

ความสัมพันธ์ระหว่างการกำกับดูแลกิจการกับการหลีกเลี่ยงภาษีของบริษัทจดทะเบียน:

หลักฐานเชิงประจักษ์บริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย

THE RELATIONSHIP BETWEEN CORPORATE GOVERNANCE AND TAX

AVOIDANCE: EMPIRICAL EVIDENCE OF THE LISTED COMPANIES ON

THE STOCK EXCHANGE OF THAILAND

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บทคัดย่อ

การหลีกเลี่ยงภาษีของบริษัทเป็นปัจจัยที่บันทอนศักยภาพการพัฒนาประเทศไทย ดังนั้น การออกแบบกลไกเพื่อจำกัดและลดปัจจัยการหลีกเลี่ยงภาษีของภาครัฐก็จึงมีความจำเป็นอย่างยิ่ง การศึกษานี้มีวัตถุประสงค์เพื่อศึกษาความสัมพันธ์ระหว่างคุณภาพการกำกับดูแลกิจการกับการหลีกเลี่ยงภาษี จากหลักฐานเชิงประจักษ์ของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย โดยใช้ข้อมูลทุติยภูมิช่วง พ.ศ. 2561–2567 รวมทั้งสิ้น 635 บริษัท ทำการวิเคราะห์ด้วย Panel data ผลการศึกษาพบว่า คะแนนการกำกับดูแลกิจการมีความสัมพันธ์เชิงบวกและมีนัยสำคัญทางสถิติกับอัตราภาษีที่แท้จริง (ETR) สะท้อนว่าธรรมาภิบาลที่เข้มแข็งช่วยลดพฤติกรรมการหลีกเลี่ยงภาษีของบริษัท นอกจากนี้ ขนาดบริษัทมีความสัมพันธ์เชิงบวกกับ ETR อย่างมีนัยสำคัญ สอดคล้องกับมุมมองว่า บริษัทขนาดใหญ่เผชิญภาระการกำกับตรวจสอบที่เข้มข้น กว่าในทางปฏิบัติ ข้อค้นพบนี้ให้เห็นความสำคัญของกลไกธรรมาภิบาลที่มีประสิทธิภาพ อาทิ สัดส่วนกรรมการอิสระที่เหมาะสม การมีคณะกรรมการตรวจสอบที่เป็นอิสระและเชี่ยวชาญ ความหลากหลายทางเพศของคณะกรรมการ จำนวนและโครงสร้างคณะกรรมการชุดย่อยที่เหมาะสม ซึ่งมีบทบาทในการจำกัดการหลีกเลี่ยงภาษี ผลลัพธ์ยังสนับสนุนให้หน่วยงานกำกับดูแลใช้ข้อมูลด้านการกำกับดูแลกิจการเป็นสัญญาณเพื่อส่งเสริมมาตรฐานธรรมาภิบาลและการกำกับเชิงความเสี่ยงในระดับตลาดทุน

คำสำคัญ: การกำกับดูแลกิจการ การหลีกเลี่ยงภาษี อัตราภาษีที่แท้จริง

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Abstract

Corporate tax avoidance poses a challenge to long-term economic development, underscoring the need for effective mechanisms to mitigate such behavior in the corporate sector. This study examines the relationship between corporate governance quality and tax avoidance among companies listed on the Stock Exchange of Thailand. Using secondary data covering the period from 2018 to 2024 and 635 firm-year observations, panel data analysis is employed to investigate the proposed relationships. The results indicate that corporate governance scores are positively and statistically significantly associated with the effective tax rate, suggesting that stronger governance is linked to lower levels of corporate tax avoidance. In addition, firm size shows a positive and significant relationship with the effective tax rate, consistent with the argument that larger firms are subject to more intensive regulatory oversight and stakeholder scrutiny. The findings highlight the role of effective governance mechanisms, including an appropriate proportion of independent directors, an independent and professionally competent audit committee, board gender diversity, and well structured board subcommittees, in constraining tax avoidance practices. Furthermore, the results suggest that regulators may utilize corporate governance information as a monitoring signal to promote higher governance standards and enhance risk based supervision in the capital market.

Keywords: Corporate Governance, Tax Avoidance, Effective Tax Rate

1. Introduction

Regulatory authorities and government agencies widely recognize that tax avoidance poses a serious threat to public revenue, as it diminishes the state's tax collection capacity and, in turn, constrains national development. This problem significantly undermines citizens' quality of life, particularly in developing countries that heavily depend on corporate tax as a primary source of revenue (Koay & Sapiei, 2025). Conversely, private corporations often engage in tax avoidance behaviors to safeguard their own economic interests, since tax payments increase operating expenses. To minimize their tax burden, firms may resort to illicit practices such as underreporting revenues or inflating expenses, thereby reducing reported profits (Thanasotorn, 2020). From the perspective of agency theory (Jensen & Meckling, 1976), managers tend to prioritize their own self-interest, especially in firms where executive compensation is closely tied to financial performance. In such contexts, high tax burdens may motivate managers to adopt more aggressive tax avoidance strategies, as increased tax payments reduce net income and exacerbate the problem of asymmetric access to financial information between principals and agents. However, these managerial practices may harm shareholders overall. Accordingly, effective corporate governance mechanisms are essential in enhancing transparency and strengthening disclosure practices to mitigate agency conflicts (Kovermann & Velte, 2019).

CG encompasses various structural and procedural elements, including the proportion of independent directors, the size of the audit firm, board gender diversity, board size, and ownership structure. Prior research has examined the influence of these individual governance mechanisms on corporate tax avoidance (Hasan et al., 2024; Kovermann & Velte, 2019; Salehi et al., 2024; Salhi, Al Jabr, & Jarboui, 2020). However, empirical evidence that evaluates the overall quality of corporate governance and its association with tax avoidance remains limited, particularly in the context of emerging markets. Thai listed firms are frequently dominated by concentrated, family control (The Stock Exchange of Thailand, 2023), a setting prone to Type II agency conflicts between controlling and minority shareholders (Yabushita & Suehiro, 2014). Such entrenchment can blunt governance monitoring and widen the scope for private benefits and related-party transactions. The consequence is greater exposure to tax risk and more opaque reporting and disclosure.

To address this gap in the literature, the present study aims to investigate the relationship between corporate governance and tax avoidance among firms listed on the SET. The study makes three primary contributions. First, academic literature advances by analyzing the relationship between corporate governance and tax avoidance in an emerging market context, thereby extending agency theory and comparative governance perspectives. Second, it provides practical guidance for firms and investors, highlighting how strong governance frameworks can reduce reputational risks, signal potential tax avoidance behaviors, and enhance decision-making. Third, it carries significant policy relevance by offering insights for regulators in emerging economies, such as Thailand, to design governance reforms that strengthen transparency, protect shareholders, and foster sustainable capital market development.

2. Objective

To examine the relationship between corporate governance and tax avoidance of listed companies in the Stock Exchange of Thailand.

3. Literature Review

Theoretical Framework

Agency theory (Jensen & Meckling, 1976) explains the contractual relationship between principals typically shareholders and agents, referring to corporate managers. While shareholders expect managers to act in ways that maximize their wealth, managers often pursue personal objectives that may diverge from those of shareholders, giving rise to agency conflicts. In this context, managers may engage in tax avoidance as a means of safeguarding their own interests, particularly when executive compensation is closely tied to firm performance. Since higher tax payments reduce reported profits, managers face stronger incentives to minimize tax liabilities, thereby intensifying the agency problem through the asymmetry of information between principals and agents (Kovermann & Velte, 2019). Agency theory

continues to be a critical framework used to analyze and address issues related to management behavior, shareholder interests, the design of governance structures within firms, and the firm tax avoidance behavior. Two types of agency problems are particularly relevant (Wong, 1988).

The Type I agency problem arises in firms with dispersed ownership, where managers act as agents while shareholders serve as principals. In this setting, managers may pursue personal objectives such as bonus maximization or job security, often engaging in tax avoidance to improve short-term performance metrics. This opportunistic behavior exacerbates information asymmetry and may expose firms to regulatory and reputational risks. Effective corporate governance mechanisms, such as equity-based compensation, stock options, and active monitoring by boards are designed to align the interests of managers with shareholders, thereby reducing aggressive tax avoidance. Nevertheless, excessive managerial ownership can lead to entrenchment, empowering managers to exploit tax strategies for private benefits rather than enhancing shareholder wealth.

Type II agency problems are more salient in firms with concentrated ownership, including family and institutionally controlled firms. Although blockholders can mitigate Type I problems through closer monitoring, concentrated control may generate principal-principal conflicts in which controlling shareholders expropriate minority investors. In this context, tax avoidance may facilitate tunneling, related-party transactions, or transfer mispricing. Strong governance safeguards, such as independent directors, effective audit committees, and active shareholder oversight, are therefore crucial for protecting minority rights and limiting tax aggressiveness. Agency theory thus implies that governance effects on tax avoidance are contingent on whether mechanisms primarily curb managerial opportunism (Type I) or constrain controlling shareholder expropriation (Type II) (Bergmann, 2024; Panda & Leepsa, 2017). Moreover, prior evidence on Thailand indicates that many listed firms exhibit high ownership concentration by family owners, implying that agency problems often extend beyond manager-shareholder conflicts to principal-principal (Type II) conflicts. In such settings, overall governance quality may play a pivotal role in constraining opaque practices and tax-risk exposure (Yabushita & Suehiro, 2014). This study therefore motivates an empirical examination of the governance-tax avoidance relationship in Thai listed firms, where institutional CG reforms and ownership structures jointly shape transparency and accountability incentives.

Literature Review

Good Corporate Governance refers to the systems, mechanisms, and processes established to direct, monitor, and control corporate operations in order to ensure transparency, accountability, fairness, and the protection of stakeholder rights (Efunniyi et al., 2024). The ultimate objective of CG is to balance the interests of shareholders, managers, and other stakeholders while promoting sustainable value creation for the firm (Jariyasuthisiri, Youngsook, & Krongten, 2024)

In the Thai context, the Securities and Exchange Commission (SEC) introduced the Corporate Governance Code 2017 to raise governance standards of listed companies in line with international best practices. This code consists of eight key principles: (1) creating long-term sustainable business value, (2) ensuring board accountability for company performance, (3) strengthening board effectiveness, (4) appointing and developing competent executives, (5) determining appropriate remuneration, (6) enhancing risk management and internal control, (7) maintaining transparency in disclosures, and (8) promoting shareholder engagement (Phetruen, 2023).

From the perspective of agency theory, the adoption of such governance mechanisms can help mitigate agency conflicts by strengthening oversight, aligning managerial decisions with shareholder interests, and enhancing corporate transparency (Kovermann & Velte, 2019). Consequently, good governance serves as a safeguard against opportunistic managerial behaviors, including excessive tax avoidance, thereby protecting shareholders, and supporting sustainable firm performance. Strong corporate governance mechanisms, such as, effective board oversight, the presence of directors with relevant expertise, and close monitoring of managerial actions serve as safeguards against managerial pursuit of self-interest, including benefits derived from tax avoidance (Beasley et al., 2021; Kerr et al., 2024).

Prior research on corporate governance and tax avoidance has largely focused on specific dimensions of governance. For instance, board size, board gender diversity (Chernviriyakul & Srijunpatch, 2022), board independence (Chernviriyakul & Srijunpatch, 2022) and ownership structure (Jariyasuthisiri, Youngsook, & Krongten, 2024) have all been examined, with mixed evidence on their relationship to tax avoidance. Some studies employ more comprehensive governance measures, such as the G-score developed by the London Stock Exchange Group (Yoon, Lee, & Cho, 2021) and report that higher governance scores are generally associated with reduced financing risks and lower levels of tax avoidance (Wongkor & Wannasathit, 2022).

Other evidence suggests that strong governance improves tax planning efficiency, enhances corporate reputation, and increases firm value (Mueangjun & Jonfruk, 2025). Effective audit committees also mitigate earnings management, leading to greater transparency and reduced tax avoidance (Almarayeh, Abdullatif, & Aibar-Guzmán, 2022). However, findings are not entirely consistent. For example, Khan (2019) document a negative association between governance scores and stock returns, while Tania (2020) find no significant relationship between governance ratings and tax avoidance. These results suggest that large firms may leverage political connections to influence regulators, weakening the effectiveness of governance in constraining tax avoidance.

Based on most of the relevant literature and grounded in agency theory, the following hypothesis is proposed:

H1: Higher corporate governance scores are significantly associated with lower corporate tax avoidance.

This study will examine the relationship between good corporate governance and tax avoidance. The conceptual framework is presented in figure 1.

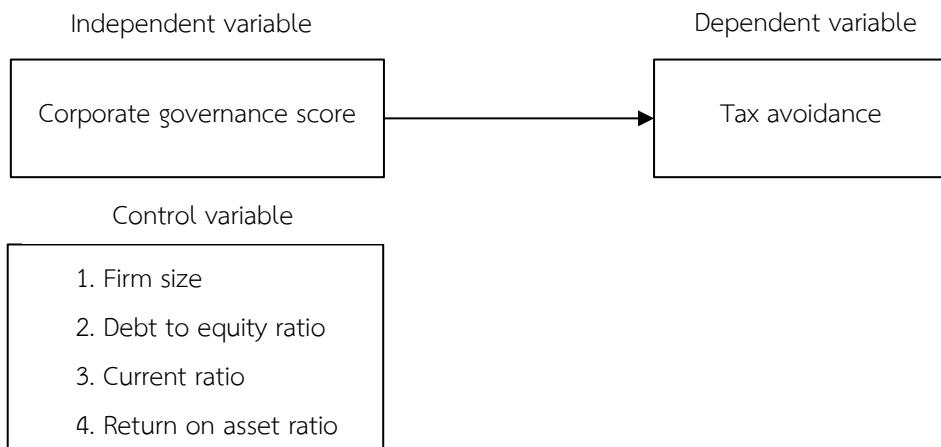


Figure 1 Conceptual framework

4. Research Methodology

Population and Sampling

The population of this study consists of 635 firms listed on the SET as of September 2025. Consistent with prior research, companies in the financial and banking sectors (70 firms) were excluded because of their distinct financial structures and business objectives (Thongchai, Srisawangwong, & Putekunsakon, 2023). Secondary data were collected from financial statements and annual disclosure reports (One Report) for the period 2018–2024. A data extraction of the Workspace database was adopted to conduct empirical analysis.

Firms with incomplete information and those identified as outliers were further excluded. Outliers were detected using the Casewise Diagnostics method, with observations exceeding ± 3 standard deviations considered abnormal (Ariani, Hadiyatno, & Anam, 2024). After this screening process, the final sample comprised 635 firm-year observations. The details of the sample are presented in Table 1.

Tools and Equipment

This study employs both descriptive and inferential statistical methods. Descriptive statistics are used to summarize the characteristics of the data, including the mean, maximum, minimum, and standard deviation of the variables. Inferential statistics comprise correlation coefficient analysis, which is applied to detect potential multicollinearity among the independent variables, and panel data analysis method, which are employed to examine the relationship between corporate governance and tax avoidance.

Table 1 Sample selection process

Criteria	Number of Firms/Observations
Listed companies on the SET	698
Less: Financial sector firms	(70)
Less: Real Estate Investment Trusts and Property Funds	(56)
Remaining firms	572
Number of years observed (2018–2024)	<u>× 7</u>
Total firm-year observations	4,004
Less: Firms with incomplete data	(3,369)
Final sample (firm-year observations)	<u>635</u>

The regression models were estimated to empirically test the research hypotheses as specified below.

$$TA_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 FS_{it} + \beta_3 DE_{it} + \beta_4 CR_{it} + \beta_5 ROA_{it} + \varepsilon_{it}$$

Where:

TA	= Tax avoidance proxies by ETR
CG	= The corporate governance pillar score
FS	= Natural logarithm's total assets
DE	= Debt to equity ratio
CR	= Current ratio
ROA	= Return on assets
β	= Coefficient
ε	= Error term
i	= Observed firm
t	= Time period (year)

Variable and Measurement

Dependent variable

Tax avoidance (TA) can be measured using several proxies, such as the effective tax rate (ETR), cash effective tax rate, the ratio of total income tax expenses to total assets, and the ratio of total income tax expenses to operating cash flow (Kerr et al., 2024; Salehi et al., 2024). Among these measures, this study employs the ETR, which is the most widely adopted proxy in prior research (Hasan et al., 2024). The ETR is calculated as the ratio of income tax expense to pre-tax income. A lower ETR indicates a higher level of tax avoidance (Hossain et al., 2024; Salehi et al., 2024).

Independent variable

Good corporate governance measurement by governance pillar score (CG) from LSEG: Workspace database, CG is an annual composite indicator designed to capture a firm's overall governance profile.

In line with the LESG framework, the score comprises three core dimensions: (1) CSR strategy, which reflects the firm's CSR strategy and ESG reporting and transparency; (2) Management, which covers governance structure, including independence, diversity, and committees, as well as compensation; and (3) Shareholders, which captures shareholder rights and takeover defenses. CG score ranged between 0-100. higher score represents the firm has a good corporate governance (LSEG, 2024).

Controle variables

1) Firm size (FS) is measured as the natural log of total assets. Large firms engage in systematic tax planning and derive greater benefits from it than small firms; therefore, large firms invest more in tax planning (Salehi et al., 2024).

2) Debt to equity ratio (DE) reflects the leverage of the firm. Interest is tax-deductible; therefore, higher debt reduces taxable income, increasing the incentive and opportunity for tax avoidance (Salehi et al., 2024).

3) Current ratio (CR) is a liquidity metric indicating a firm's ability to meet short-term obligations. CR is calculated as the ratio of current assets to current liabilities. A high CR suggests that the firm holds sufficient current assets to comfortably cover its short-term debts; however, an excessively high value may indicate suboptimal resource utilization (Salehi et al., 2024).

4) Return on assets (ROA) is a core profitability ratio that summarizes how effectively a firm converts its asset base into bottom-line earnings over a given period (commonly, net income divided by average total assets). A higher ROA signals greater efficiency in deploying assets to generate revenues and profits, whereas a lower ROA suggests underutilized or less productive assets (Mili & Alaali, 2023; Salehi et al., 2024).

5. Results

Descriptive statistics

In Table 2, presents the descriptive statistics of the variables used in the study. TA, measured by ETR, ranges from -0.213 to 0.613, with a mean of 0.152 and a standard deviation of 0.106. CG score ranges from 0.826 to 95.712, with an average of 50.271 and a standard deviation of 21.004.

In examining the skewness and kurtosis values, Brown (2015) suggested that acceptable skewness values range between -3 to 3, while acceptable kurtosis values lie between -10 to 10. The skewness and kurtosis values of all the variables fall within the range of -0.034 to 1.727 and -0.978 to 3.661 respectively, indicating that the data exhibit a normal level for regression testing.

Pearson's correlation coefficients result among the variables investigated are shown in Table 3, the analysis results do not show very high correlations. Based on Pearson's correlation coefficients, the values range from -0.518 to 0.368, indicating that multicollinearity is not a concern (Cohen, 2013).

Table 2 Description of variables

Variable	Obs.	Minimum	Maximum	Mean	Std. Deviation	Skewness	Kurtosis
TA	635	-0.2135	0.6138	0.1524	0.1067	0.2940	2.2390
CG	635	0.8261	95.7122	50.2709	21.0040	-0.0340	0.9780
FS	635	20.9944	28.8724	24.3001	1.5293	0.3130	0.3310
DE	635	-0.8419	4.9578	0.6355	0.7497	1.1490	2.4950
CR	635	0.0504	8.1110	1.8286	1.2962	1.7270	3.6610
ROA	635	-16.7730	26.3887	5.8880	5.6129	0.2180	1.5470

Table 3 Correlation matrix of variables

	TA	CG	FS	CR	DE	ROA
TA	1					
CG	0.1634**	1				
FS	0.1417**	0.1239**	1			
CR	0.0045	-0.0523	-0.1927**	1		
DE	0.0288	0.0831*	0.3686**	-0.5180**	1	
ROA	0.0142	-0.0625	-0.2576**	0.1881**	-0.4167**	1

** Correlation is significant at the 0.01 level (2-tailed)

* Correlation is significant at the 0.05 level (2-tailed)

Multivariate analysis

The relationship between corporate governance and tax avoidance. Table 4 reports the regression results. We estimate the baseline specification using pooled OLS, fixed effects (FE), and random effects (RE) for panel data. To select the appropriate estimator, we conduct the Hausman (1978) test with a p-value of 0.0952 (> 0.05), so fail to reject the null hypothesis of no systematic differences between FE and RE estimates; accordingly, the RE model is preferred for inference. In addition, the Wooldridge test for autocorrelation in panel data indicates first-order autocorrelation ($p = 0.0000$). Therefore, all RE estimates are reported with firm-clustered robust standard errors (SE) to obtain valid statistical inference in the presence of within-firm autocorrelation and heteroskedasticity (Cameron & Miller, 2015).

Using the random-effects specification, we find that higher CG quality is positively and statistically significantly associated with TA (p -value < 0.05). In other words, firms with stronger governance engage in less tax avoidance. This result accords with recent evidence showing that robust governance attributes, such as, greater board independence, gender-diverse boards, appropriately structured and sized board committees,

incentive-aligned director compensation, strong shareholder rights, and disciplined approaches to takeover defenses are linked to lower levels of tax avoidance (Hasan et al., 2024; Salehi et al., 2024). Taken together, the evidence indicates that higher The corporate governance pillar scores are significantly associated with reduced corporate tax avoidance.

Moreover, firm sizes are positively and significantly associated with TA (p -value < 0.05). This finding is supported by Salehi et al. (2024) as well as Huseynov, Sardarli, and Zhang (2017); it is indicated that large firms tend to pay tax more than small firms and large firm are monitored by stakeholders.

Large companies are often subject to greater scrutiny by their stakeholders than smaller companies, as tax avoidance can damage their image and reputation. Therefore, company size has a negative impact on the company's tax avoidance behavior. However, return on assets, leverage ratio and current ratio are not significantly associated with TA (p -value > 0.05).

Table 4 Panel data regression results

Explanatory variables	(1) Pooled OLS	(2) Random effect	(3) Fixed effect
CG	0.0008 ** (0.0002)	0.0009 ** (0.0002)	0.0009 ** (0.0003)
FS	0.0099 ** (0.0002)	0.0111 ** (0.0058)	0.0604 ** (0.0171)
DE	0.0005 (0.0073)	0.0060 (0.0091)	0.0052 (0.0114)
CR	0.0025 (0.0038)	0.0055 (0.0042)	0.0079 (0.0058)
ROA	0.0011 (0.0008)	0.0011 (0.0008)	0.0010 (0.0009)
_cons	-0.1382 (0.0722)	-0.1811 (0.1128)	-1.3841 (0.4142)
Industry	No	Yes	Yes
Year	No	Yes	Yes
Obs	635	635	635
R-squared	0.0458	0.0952	0.0296
Hausman (1978) test			

Note(s): t-values are in parentheses

*** p < 0.01, ** p < 0.05, * p < 0.1

6. Conclusion and Discussion

To examine the relationship between corporate governance quality and corporate tax avoidance among firms listed on the Stock Exchange of Thailand. Based on secondary data, the sample consists of 635 firm-years over the period 2018 to 2024. The analysis is conducted using panel data, random effects estimation model was applied.

The findings indicate that the corporate governance (CG) score is positively and statistically significantly associated with the effective tax rate (ETR), thereby supporting H1. This suggests that more effective governance mechanisms are associated with reduced tax avoidance, leading to higher ETRs. The effect is particularly salient among larger firms, which face greater regulatory and public scrutiny and thus have weaker incentives to engage in aggressive tax planning. Governance attributes that typically underpin this outcome include a higher proportion of independent directors, an independent and expert audit committee, board gender diversity, and appropriately structured and sized board committees. These results are consistent with prior evidence documenting that stronger governance is linked to lower corporate tax avoidance (Kovermann & Velte, 2019; Salehi et al., 2024; Salhi, Al Jabr, & Jarbou, 2020). The evidence indicates that larger firms tend to avoid paying less tax owing to more effective monitoring from stakeholders and agency regulators, including auditors, investors, analysts, and the media, which enhances transparency, strengthens audit quality, and raises the reputational costs of aggressive tax planning.

7. Suggestions

This study focuses on firms listed on the Stock Exchange of Thailand (SET) for which corporate governance scores, one of the ESG pillars provided by LSEG, are available. Accordingly, our findings may have limited external validity when extrapolated to non-listed firms or firms not covered by LSEG's CG assessment. Moreover, relying on an aggregate CG index may mask the relative importance of specific governance components (e.g., board independence, gender diversity, and committee structures), making it difficult to pinpoint which mechanisms most effectively curb tax avoidance. Potential endogeneity concerns, such as selection into stronger governance by reputation sensitive firms and reverse causality, may persist despite the inclusion of controls and fixed effects.

The results suggest that strengthening corporate governance can serve as an institutional lever to reduce tax avoidance. Firms should prioritize well-documented governance attributes, such as an adequate proportion of independent directors, an expert and independent audit committee, board diversity, and appropriately structured sub-committees, while regulators may use CG information as a monitoring signal to implement risk-based supervision, particularly for smaller firms facing resource constraints in upgrading internal governance systems.

Future research should (1) extend the sample to emerging markets and non-listed firms to enhance external validity; (2) disaggregate the CG index to identify the specific mechanisms that drive the anti-avoidance effect; (3) employ alternative tax measures and robustness checks (e.g., current ETR, cash ETR, book-tax differences), (4) explore heterogeneity across firm size, industries, ownership structures, and family-firm status to delineate the conditions under which governance is most effective.

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