The Effect of Corporate Governance on Tax Avoidance in Listed Companies of Sri Lanka

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Abstract

Tax avoidance is a transaction scheme to reduce tax amounts by making use of the loophole of tax regulations in a country. Corporate Governance is a mechanism or system that provides regulations and controls a company to create value added for all stockholders. The purpose of this study is to find the effect of corporate governance on tax avoidance in listed companies in Sri Lanka. This area is not widely researched in Sri Lanka, but a few studies have been selected in this area to study the global context and up until now, researchers have failed to generate knowledge that can fit into the local context. So, the focus of this study is to fill this knowledge gap and to determine the exact relationship between corporate governance and tax avoidance in Sri Lanka. The dependent variable in this research is tax avoidance and the independent variables in this research are institutional ownership, managerial ownership, independent commissioner board, audit committee and audit quality. The samples of this study were 50 companies in the food, beverage and tobacco sector and the capital goods sector listed in the Colombo Stock Exchange for the period of 2014 – 2020. The data were analyzed using the E-views Statistical Package. The findings of the study can have important implications for the Government, business owners, researchers and academicians, board of directors and employees, bank and financial institutions and potential investors.

Keywords: Audit Quality, Corporate Governance, Listed Companies, Institutional Ownership, Independent Commissioner Board, Sri Lanka, Tax Avoidance.