



FOREIGN OWNERSHIP PRESENCE AND TAX AVOIDANCE IN MULTINATIONAL FIRMS IN NIGERIA

Otuedon Ajueyitse Martins¹ & Atu Omimi-Ejor Osaretin Kingsley²

^{1&2}Igbinedion University Okada, Benin City

^{1&2}Email: otuedonmartins@yahoo.com , kingsatu@yahoo.com

ABSTRACT

The broad objective of the study is to examine foreign ownership presence and tax avoidance in multinational firms in Nigeria. The specific objectives are: (i) To investigate the impact of board foreign directorship to total board ratio on tax avoidance (ii) To determine the impact of foreign ownership to total ownership ratio on tax avoidance and (iii) To investigate the impact of foreign ownership above 5% on tax avoidance. This study employs a longitudinal research design. The population of the study comprises of all multinational companies quoted on the Nigerian stock exchange as at the study period. The sample for the study is the 15 quoted multinational companies that are listed on the Nigerian stock exchange. Secondary data were utilized for this study. The data were retrieved from corporate annual reports of the sampled companies quoted on the Nigerian Stock Exchange for the period 2010-2019 financial years. The researcher utilized only corporate annual reports because they are readily available, accessible and also provide a greater potential for comparability of results. The study utilized the Generalized Least Squares (GLS) regression estimation. The findings of this research reveal a positive relationship between foreign directorship and tax avoidance. Secondly, foreign ownership to total ownership ratio has significant effect on tax avoidance among quoted Nigerian companies. Lastly, foreign ownership above 5% has significant effect on tax avoidance among the selected quoted Nigerian companies. The study recommends that quoted companies in Nigeria and especially multinational companies operating in Nigeria with more than requisite number of foreign directorships on the board compared to the total board size should be properly scrutinized to ensure that the foreign directors are not used as vehicle for repatriating hard currencies which would have been used to pay taxes out of the country. There is need for more collaborative efforts between tax authorities, the Financial Reporting Council of Nigeria (FRCN), the Chartered Institute of Taxation of Nigeria



(CITN) and other relevant bodies to curb tax aggressive behaviour in corporate entities.

Keywords: Tax Avoidance, Foreign Ownership, Multinational Corporations

1. INTRODUCTION

Organisations the world over often engage in activities aimed at reducing to the barest minimum, their tax burdens or liabilities to the authorities. These activities are called tax planning and have metamorphosed into part of the activities of corporations globally (Huang & Shiu, 2009). For different reasons, organisations carry out tax planning activities otherwise known as tax aggressiveness or tax avoidance. As a result, firms are always spurred to investing in tax planning with a view to lowering their taxes since this benefit their shareholders as the residual claimants. According to Bill, Iftekhar, Qiang and Meng (2010:12), “Taxes represent a significant expense to a company; as such tax savings typically increase after-tax earnings, cash flows, and shareholder’s wealth”. Thus, many organisations are beginning to intentionally engage in tax planning behaviour in order to reduce tax liability. Kale and Meneghetti (2013), consider tax planning as a continuum of undertakings that enable corporations to decrease taxes. On one extreme of this scale are positioned perfectly legal activities, while on the other side, abusive tax-saving transactions are positioned such that if detected, it will surely result in fines and punishment against the avoiding firm. In the middle, however, lies activities that fall between completely legal alongside outright abusive activities. This group of activities is usually known as 'tax avoidance'. The term tax avoidance has posed an issue ever since the commencement of tax legislations (Andreoni, Erard & Feinstein, 1998) and remains the most challenging issue of our generation, particularly at the corporate levels (Hundal, 2011).

A budding and scarcely investigated factor in tax avoidance studies is the part played by foreign ownership. Foreign ownership via direct investments, mergers and acquisitions, joint ventures, or equity ownership symbolizes the interests of foreign investors (Ohori, 2011). These foreign owned/linked companies are sought-after by most developing economies looking for brisk economic growth and development for the reason of their better-quality performance (Ghazali, 2010), elevated productivity (Khawar, 2003), elevated intensity of voluntary disclosure (Haniffa & Cooke, 2002) and robust stock values (Huang & Shiu, 2009). Foreign interest in developing



countries has created reason for apprehension because of the possibility of profit repatriation which can be used for tax avoidance in the host country (Kinney and Lawrence, 2000). It has been argued that multinational firms have prearranged their ventures in such a way as to stay away from taxes in every jurisdiction where they operate (Christensen & Murphy, 2004).

Numerous researches have also therefore been carried out to comprehend the contributing factor of tax avoidance. These studies have investigated numerous determinants like firm size and scale of international operations (Rego, 2003; Richardson & Lanis, 2007), capital intensity, leverage (Noor, Mastuki & Bardai, 2008; Richardson & Lanis, 2007), executives' roles and their compensations, industrial membership (Mahenthiran & Kasipillai, 2012), the legal structure of corporation (Tedds, 2006) including political connections (Adhikari, Derashid & Zhang, 2006). However, sufficient attention has not been given to the role part played by foreign interests and ownership considerations especially in environments of developing economies particularly those like Nigeria that have attracted quite a huge inflow of multinational firms due to its natural resource endowments. They, therefore, provide little insight to the role played by foreign interest in tax avoidance.

Thus, the thrust of this paper is to investigate empirically the relationship between foreign ownership presence and tax avoidance of multinational firms in Nigeria. The rest of the paper is structured as follows; section II reviews the literature, section III presents the methodology, section IV analyses data and interprets the results while section V gives the summary, findings, conclusion and recommendations.

2. LITERATURE REVIEW

Tax Avoidance

Tax avoidance has the same meaning as tax planning, tax aggressiveness including tax shelters for the reason being that they meet the terms of the legal and ethical provisions created by the tax authorities. Tax avoidance or tax aggressiveness is defined as the legal utilisation of tax to decrease the amount of tax that is payable by means that are within the law (Rawiwan, 2013). Tax avoidance is the legal utilization of the tax regime to one's own advantage, to decrease the amount of tax that is payable by forms that are within the law (Pasternak & Rico, 2008).

Unlike tax evasion which is completely illegal and a crime under the law, tax avoidance engrosses the utilization of provisions both juridical and in accounting/tax principles to decrease tax liability. A Chen, Chen, Cheng and Shevlin (2010),



elucidated tax avoidance as the endeavour of the corporation to reduce tax payments using aggressive tax planning activities including tax avoidance. It appears to Frank, Lynch and Rego (2009) that the aggressive tax returns due to the kind of tax planning that can be considered as tax management. The firms' effective tax rate (ETR), defined as measure of tax liability divided by income, has been utilized in the literature as estimate of active tax avoidance (Robinson & Sikes, 2006; Dyreng et al., 2008; Richardson et al., 2013). Tax avoidance can be identified by the effective tax rate "ETR". Numerous authors have considered the measure "ETR" as the most relevant means to determine the capacity of the corporation to optimize its tax burden (Rego 2003).

Foreign Ownership

The foreign ownership is a type of ownership whereby the companies have certain percentage of foreign investors that invest in the domestic market. Foreign investors are typically mutual funds or other institutional investors (Dahlquist & Robertsson 2001). According to Obembe, Adebisi and Adesina (2011) study, foreign ownership, which is an ownership of shares by foreign investors, reveals that foreign ownership has a positive impact on firms reporting. Prior research reveals that foreign investors can enhance firm value. The foreign investors, who are likely to be less informed investor and coming from a less transparent regime may demand disclosure of financial information as compare to local investors who are more informed and may be able to access the financial information that they need. Foreign financial institution investors, on the other hand, can behave in a manner that is significantly difference from foreign corporate investors.

Review of Prior Studies

Hasan, Kim, Teng and Wu (2013) in a study examines whether foreign institutional investors (FIIs) help explain variations in corporate tax avoidance, and whether mechanisms, such as tax morality, investment horizon and corporate governance, underlie the relation between FIIs and tax avoidance. They however found vigorous evidence that FIIs are negatively related to corporate tax avoidance. Moreover, this negative association is dominated by FIIs from countries with very minimal levels of tax evasion and tax avoidance countries, FIIs with long investment horizon, and FIIs from high-corporate-governance-quality countries.

Chen, Chen, Cheng and Shevlin (2007) investigated the tax avoidance of companies with foreign ownership in the U.S. They utilized two effective tax rate measures and two book-tax difference measures to capture tax avoidance, and multiple measures



of foreign ownership presence. Using both firm year level analysis on all four tax avoidance proxies and firm-level (averages of sampling period) analysis on the two tax rate measures, they found that firms with foreign ownership are less tax aggressive than their counterparts, *ceteris paribus*. They proceeded further to document that firm without long-term foreign institutional investors and firms expecting to raise external capital exhibit even lower tax avoidance.

Ribeiro, Cerqueira and Brandao (2015) carried out a study to provide evidence on how ETRs are determined by firms' financial and operational characteristics. Secondly, their objective was to show the role of Corporate Governance attributes in explaining ETRs. To carry out the analysis, they selected a sample of 704 non-financial organisations indexed on the London Stock Exchange between 2010 and 2013 with the purpose of studying the determinants of effective tax rates, they estimated four regressions. Results arising from their empirical investigation revealed that larger and highly lucrative companies have elevated ETRs.

Salihu, Annuar and Obid (2011) investigated the tax influence of foreign investors' interests within a host's developing economy. The sample data were taken from annual reports of the FTSE Bursa Malaysia Top 100 firms for the financial periods of 2009, 2010 and 2011. Using four similar measures of tax avoidance and three related measures of foreign investors' interest, their analysis of the dynamic panel data with a system GMM estimator showed a significant positive relationship between foreign investors' interests and the measures of corporate tax avoidance amid large Malaysian companies.

Boussaidi and Hamed (2015) in a paper investigated the influence of some governance systems on corporate tax avoidance. The study was centered on the investigation of a sample of Tunisian listed firms over the 2006-2012 periods. Board's managerial and foreign ownership indicated a significant influenced relationship with the effective tax rate while increases in concentration ownership tend to affect it negatively. However, findings do not indicate any important impact of corporate board size and external auditor's profile on the tax avoidance.

Otieno (2014) aimed at establishing the relationship between ownership structure and tax avoidance of corporations indexed at the Nairobi Securities Exchange using 61 firms. Data was then analyzed using descriptive analysis and regression analysis. From the investigation, the findings revealed that ownership structure does not



positively impact tax avoidance as the impacts of state ownership, foreign ownership and institutional ownership on tax avoidance were negative at 5% level.

Rawiwan (2013) in a paper investigated the relationship amid corporate governance and tax aggressiveness in the Stock Exchange of Thailand (SET) during 2007-2011. The research proceeded to investigate the influence of these two variables on the value of the firms. The results showed that corporate governance has significant impact on tax avoidance, meaning that firms with good governance pay less tax than firms with bad governance. The board of directors and audit committee show a significant role on tax decrease. Interestingly, foreign holding of the corporation helps decrease tax payment.

Annuar, Salihi and Obid (2014) carried out an empirical analysis into the correlation between corporate ownership structure and corporate tax avoidance in Malaysia. Two econometrics dynamic panel data models were suggested for the study. Generalized Method Moment (GMM) estimator was used as the estimation method. Findings from the study led to the conclusion that foreign ownerships are proven as the potential contributing factor of corporate tax avoidance with potential interactive influence of board composition.

Ailyn, Francis, Cheri, Trisha and Angelo (2020) examined the effect of foreign ownership on corporate tax avoidance for non-financial firms listed in the Philippine Stock Exchange (PSE) from 2009 to 2015. Using three different measures of foreign ownership and two measures of corporate tax avoidance, our analysis of an unbalanced and dynamic panel dataset with the two-step system generalized method of moments (GMM) estimator yields some evidence of a significant and positive relationship between the degree of foreign participation in boards and corporate tax avoidance. Against this background, we argue that policymakers and regulators should carefully evaluate the costs and benefits of foreign participation in boards of companies, given the opportunity for corporate tax avoidance.

Bashir and Zachariah (2020) investigated the effect of ownership structure on tax planning of quoted non-financial companies in Nigeria. It aims to find out the ownership structure that improves tax planning thereby reducing tax liability of the firms. Data for the study were extracted from the annual reports and accounts of the companies for ten years (2008 - 2017). The data collected were analysed using descriptive statistics and multiple regressions. The study reveals that managerial and



institutional ownerships have no significant positive effect on tax planning, while foreign ownership demonstrates no significant negative effect.

Resti, Arie, Andison and Popi (2020) examined the effect of ownership structures as measured by managerial ownership, foreign ownership, public ownership, institutional ownership and political connection with the company undertaking tax avoidance. This study examined Indonesian companies listed on the Indonesian Stock Exchange between 2016-2018, which were selected based on purposive sampling. The research reveals that foreign and institutional ownership affect tax avoidance, while managerial ownership, public ownership, and political connections have no effect on tax avoidance. Surprisingly, testing using separate observations which consist of both connected and non-connected firms, found different results. For connected firms we found that only foreign ownership affects tax avoidance while for non-connected firms, we found that managerial ownership affects tax avoidance.

In the light of the above, the hypothesis is presented below;

H₀₁: Foreign ownership has no significant impact on tax avoidance in multinational firm in Nigeria

Theoretical Framework: Agency Theory

Slemrod (2004), Chen and Chu (2005), and Crocker and Slemrod (2005) were the first to view corporate tax avoidance in an agency framework though the theory is credited to Jensen and Meckling (1976). According to the agency-view of tax avoidance, conflicts between firms' owners and its management may arise because managers who are generally expected to make tax-effective decisions may in fact behave opportunistically and divert corporate wealth for their individual interest (Jensen & Meckling 1976; Desai & Dharmapala, 2006). However, the agency-view of tax avoidance is neither undisputed (Blaylock, 2012). Tax avoidance is linked to agency problem, in other words, tax avoidance is perceived as a tool for creating a shield for managerial opportunism and diversion of rents. The study finds agency theory as an appropriate theoretical framework for the study because it provides the basis for rational expectations to be formed concerning the relationship between foreign ownership and tax aggressiveness. Basically, the agency theory suggests that differing motives between owners and management can generate conflicts and result in agency problems. Tax aggressiveness activity has been identified by studies (Wang 2010, Desai & Dharmapala, 2006) as one of the issues that generates agency



conflicts because it is perceived as a tool for managerial opportunism and division of rents. On the relationship between foreign ownership and tax aggressiveness, the agency theory points that foreign presence or ownership is one instrument of corporate governance that mitigate managerial tendencies for aggressive behavior. Hence this theory provides the lens through which we can contemplate a relationship between tax avoidance and foreign ownership.

3. METHODOLOGY

This study employs a longitudinal research design. The sample for the study is the 15 quoted multinational companies that are listed on the Nigerian stock exchange. The convenient sampling technique was used to arrive at the sample. Secondary data were utilized for this study. The data were retrieved from corporate annual reports of the sampled companies quoted on the Nigerian Stock Exchange for the period 2010-2019 financial years. The researcher utilized only corporate annual reports because they are readily available, accessible and also provide a greater potential for comparability of results. The study utilized the Generalized Least Squares (GLS) regression estimation.

Model Specification

This study adapts the above stated model of Annuar, Salihu and Obid (2015) in examining foreign interest and tax avoidance in Nigerian quoted companies with little modification. The model is presented thus:

$$CTA_{it} = \beta + \beta_1 foreign1_{it} + \beta_2 foreign2_{it} + \beta_3 foreign3_{it} + \beta_4 size_{it} + \beta_5 profit_{it} + \beta_6 lev_{it} + \varepsilon_{it} \text{ -----(2)}$$

Where; CTA, = corporate tax avoidance.

Foreign 1 = proportion of foreign directors on the board.

Foreign 2= the proportion of shares owned by foreign investors to the firms' total Shareholding.

Foreign 3= dichotomous explanatory variable in which 1 is assigned to a firm with up to 5% foreign ownership and 0 to firms with less than 5%.

Control Variables

Fsize = firm size

Lev= leverage

u= Stochastic term.

i = number of sampled cross-sectional firms,

t = time period of the sampled companies.

The apriori signs are $\beta_1 - \beta_6 > 0$

Measurement of Variables

Table 1
Operationalization of Variables

Variable	Measurement	Source	Aprori sign
Corporate tax avoidance (CTA)	Cash effective tax rate (ratio of income tax paid to pre-tax income)	Boussadi and Hamed (2015)	
Foreign 1	Proportion of foreign directors on the board.	Annuar, Salihu and Obid (2015)	+
Foreign 2	Proportion of shares owned by foreign investors to the firms' total Shareholding.	Annuar, Salihu and Obid (2015)	+
Foreign 3	Dichotomous explanatory variable in which 1 is assigned to a firm with up to 5% foreign ownership and 0 to firms with less than 5%.	Annuar, Salihu and Obid (2015)	+
Firm size	Log of total assets	Rego (2003)	-
Leverage	Debt-equity ratio	Richardson & Lanis (2007).	+

Source: Researcher's compilation (2021)

4. RESULTS AND DISCUSSION

Table 2
Descriptive statistics

	Mean	Median	Max	Min	Std. Dev.	J.B	Prob
CTA	0.02234	0.0067	0.3526	0.003	88.76594	76.6722	0.00
FOREIGN-1	0.632024	0.63	1	0.17	0.157786	6.2892	0.043
FOREIGN-2	0.83111	0.55	1	0.30	0.4257	73.9302	0.000
FOREIGN-3	0.783759	0.46	1	0.43	0.092881	68.1439	0.00
FSIZE	8.69077	9.428936	19.408	2.22741	9.986081	24.0941	0.00
LEV	0.5673	0.23151	1.63	0.002	11.166227	63.4072	0.00

Source: Researcher's compilation (2021)

Table 2 shows the summary of statistics for the variables used in the study. The table above shows the descriptive statistics for the dependent and independent variables



and it revealed that the average or the mean for CTA is 0.022 with maximum and minimum values of 0.3526 and 0.003 respectively. The mean for FOREIGN-1 is 0.632 which implies that the average board foreign directorship is about 63.2% with maximum and minimum values of 100% and 17% respectively. The mean for FOREIGN-2 which is foreign investors' ownership to total shareholdings shows an average value of about 83.1% which suggest as expected high foreign investor ownership in the companies under consideration with maximum and minimum values of 100% and 30% respectively. The mean for FOREIGN-3 which is foreign ownership above 5%, shows an average value of about 78.37% which suggest a high foreign ownership concentration in the companies under consideration with maximum and minimum values of 100% and 43% respectively. The mean for LEV and FSIZE which are the control variables in the study stood at 0.5673 and 8.6908 respectively. The Jacque-bera statistics for all the variables have p-values less than 0.05 and this confirms the normality of the series and the absence of outliers.

Table 3
Pearson Correlation Matrix

	CTA	FOREIGN-1	FOREIGN-2	FOREIGN-3	FSIZE	LEV
CTA	1					
FOREIGN-1	0.0943	1				
FOREIGN-2	0.1594	0.5835	1			
FOREIGN-3	0.1469	0.53129	0.8692	1		
FSIZE	-0.102	-0.1715	-0.068	-0.036	1	
LEV	0.1511	0.09017	0.1031	0.1091	-0.2816	1

Source: Researcher's compilation (2021)

From Table 3, the correlation coefficients of the variables are examined. However of particular interest to the study is the correlation between CTA and the independent variables. As observed, correlation exists between CTA and the following variables; foreign-1 ($r=0.0943$), foreign-2($r=0.1594$), foreign-3 ($r=0.1469$), FSIZE ($r=-0.102$) and LEV($r=0.1511$). The positive coefficient suggests that an increase in these variables could be associated with increases in CTA and vice-versa. On the other hand, a negative correlation suggests that increase in these variables could be associated with decreases in CTA and vice-versa. Though providing some level of insight into the degree and direction of relationship between the variables, the correlation analysis is limited in its inferential ability mainly because it does not



imply functional dependence and hence causality in a strict sense. The Regression analysis is better suited for this purpose.

Table 4
Variance Inflation Factor Test

Variable	VIF
FOREIGN-1	1.384624
FOREIGN-2	1.9151
FOREIGN-3	4.910936
FSize	2.106198
LEV	1.206076

Source: Researcher's compilation (2021)

The variance inflation factor (VIF) quantifies the severity of multicollinearity in an ordinary least squares regression analysis. In multiple regression, the variance inflation factor (VIF) is used as an indicator of multicollinearity. Computationally, it is defined as the reciprocal of tolerance: $1 / (1 - R^2)$. Neter, Wasserman and Kutner (1990) suggested the use of VIF as a method of detecting the presence of multicollinearity. They suggested the value of 10 or more as an indication of the presence of severe multicollinearity. Based on the values of the VIF tests above, the study concludes that there is no evidence of multicollinearity in the model.

Table 5
Panel regression

Variables	Aprori Sign	Coefficients Standard error [t-value]
C		0.4056 (0.0859) [0.000]
Foreign 1	+	0.0205* (0.0102) [0.0456]
Foreign2	+	0.0179* (0.008) [0.0276]
Foreign 3	+	0.0016* (0.0005) [0.0012]
FSize	+	-0.51605



<i>Lev</i>	+	(1.38) [0.168] 0.23664 (0.61) [0.542]
<i>No of Obs</i>		135
<i>R²</i>		0.640
<i>Prob > F</i>		0.000
<i>Hausman test</i>		
<i>F-Statistic</i>		P=0.004 2.95(0.0003)

Source: Researcher's compilation (2021)

Table 5 shows the regression results and the hausman test statistic ($p= 0.004$) indicates the need to employ a Fixed effects estimation. Essentially, a fixed effect estimates assumes that the firm specific error terms is correlated with the explanatory variables. As shown in the results, the R^2 for the model is 0.648 which implies that the model explains about 64.8% of the systematic variations in the dependent variable. The F-stat is 2.95 ($p\text{-value} = 0.00$) is significant at 5% and suggest that the hypothesis of a significant linear relationship between the dependent and independent variables cannot be rejected. It is also indicative of the joint statistical significance of the model.

The analysis of coefficients reveals that Foreign 1 was positively (0.0205) related to tax aggressiveness. The variable is also statistically significant at 5% as shown in the probability value [0.0456]. This means that an increase in proportion of foreign directors on the board of the firm, increases level of tax aggressive activities. Proportion of foreign ownership to total ownership (Foreign 2) was found to be positively (0.0179) related to tax aggressiveness and the variable is also statistically significant at 5% [$p=0.0276$]. This means that an increase in foreign ownership with respect to total ownership increases the incidence of tax aggressiveness. The impact of foreign ownership above 5% (Foreign 3) was found to be statistically significant at 5% level as shown by the probability value [0.0012]. From the result, it is noticed from the coefficient that there is a positive (0.0016) relationship between foreign 3 and tax avoidance. The control variables in the model showed that only profitability was significant at 5% as the other variables Firm size and Leverage failed to show statistically significant results.



On the overall, the null hypothesis that foreign ownership has no significant impact on tax avoidance is rejected. This result is consistent with the earlier study by Kinney and Lawrence (2000) who also found organisations with substantial proportion of foreign directorship to be tax avoidant. This result in terms of the sign of the coefficient is consistent with the earlier study by Demirguc-Kunt and Huizinga (2001); Egger, Eggert and Winner (2010); Kinney and Lawrence (2000) and Law et al., (2012) who have documented consistently positive relationship between foreign ownership and tax avoidance. This is also consistent with the findings of Chang, Joonho and Hoon (2013), in their study on foreign interest and tax avoidance in that increased foreign interest leads to high rate of tax planning activities and hence, less tax burdens. The impact of foreign ownership above 5% (Foreign 3) was found to be statistically significant at 5% The result is in conformity with the earlier findings of Anuar, Salihu and Obid (2014) who documented those foreign ownerships are proven as the potential contributing factor of corporate tax avoidance. Also, this result is consistent with the earlier study of Huizinga and Nicodème (2003) who found that foreign ownership above 5% has positive influence on tax planning. This accounts for one of the reasons Shackelford and Shevlin (2001) argue for diversification of foreign ownership structure as a potential remedy for tax avoidance.

Table 5
Regression Diagnostics

<i>B-G LM test for serial Corr</i>	
<i>F-statistic</i>	0.6242
<i>Obs*R-squared</i>	1.5578
<i>Prob.</i>	0.5435
<i>Prob. Chi-Square</i>	0.4589
<i>Heteroskedasticity Test: White</i>	
<i>F-statistic</i>	0.36912
<i>Prob (f)</i>	0.57821
<i>Scaled explained SS</i>	12.337
<i>Prob. Chi-Square</i>	0.5239
<i>Ramsey Reset Test</i>	
<i>t-statistic</i>	0.9269
<i>f-statistic</i>	0.9269
<i>Likelihood</i>	0.9172

Source: Researchers' compilation (2021)



The regression diagnostics is presented in the table above and the Breush-Goffery LM test for serial correlation test for the presence of stochastic dependence between the errors across time and as can be observed, the probability value of the F-stat (0.5435) confirms that the null hypothesis of no serial correlation in the residuals is accepted at 5% level. The white test for Heteroskedasticity also shows that the p-value (0.578) of the F-stat (0.369) confirms that the null hypothesis of homoscedastic errors is accepted at 5% level and finally, the Ramsey specification test also confirms that the appropriateness of the functional specification of the model.

5. CONCLUSION AND RECOMMENDATIONS

Based on the findings of this research, the following conclusions are drawn with specific reference to the Nigerian quoted companies; existence of board foreign directorship on the board of the quoted companies gives room for incidence of tax avoidance to the extent that the more the number of foreign directorship, the greater the incidence of tax avoidance. Secondly, foreign ownership to total ownership ratio has significant effect on tax avoidance among quoted Nigerian companies. Lastly, foreign ownership above 5% has significant effect on tax avoidance among the selected quoted Nigerian companies. These findings leave open the question of the relevance of the agency perspective for the analysis of tax policy. In Nigeria, an important firm characteristic impacting on firms' financial decisions, which require continued research to track the consequences of enterprise reforms. Another implication relates to the types of policies - governance, tax, regulatory, that can limit the abuses of tax avoidance. Given that tax avoidance works directly as well as indirectly to affect firm's value, it is sufficient to put in place, policies that directly address tax avoidance issues. While tax aggressiveness benefits the firm and shareholders in form of tax savings, the potential non-tax costs associated with it may also be large depending especially on the structure of corporate ownership and control. These non-tax costs include loss of efficiency in internal control, agency costs of rent extraction, potential penalty, potential price discount and damage to organizational legitimacy. The study recommends that there is the need for tax authorities to pay close attention to those companies where foreign directorship is high. Furthermore, the study recommends that there is the need for tax authorities to also look into foreign ownership levels of multinational companies operating here in Nigeria. Those companies where there exists substantial foreign ownership should be investigated closely.



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