation from STATA output.

4.2 Correlation Analysis

Table 3 presents the pairwise correlations. Audit committee expertise shows the strongest positive correlation with ATP (0.160), foreshadowing its regression result, while board composition (0.022), board financial expertise (–0.038), ownership concentration (–0.032), and institutional ownership (–0.065) exhibit weak associations at the bivariate level—patterns the multivariate model resolves. Correlations among the predictors are uniformly low, the largest being a mild positive link between audit-committee expertise and industry complexity. No coefficient approaches the 0.80–0.90 multicollinearity thresholds, confirming that the governance and ownership variables are sufficiently distinct to enter the model jointly.

Table 3

Correlation Matrix (Focal Variables)

Variable	ATP	BC	BFE	AE	OC	IO
ATP	1.000					
BC	0.022	1.000				
BFE	–0.038	–0.033	1.000			
AE	0.160	0.047	0.051	1.000		
OC	–0.032	0.049	–0.075	–0.129	1.000	
IO	–0.065	–0.021	0.115	–0.027	–0.020	1.000

Note. Source: authors' computation from STATA output.

4.3 Diagnostic Tests

The estimation passes all diagnostic checks. The Breusch–Pagan/Cook–Weisberg test returns a chi-square of 0.08 ($p = .774$), so the null of constant error variance is retained: the residuals are homoskedastic. The Variance Inflation Factor test yields a mean VIF of 1.25 (range 1.02–1.85), far below the threshold of 10, confirming the absence of multicollinearity. The Hausman test returns a chi-square of 15.199 ($p = .055$); at the 5 percent level the null is not rejected, so the Random Effects estimator is selected as consistent and efficient. The proximity of the p-value to the threshold indicates only mild correlation between regressors and unobserved effects.

4.4 Regression Results and Hypothesis Tests

Table 4 reports the Random Effects estimates. The model is robust, with a Wald chi-square of 307.789 ($p < .001$) and an overall R-squared of 0.625. Each focal coefficient is examined against its hypothesis.

Table 4

Random Effects Regression Results (Dependent Variable: ATP)

Variable	Coefficient	Std. error	z-value	p-value
Board composition (BC)	–1.268***	0.219	–5.79	<.001
Board financial expertise (BFE)	0.906***	0.183	4.97	<.001
Audit committee expertise (AE)	1.734***	0.197	8.80	<.001
Ownership concentration (OC)	–0.539***	0.112	–4.80	<.001
Institutional ownership (IO)	–0.007	0.007	–1.09	.274
Firm-level controls	Included			
Constant	0.017***	0.004	4.18	<.001
Observations	210			
Overall R^2	0.625			
Wald χ^2	307.789			<.001

*Note. *** p < .01. Firm size, profitability, leverage, and industry type are included as controls.*
Source: authors' computation from STATA output.

Board composition (H1). Board independence is negative and highly significant ($\beta = -1.268$, $p < .001$), the second-largest effect in the model, and the null is rejected. Firms with more independent boards engage in markedly less aggressive tax planning, confirming that independent directors function as an effective monitoring mechanism that disciplines tax-related decision-making. H1 is supported.

Board financial expertise (H2). Board financial expertise is positive and significant ($\beta = 0.906$, $p < .001$), rejecting the null. Boards richer in financial and accounting expertise are associated with more, not less, aggressive tax planning, evidence that expertise enables the design and approval of sophisticated, legally defensible avoidance rather than constraining it. H2 is supported.

Audit committee expertise (H3). Audit committee expertise is positive, significant, and the largest coefficient in the model ($\beta = 1.734$, $p < .001$), rejecting the null. Highly expert audit committees are associated with substantially greater tax aggressiveness, reinforcing the enablement interpretation: technically skilled committees are equipped to vet and oversee complex tax strategies that maximise after-tax performance while maintaining compliance. H3 is supported.

Ownership concentration (H4). Ownership concentration is negative and significant ($\beta = –0.539$, $p < .001$), rejecting the null. Firms with more concentrated ownership are less tax aggressive, consistent with the alignment view that dominant, reputation-conscious owners, often foreign parents, favour conservative, compliance-oriented tax positions. H4 is supported.

Institutional ownership (H5). Institutional ownership is negative but statistically insignificant ($\beta = –0.007$, $p = .274$), so the null cannot be rejected. Treated as a single bloc, institutional investors exert no consistent, directional influence on tax planning, a result attributable to the offsetting objectives of monitoring and pressure-oriented institutions. H5 is not supported.

In sum, four of the five governance and ownership attributes significantly affect aggressive tax planning. Board independence and ownership concentration restrain it; board and audit-committee expertise enable it; institutional ownership has no significant effect. The results reveal that governance is not uniformly disciplinary, its effect depends on which mechanism is engaged.

5. Discussion of Findings

The negative board-independence effect is supported by monitoring role of the independent directors as found in the governance research in Nigeria (Salihu & Olayinka, 2022) and advanced markets (Armstrong et al., 2021). It is in response to the ceremonial-independence critique (Bauer & Müller, 2023): Independent directors seem to be a working governance mechanism that provides Nigerian multinationals with an outside perspective and reputational concern, which curbed aggressive strategy. That's good news for those hoping to fortify board independence through reform.

The most interesting results relate to financial knowledge. The expertise of both the board and the audit-committee is positively and significantly related to aggressive tax planning, with the expertise of the audit-committee being the strongest of all the variables in the model. This is good evidence of the expertise-as-enablement perspective and of the stewardship hypothesis of competence leading to conservatism. The finding aligns with the existing literature on the international level that suggests that financial expertise can be a double-edged sword (Khan et al., 2021; Kwon & Wagner, 2023) and also with the specific evidence on the link between expert audit committees and tax-haven use (Al-Shammari & Al-Sultan, 2020). The policy implication is subtle but important: a new governance mantra, the inclusion of financial expertise on boards and committees, may unintentionally give firms the tools to plan more aggressively if the financial expertise is not coupled with explicit ethical and disclosure requirements.

The negative ownership-concentration effect is consistent with the alignment and risk-aversion hypothesis. Evidence from the MENA region (Al-Hadi & Al-Naimi, 2022) suggests that dominant owners, often foreign parents or founding interests, seem to value long-term stability, legitimacy and constructive government relations over short-term benefits from engaging in risky tax schemes. It is in contrast with the results from other studies on entrenchment (Chen et al., 2021; Medioli, 2023), which indicate that, in Nigeria, being exposed to reputational losses by identifiable dominant owners is a sign of caution rather than opportunism.

It's telling that institutional ownership doesn't matter. It suggests that the forces that the Effective Monitoring and Pressure Hypotheses posit cancel each other out if institutions are viewed as a monolith, in line with Khurana and Moser (2021). The Nigerian institutional base is clearly a mix of investors with different objectives ranging from long horizon funds with conservative outlook to transient investors looking for returns which cannot be said to exercise a consistent direction. This indicates disaggregation of investor types to be a focus for further research.

A convenient way of reconciling these results is to draw a distinction between the will to restrain avoidance and the ability to do it. The will is provided by independent directors and focused owners, who have the interest and the status to make management adhere to conservative tax stances, and the record demonstrates they do. Expert boards and audit committees provide the capacity: They have the technical ability to build and test complex planning, and, in the absence of some other imperative to do otherwise, that ability is devoted to the firm's benefit. Governance mechanisms which combine both will and capacity, or which build capacity to compliance through explicit accountability, are thus likely to be the most effective. This reframing can be useful in understanding that the presence of strong monitoring and strong expertise in the same firms does not necessarily have to be mutually exclusive as they work on different margins of the tax-planning decision.

The size of the audit-committee effect is noteworthy. That it is the single strongest predictor in the model, even compared to the strong board-independence effect, implies that the audit committee, traditionally thought of as a bastion of conservative reporting, could actually be where sophisticated tax strategy is discussed, developed and endorsed. This isn't to say that they're doing anything wrong, but the tactics in question are not illegal. It does suggest that the only governance body that has the expertise to know how to handle complicated tax arrangements is the body that has the expertise to approve them, and that tax-reform that simply expands the capability of audit-committees without changing the nature of the tax oversight they provide may be ineffective.

6. Conclusion and Implications

This study investigated the effect of corporate governance and ownership structure on aggressive tax planning of listed multinational companies in Nigeria during 2015–2024. With a census based balanced panel and a Random Effects specification which passed standard diagnostics, it found that board independence and ownership concentration significantly constrain aggressive tax planning, and that board financial expertise and audit-committee expertise significantly facilitate aggressive tax planning, but that institutional ownership does not have a significant effect. The evidence suggests that there is a paradox in governance: technical competence, which is traditionally thought of as a way of avoiding, is a way of doing it.

Several implications follow. First, regulators like the Financial Reporting Council of Nigeria need to provide more specific guidance on the tax-governance function of boards and audit committees, with a clear and explicit ethical dimension. Firms should be encouraged to have tax-governance frameworks which set out acceptable tax risk, assign board responsibility for tax oversight and provide transparent disclosure of tax strategy in the annual report. Second, in view of the disciplinary effect of the independence of the board as shown here, the companies should make the independence of the directors even stronger and special training on tax risk and long-term consequences of aggressive strategy should be provided to the directors. Where boards and committees are full of financial expertise, the goal is not to lessen competence, but to ensure that there are accountability mechanisms in place so that financial expertise does not become aggressive minimisation. Third, companies with controlling shareholders should be urged to play their role in encouraging compliance related behaviour and the policymakers could consider establishing stewardship codes that explain the role of institutional investors in encouraging ethical tax behaviour.

There are limitations to the study. It is based on secondary governance and secondary ownership disclosures, which are incomplete for some firms and years, and which may impact the precision of measurements. Sample is limited to listed multinationals and therefore generalisability is limited to unlisted and domestic firms. The book–tax difference does not fully reflect all of the more sophisticated strategies and the Random Effects model adopted, which is suggested by the Hausman test, does not completely address the potential for endogeneity between governance and tax behaviour. Future studies might disaggregate institutional investors into types and time horizons, use more detailed avoidance measures, consider institutional quality and enforcement strength as moderators, and use more direct endogeneity-correcting dynamic estimators like System GMM. Comparative analyses of the governance–tax nexus in African economies would also help to better understand how the nexus is affected by the institutional context.

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