INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN ACCOUNTING, FINANCE AND MANAGEMENT SCIENCES

www.hrmars.com
ISSN: 2225-8329

# The Influence of The Industrial Sector and Reviewed Corporate Governance Code on Tax Avoidance Practices in Malaysia

Nurfarizan Mazhani Mahmud, Nik Nurul Aswani Nik Kamaruddin, Amizahanum Adam, Suryani Abdul Raman and Siti Nabilah Mohd Shaari

**To Link this Article:** http://dx.doi.org/10.6007/IJARAFMS/v12-i3/14652 DOI:10.6007/IJARAFMS /v12-i3/14652

***Received:*** *17* July 2022*, **Revised:*** *21* August 2022*, **Accepted:*** *01* September 2022

**Published Online:** *22* September 2022

**In-Text Citation:** (Mahmud et al., 2022)
**To Cite this Article:** Mahmud, N. M., Kamaruddin, N. N. A. N., Adam, A., Raman, S. A., & Shaari, S. N. M. (2022). The Influence of The Industrial Sector and Reviewed Corporate Governance Code on Tax Avoidance Practices in Malaysia. *International Journal of Academic Research in Accounting Finance and Management Sciences*, *12*(3), 419–429.



**Vol. 12, No. 3, 2022, Pg. 419 - 429**

| http://hrmars.com/index.php/pages/detail/IJARAFMS | JOURNAL HOMEPAGE |
|---|---|

INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN ACCOUNTING, FINANCE AND MANAGEMENT SCIENCES
www.hrmars.com
ISSN: 2225-8329

# The Influence of The Industrial Sector and Reviewed Corporate Governance Code on Tax Avoidance Practices in Malaysia

Nurfarizan Mazhani Mahmud, Nik Nurul Aswani Nik Kamaruddin, Amizahanum Adam, Suryani Abdul Raman and Siti Nabilah Mohd Shaari
Faculty of Accountancy, Universiti Teknologi MARA Perak Branch, Tapah Kampus, 35400, Tapah Road, Perak, Malaysia
Corresponding Author's Email: nurfa044@uitm.edu.my

**Abstract**
Tax avoidance may result in a substantial loss of government revenue and detract from the planning of national growth. Companies employ a variety of tax avoidance schemes to evade tax, and companies from different industries may have varying tax incentives and degrees of tax avoidance practices. Therefore, this study investigates tax avoidance activities among companies in different sectors in Malaysia. It also seeks to examine the impact of the code of corporate governance on tax avoidance activities. This study uses four proxies to measure tax avoidance; Accounting ETR (AETR), Cash ETR (CETR), Tax Expenses to Operating Cash Flow (TECF), and Cash Paid to Operating Cash Flow (CPCF). Using a sample of listed companies in Bursa Malaysia from 2005-2015, this study discovers that tax avoidance activities are significantly affected by the industrial sectors. The result finds that manufacturing companies, Infrastructure Project Companies (IPC) and hotels pay significantly lower effective tax compared to the other companies in different sectors. Additionally, the study also finds evidence that the code of corporate governance in 2012 has significantly been successful in mitigating the tax avoidance activities among listed companies in Malaysia. It contributes to the literature by providing empirical evidence on the influences of Malaysian Industrial Master Plan 3 on companies' tax avoidance activities.
**Keywords:** Tax Aggressiveness, Industrial Sector, Corporate Governance, ETR, MCCG

## Introduction

Corporations and wealthy individuals used a range of tax avoidance schemes to avoid and evade taxes, especially corporations, because taxes took away a greater proportion of the companies' pre-tax earnings and subsequently reduced the companies' distributable profit (Annuar et al., 2014). Corporate tax avoidance benefited the company in the form of increased cash flow (Hanlon & Slemrod, 2009), which subsequently increased the ' 'company's value (Desai et al., 2007; Lisowsky, 2010; Wang et al., 2020). Further, tax avoidance could reduce the average interest rate of a company, whereby tax savings gained from tax avoidance activities could be used to finance companies' projects without borrowing funds (Kholbadalov, 2012). On the part of the government, tax avoidance represented a loss to total revenue. Tax avoidance became a government's main concern since the loss of tax revenues due to tax avoidance significantly impacted the government's planning, especially to the nation's development policy and the continuity of the people's well-being. In Malaysia, companies' income tax was the major contributor to the total government revenue. In 2019, the total companies' income tax collected by the Inland Revenue Board amounted to RM63 billion, representing 47.32 per cent of the total direct tax collected for the year.

The prevalence and the negative impact of tax avoidance have sparked the interest in studying the industrial effects of tax avoidance in Malaysia since there is a scarcity of studies of such context in the Malaysian environment, except for the study by (Ariffin, 2012; Derashid and Zhang, 2003). In line with industrial policies, governments provide financial subsidies, credit loan resources, related industry access permits, and recessive tax preference to preferred industries (Zhang et al., 2021). Thus, different industries may have varying tax treatment or incentives to advance economic and social objectives, such as safeguarding home industries from foreign competition, raising exports, increasing efficiency or competitiveness, and supporting high-tech development (Derashid & Zhang, 2003). These incentives enable firms in such industries to proactively apply for lower tax rates, tax exemptions, lower tax bases, and various government subsidies and funding programs, all of which can significantly reduce their tax burden and provide numerous opportunities for tax-avoidance strategies (Liang et al., 2021).

Liang et al (2021) suggest that rather than self-developed tax avoidance strategies, companies prefer to imitate the tax strategies of peer groups in the same industry to reduce potential regulatory risk and maintain competitive parity over others. Thus, this study aims to investigate the relationship between tax avoidance behaviour within the industrial sector. Further, this study also aims to investigate whether reviewing the Malaysia Code of Corporate Governance (MCCG) in 2007 and 2012 affected tax avoidance activities among listed companies in Malaysia. Unbalanced panel data consisting of 3,164 firm-year observations derived from firms listed on the Main Board of Bursa Malaysia from 2005-2015 were used to sample the study. The findings indicate that firms in the consumer sector, industrial sector, Infrastructure Project Companies (IPC) and hotels paid lower ETR than other firms in other sectors. It also indicates that the reviewed MCCG in 2007 and 2012 significantly reduced the tax avoidance activities in Malaysia.

The remainder of the paper is organised as follows. Section two provides a brief description of the Industrial sector in Malaysia and the Malaysian Code of Corporate Governance. Section three discusses the rationale behind the research hypotheses. Section four elaborates on the research design. Section five presents and discusses the findings. The final section provides the summary and conclusions.

## Literature Review

### Industrial Sector in Malaysia

Since the day of independence, Malaysia has transformed a lot in terms of industrialisation and economy. From a country that depended heavily on agriculture and primary commodities in the sixties, Malaysia has become an export-driven economy spurred on by high technology, knowledge-based and capital-intensive industries (Kinuthia, 2009). After independence in 1957, the Malaysian government embarked on the Import Substitution Industrialization Strategy (ISI) to encourage foreign investors to set up production, assembly, and packaging plant in Malaysia to supply goods that were previously imported from abroad. The government then launched New Economy Policy (NEP) which emphasises on export-oriented industrialisation. Under NEP, the Heavy Industries Corporation of Malaysia (HICOM), a public sector holding company, was formed to go into partnership with foreign companies involved in petrochemicals, iron and steel, cement, paper and paper products, machinery and equipment, transport equipment and general engineering which these industries were expected to strengthen the foundation of the manufacturing sector (Menon, 2008).

In 1986, the government introduced Industrial Master Plan (IMP), which specifically focused on manufacturing. Under IMP, many industrial incentives were given through Promotion Investment Act (PIA) and Industrial Coordination Act (ICA) and also through Investment Tax Allowance and a major revamp of the Export Credit Refinancing Facilities (ECR) (Kinuthia, 2009). The PIA is the more important legislation, as it covers the major tax incentives available. Such incentives are only available to companies resident in Malaysia. The second IMP (IMP2) was launched in 1996 with the focus shifted from the traditional industrial-based to cluster-based approach. It aimed to strengthen industry linkages and develop dynamic industrial clusters, and also promote higher value-added activities. In 2006, the government introduced the third Industrial master plan (IMP3), which aim to achieve long-term global competitiveness through transformation and innovation of the manufacturing and services sectors. Under IMP3, the government had targeted 12 industries in the manufacturing sector for further development and promotion. The industries are electrical and electronics, medical devices, textiles and apparel, machinery and equipment, metals, transport equipment, petrochemicals, pharmaceutical, wood-based, rubber-based, oil palm-based and food processing. While the manufacturing sector was targeted to drive growth in IMP2, IMP3 sees the service sector will lead the role in driving economic growth from 2006-to 2020 (Kinuthia, 2009). Various tax incentives have been enacted by the Malaysian government to foster economic growth and encourage participation in business operations. Examples of tax incentives given are pioneer status, investment tax allowance, double deduction of expenses, exemption of import and excise duties and sales tax.

**Malaysia Code of Corporate Governance**

As in many other Asian Pacific countries, the importance of corporate governance in Malaysia rose after the Asian Financial Crisis in 1997. Following the crisis, the Malaysian government established a high-level Finance Committee on Corporate Governance (FCCG) that rules is to review governance practices in the corporate sector and recommends legal reform to strengthen their effectiveness. The first Malaysian code of corporate governance, which was initiated by the Securities Commission (SC), was issued in March 2000. Since then, many efforts have been made by the Malaysian government to enhance the best practice of corporate governance in Malaysia. The code essentially aim to set out principle and best practices on structures and process that companies may use in their operation toward achieving the optimal governance framework. All listed companies are required to disclose their level of compliance with its recommendations in view of providing a strong facilitative regulatory regime, including corporate accountability and a high-quality corporate governance mechanism that would strengthen investor confidence (Rahim et al., 2015). The MCCG was reviewed in 2007, and the new version of MCCG aims to strengthen the board of directors and audit committees and the internal audit function and to ensure that the BOD and the audit committee discharge the roles and responsibilities effectively (Bhatt, 2015).

Another revision was made to MCCG in 2012, with greater emphasis put on board members. Areas that were strengthened in this revision included the responsibilities, roles, and composition of the board; commitment, independence, and remuneration of directors; risk-management framework and internal controls system; the integrity of financial reporting and a relationship between the company and the shareholders. The MCCG 2012 also encourages companies to place corporate disclosure policy that embodies principles of good disclosure and to make public their commitment in respect of shareholder rights (Zin et al., 2020). In 2017, SC issued the new MCCG 2017, replacing the 2012 code with significant modifications and suggestions to improve Malaysia's corporate governance. This revised MCCG 2017 encourages non-listed institutions such as state-owned enterprises, small and medium-sized enterprises (SMEs), and licenced intermediaries to embrace the code in order to improve accountability, transparency, and sustainability. The new code contains 36 practices to support three core principles concerning an effective ' 'company's Board, audit and risk management, and integrity (Mahmud et al., 2021).

**Hypothesis Development**

**Tax avoidance and Industry**

Firms from different industries face different economic and operational conditions. They may face different tax implications and have different opportunities to reduce their tax burden. Some industries are highly competitive and very reactive to economic conditions and political events, some industries are protected by the government, and the rest rather be in a safe environment. Kim and Limpaphayom (1998) suggest that industrial effects might be very important factors that will explain the differences in ETR for non-western firms due to the long-standing industry policy in these countries to protect certain sectors. Mills et al (1998) use 365 large US samples to indicate that mining and oil and gas firms spend more on tax planning than other firms in their sample. Derashid & Zhang (2003), in their study, find that manufacturing firms and hotels pay significantly lower effective tax compared to other firms in other industries in Malaysia. Meanwhile, Noor et al (2008) mentioned that corporate effective tax rates differ considerably between companies from the same sector and between sectors during the period 2000 to 2004 in Malaysia, and their study find that firms in trading and services, properties and the construction sector paid higher effective taxes. Based on the above discussion, we posit the following hypothesis**:**

*H1: Industrial sectors significantly influence Tax avoidance practices*

**Tax Avoidance and Reviewed Governance Code**

It has been widely accepted that corporate governance mechanisms enhance best practised in the form of corporate performance and transparency (Haji, 2014). Abdul Wahab et al (2017) suggest that effective governance mechanisms can reduce tax aggressiveness through the ability to govern and monitor corporate tax decisions. Bhatt (2016), in his study of 116 listed companies in Malaysia, concluded that the performance of listed firms has improved after the implementation of (MCCG, 2000). Since the first introduction of MCCG in 2000, many efforts have been made by the Malaysian government to enhance the best practice of corporate governance in Malaysia. Abidin et al (2017) find that after the implementation of MCCG 2012, more publicly listed companies are willing to disclose their commitment to ethical practices. Moreover, Saari et al. (2020) suggest that Malaysian public listed companies have better disclosure on corporate risk post-MCCG 2012. Therefore this study posits that tax avoidance activities will reduce post MCCG 2007 and 2012, and the following hypothesis is constructed

*H2: Code of governance reviewed in 2007 and 2017 has a significant relationship with tax avoidance activities*

## Methodology

### Sample Selection and Data Collection

The data used in this study are derived from companies listed in the Main Board of Bursa Malaysia in 2005 and continued as listed companies until 2015. All companies listed during that period are gathered into the original sample and are collected from the Thomson Reuters Datastream. Hence, the sample consists of eleven years of data observation to control for the effect of the economy and tax changes. For industry classification, all sectors classified in Bursa Malaysia are chosen except for Finance, Reits, Mining, Closed end fund and Exchange trade fund because of their uniqueness and a limited number of companies. The original sample then excludes the following firms:

a. Firms with net operating loss and negative ETR (Kim and Limpaphayom, 1998; Derashid & Zhang, 2003; Abdul Wahab et al., 2017)
b. Firms whose effective tax rate is greater than 1 due to loss carried forward. (Mahenthiran and Kasipillai, 2012; Derashid & Zhang, 2003)

### Dependent, Independent and Control Variables

### Dependent Variable

The dependent variable for this study is tax avoidance. Effective tax rate (ETR) is used to measure tax avoidance as suggested by previous studies (Derashid & Zhang, 2003; Annuar et al., 2014; Mahenthiran and Kasipillai, 2012; Abdul Wahab et al., 2017). ETR is the best measure to identify tax avoidance and any other tax planning activities because the rates reflect the actual tax burden of a firm (Abdul Wahab, 2017). Four measures of ETR are employed in this study. These are accounting ETR (AETR), cash ETR (CETR), Tax Expenses to Operating Cash Flow (TECF) and Cash Paid to Operating Cash Flow (CPCF). The first three measures only capture the non-conforming tax avoidance (Rego and Wilson, 2012; Bradshaw et al., 2012; Mahenthiran and Kasipillai, 2012). While the fourth measurement is for conforming tax avoidance (Salihu et al., 2014). The combination of the four measures used in this study is believed to provide a wholesome picture of corporate tax avoidance among listed companies. We classify tax avoidance firms by looking at the differences between ETR and corporate statutory taxes rates. The firm with lower ETR than tax statutory rates will be labelled as '1' and considered a tax avoidance firm. The firm with higher ETR than tax statutory rates will be labelled as '0' and considered a non-tax avoidance firm.

### Independent Variable

The main independent variable in this study is industry classification and reviewed MCCG. The industry is classified using the Bursa Malaysia classification. However, industries classification with less than 10 companies were excluded. We also exclude finance firms due to their special characteristic. Finally, we have nine industry classifications, namely 1) Consumer. 2) Construction. 3) Trading/services 4) Properties 5) Plantations 6) Hotel 7) Industrial products 8) Infrastructure project companies 9) Technology. Dummy variables are used to study the effects of MCCG reviewed in 2007 and 2012 on tax avoidance activities where:

| | | | | | |
|---|---|---|---|---|---|
| MCCG7 | - | 2005 - 2006 = 0<br>2007 – 2015 = 1 | MCCG12 | - | 2005 – 2011 = 0<br>2012 – 2015 = 1 |

**Control Variables**

We control for a number of variables in the test. First, we control for firm size, which previous studies suggest smaller firms are involved in tax avoidance more than bigger firms (Derashid and Zang, 2003 and; Abdul Wahab, 2017). Second, the study control leverage because more leverage firms may not involve in tax avoidance because of the tax shield benefit of debt financing (Chan et al., 2013). Third, the study control for growth, which is proxied by the market-to-book ratio. Following Abdul Wahab (2017), we also predict a positive relationship between growth and tax avoidance activities. Finally, we control the return on assets as a measurement for firm performance. Mahenthiran and Kasipillai (2012) argue that firms with good performance are aggressive tax planners.

**Multivariate Regression Model**

The following four multiple regressions were estimated to investigate the impact of GLIC ownership on each proxy of tax avoidance. The regression equations are as follows:

$$AETR = \alpha + \alpha1(IND) + \alpha2(MCCG7) + \alpha3(MCCG12) + \alpha4(Control\ Variables) + \varepsilon \quad (1)$$

$$CETR = \alpha + \alpha1(IND) + \alpha2(MCCG7) + \alpha3(MCCG12) + \alpha4(Control\ Variables) + \varepsilon \quad (2)$$

$$TECF = \alpha + \alpha1(IND) + \alpha2(MCCG7) + \alpha3(MCCG12) + \alpha4(Control\ Variables) + \varepsilon \quad (3)$$

$$TPCF = \alpha + \alpha1(IND) + \alpha2(MCCG7) + \alpha3(MCCG12) + \alpha4(Control\ Variables) + \varepsilon \quad (4)$$

Where,

| | | |
|---|---|---|
| Dependent variables | | |
| *AETR* | = | 1 if the *AETR* less than statutory tax rates, 0 otherwise |
| *CETR* | = | 1 if the *CETR* less than statutory tax rates, 0 otherwise |
| *TECF* | = | 1 if the *TECF* less than statutory tax rates, 0 otherwise |
| *TPCF* | = | 1 if the *TPCF* less than statutory tax rates, 0 otherwise |
| Independent variables | | |
| IND | = | 9 industries classification 1. Consumer 2. Construction 3. Trading/services 4. Properties 5. Plantations 6. Hotel 7. Industrial products 8. Infrastructure project companies 9. Technology |
| MCCG7 | = | 0 for year 2005-2006, 1 for 2007-2015 |
| MCCG12 | = | 0 for year 2005-2011, 1 for 2012-2015 |
| Control variables | | |
| SIZE | = | Natural log of total assets of firm |
| LEV | = | Total liabilities to total assets of firm |
| MTB | = | Market to book ratio of firm |
| Year | = | Year |

## Results and Findings

### Multivariate Analysis

Results from the multivariate analysis are presented in Table 1. From the table, we find a positive and significant relationship between Consumer, Industrial, IPC and Hotel sectors with tax avoidance. The result is consistent for four measures of ETR. This evidence is strong and robust that these four sectors paid significantly lower ETR compared to the other sectors. The consumer sector refers to companies involved in manufacturing products for consumer use, while the industrial refers to companies manufacturing materials or components into new products for industrial use. IPC refers to companies involved in infrastructure projects. The result is consistent with Derashid and Zhang (2003), who found that the manufacturing and hotel sectors pay less effective tax than firms in other sectors. They argued that the manufacturing sector enjoys various tax benefits under Industrial Master Plan, and Malaysia has long-standing industrial policies to develop and promote companies in manufacturing sectors. Derashid and Zhang (2003) also stated that tourist industries are also provided with a number of tax incentives, such as a double deduction for overseas expenses incurred in promoting Malaysia as a tourist destination. In IMP3, the tourist sector has been highlighted as one of the Government services sub-sectors that have been targeted for greater development and promotion. Meanwhile, properties and trading and services industries paid is not significant for all four measures of ETR, indicating that these two industries might have less incentive for tax planning.

Table 1: Regression Analysis for Industries Sector and MCCG

| **Variables** | ***AETR*** | ***CETR*** | ***TECF*** | ***TPCF*** |
|---|---|---|---|---|
| Construction | -.368 | -.180 | -.457* | -.376 |
| Consumer | 1.032*** | .873*** | .556** | .476** |
| Industrial | 1.054*** | .899*** | .780*** | .782*** |
| IPC | .644* | .678* | 1.124** | 1.082*** |
| Hotel | 1.308** | 1.734*** | 2.694*** | 2.600*** |
| Plantation | .708*** | .470* | -.325 | .031 |
| Properties | .009 | -.121 | -.056 | -.228 |
| Technology | .849*** | .947 | 1.584*** | 1.504*** |
| Trading & Services | .200 | .152 | .177 | .100 |
| MCCG7 | -.335*** | -.042 | -.194* | -.057 |
| MCCG12 | -.545*** | -.505*** | -.336*** | -.323*** |
| **Control Variables** | | | | |
| LOG assets | .165*** | .076** | .052* | .028 |
| ROA | -.020*** | -.010* | -.007 | -.009 |
| LEV | 1.034*** | 1.129*** | .675** | .594*** |
| MTBV | -.012 | -.020* | -.014 | -.037** |
| Observation | 3164 | 3156 | 3164 | 3156 |
| Adjusted R square | 0.098 | 0.075 | 0.081 | 0.073 |

Note:
*** Statistical significant at the 1% level
** Statistical significant at the 5% level
* Statistical significant at the 10% level

The regression analysis shows a significant difference in tax avoidance activities after MCCG7 when AETR and TECF are used as ETR measures. However, the result shows a strong negative relationship between tax avoidance and MCCG12. This gives clear evidence that the reviewed MCCG in 2012 had significantly reduced the tax avoidance practices among listed firms in Malaysia. For control variables, only leverage shows consistent significant positive relationships for all four ETR proxies. Thus, our result finds that firms with higher leverage are likely to take advantage of the tax policy to involve in tax avoidance practices. This finding is contra to the study done by (Derashid and Zang, 2003; Chan et al., 2013). The coefficient of LOG assets is positive and statistically significant when ETR is measured as AETR, CETR and TECF. The results confirm the study by Kim and Limpaphayom (1998) that find evidence that large firms pay lower effective tax rates in countries of East and Southeast Asia, including Malaysia. Derashid and Zang (2003) argue that larger firms can devote more resources to tax planning.

**Conclusion**

This paper has examined whether tax avoidance practices are influenced by the industrial sector and the enhancement of the Malaysian Code of Corporate Governance (MCCG) in 2007 and 2012. The results confirm the importance of the industrial sector and reviewed MCCG in determining tax avoidance practices. Our result indicates that manufacturing firms, especially in the industrial and consumer product and hotel industry, have a positive relationship with tax avoidance activities where they pay significantly less effective tax than other firms. The hotel business is a second industry that is highly involved in tax avoidance, as indicated by less amount of ETR paid. Our results also suggest that the review of MCCG in 2012 has been significantly successful in limiting tax avoidance practices.

The result confirms the study done by Derashid and Zang (2003), even though we used different time lengths. Derashid and Zang (2003) used sample data of firms listed from 1990-1999 that are under IMP2, which manufacturing sector led the driving growth. In comparison, we used sample data under IMP3, which focuses on the service sector as the main contributor to economic growth. This result is robust under all four measures of ETR and consistent with the industrial policy hypothesis. This shows that Malaysia provides a long-standing industrial policy to promote companies in the manufacturing sectors with various tax incentives to stimulate and support such companies, including incentives to strategic industries, incentives to strengthen industrial links, incentives for industrialised building systems and incentives for outsourcing manufacturing activities. The incentives given include pioneer status, investment tax allowance, reinvestment allowance and accelerated capital allowances (Ariffin, 2012). Meanwhile, tourism is the third largest contributor to Malaysia's foreign exchange earnings; hence, the industry pours several tax incentives to achieve the Malaysia Tourism Transformation Plan 2020, released in 2012, which intends to attract 36 million tourists and generate RM168 billion in foreign exchange earnings. Our findings indicate that the provision of tax incentives to a number of sectors in Malaysia decreased the ETR and increased the likelihood of corporations engaging in tax avoidance activities.

Further, this study's finding also contributes to the understanding that the enhancement of MCCG has led to better-governing companies, especially curbing tax avoidance activities. Additionally, our result finds that firm size and leverage are significant and positively associated with tax avoiders. This study, however, is subject to several limitations where the data only covers tax avoidance practise from 2005 to 2015 and considers only MCCG 2007 and 2012. Future research may include the effect of MCCG 2017 and 2021 on corporate avoidance practice in Malaysia. A few significant changes were introduced in the recent MCCG compared to the former version of 2012. It includes the board composition, which must have at least half an independent director, the tenure limit of nine years for independent directors, and the requirement to disclose the company's policy on gender diversity. The most recent updates of the MCCG were released in April 2021, with a special focus on good corporate governance and board leadership during the post-pandemic recovery period (Surendran, 2021). It also promotes the adoption of best practices among companies with a low level of compliance with governance. The effect of pandemic Covid 19 on tax avoidance practices should also be researched since the government introduced many tax incentives during the pandemic that might influence companies' decisions in their tax planning strategy.

**References**

Abdul Wahab, E. A., Ariff, A. M., Marzuki, M., & Sanusi, M. Z. (2017). Political connections, corporate governance, and tax aggressiveness in Malaysia. *Asian Review of Accounting*, *25*(3), 424-451.

Abidin, A. F. Z., Hashim, H. A., & Ariff, A. M. (2017). Ethical commitments and financial performance: Evidence from publicly listed companies in Malaysia. *Asian Academy of Management Journal*, *22*(2), 53–95

Haji, A. (2014). The relationship between corporate governance attributes and firm performance before and after the revised code: Some Malaysian evidence. *International Journal of Commerce and Management*, *24*(2), 134-151.

Annuar, H. A., Salihu, I. A., & Obid, S. N. S. (2014). Corporate ownership, governance and tax avoidance: An interactive effect. *Procedia-Social and Behavioral Sciences*, 164, 150-160.

Bhatt, P. R. (2016). Corporate governance in Malaysia: has MCCG made a difference. *International Journal of Law and Management*, 58(4), 403-415.

Bradshaw, M., Liao, G., & Ma, M. S. (2012). State ownership, tax and political promotion: Evidence from China. In Tel Aviv University Accounting Research Conference.

Chan, K. H., Mo, P. L., & Zhou, A. Y. (2013). Government ownership, corporate governance and tax aggressiveness: evidence from China. *Accounting & Finance*, 53(4), 1029-1051.

Derashid, C., & Zhang, H. (2003). Effective tax rates and the "industrial policy" hypothesis: Evidence from Malaysia. *Journal of International Accounting, Auditing and Taxation*, *12*(1), 45–62

Desai, M. A., Dick, A., and Zingales, L. (2007). Theft and taxation. Journal of Financial Economics, 84(3), 591–623

Hanlon, M., & Slemrod, J. (2009). What does tax aggressiveness signal? Evidence from stock price reactions to news about tax shelter involvement. *Journal of Public Economics*, 93(1-2), 126-141.

Kholbadalov, U. (2012). The relationship of corporate tax avoidance, cost of debt and institutional ownership: evidence from Malaysia. Atlantic Review of Economics: *Revista Atlántica de Economía*, 2(1), 7-36.

Kim, K. A., & Limpaphayom, P. (1998). Taxes and firm size in Pacific-Basin emerging economies. *Journal of International Accounting, Auditing and Taxation*, 7(1), 47-68.

Kinuthia, B. K. (2009). Industrialisation in Malaysia: changing role of government and foreign firms. *In DEGIT XIV Conference Paper*.

Liang, Q., Li, Q., Lu, M., & Shan, Y. (2021). Industry and geographic peer effects on corporate tax avoidance: Evidence from China. *Pacific Basin Finance Journal*, *67*(March), 101545.

Lisowsky, P. (2010) Seeking shelter: Empirically modeling tax shelters using financial statement information. The Accounting Review, 85(5), 1693–1720.

Mahenthiran, S., & Kasipillai, J. (2012). Influence of ownership structure and corporate governance on effective tax rates and tax planning: Malaysian evidence. *Austl. Tax F.*, 27, 941.

Mahmud, N. M., Mohamed, I. S., Arshad, R., & Reskino. (2021). Board characteristics and disclosure of corporate anti-corruption policies. *Management and Accounting Review*, *20*(2), 209–229.

Menon, J. (2008), Macroeconomic Management Amid Ethnic Diversity: Fifty Years of Malaysian Experience, Development Paper No 102. *Asian Development Bank Institute*

Mills, L., Erickson, M. M., & Maydew, E. L. (1998). Investments in tax planning. *The Journal of the American Taxation Association*, 20(1), 1.

Noor, R. M., Mastuki, N. A., & Bardai, B. (2008). Corporate effective tax rates: a study on Malaysian public listed companies. *Malaysian Accounting Review*, 7(1).

Rahim, M. F. A., Johari, R. J., & Takril, N. F. (2015). Revisited note on corporate governance and quality of audit committee: Malaysian perspective. *Procedia Economics and Finance*, 28, 213-221.

Rego, S., and Wilson, R. (2012), "Equity risk incentives and corporate tax avoidance", Journal of Accounting Research, Vol. 50 No. 3, pp. 775-809

Saari, S., Suffian, M. T. M., Ghafar, M. S. A., & Azhari, M. I. M. (2020). The relationship between audit committee effectiveness and the level of corporate risk disclosure: The relevance of pre-and post-mccg 2012. *Management and Accounting Review*, *19*(1), 267–295.

Salihu, I. A., Normala, S. O., and Annuar, H. A. (2014). Government Ownership and Corporate Tax Avoidance: Empirical Evidence from Malaysia, Proceedings Book of ICETSR, Malaysia Handbook on the Emerging Trends in Scientific Research.

Surendran, S. (2021). Greater emphasis on board appointments in revised corporate governance code. The Edge Markets, 1–4. https://www.theedgemarkets.com/article/greater-emphasis-board-appointments-revised-corporate-governance-code

Wang, F., Xu, S., and Sun, J. (2020) Corporate tax avoidance: a literature review and research agenda. Journal of Economic Surveys, 34(4), 793–811.

Ariffin, Z. (2012). *The influence of industry affiliation on corporate tax avoidance in Malaysia*. *2*(2), 1–17.

Zhang, T., Zhang, X., & Yang, D. (2021). Does industrial policy suppress corporate tax avoidance? A study on the perspective of provincial industrial policy. *China Journal of Accounting Studies*, *9*(2), 143–167.

Zin, S. F. B. M., Marzuki, M. M., & Abdulatiff, N. K. H. (2020). The likelihood of fraudulent financial reporting: The new implementation of Malaysian code of corporate governance (MCCG) 2017. *International Journal of Financial Research*, *11*(3), 84–91.