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Corporate Tax Avoidance: A Structured Literature Review and Areas for Future Research

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Abstract

This research aims to provide empirical proof about studies on the development of tax avoidance. This research also identifies articles which show the cause-effect relation in which tax avoidance is placed as a dependent variable. Charting the field is used for this study approach. Keyword "tax avoidance" is used on the SCOPUS page during the article search phase, and 43 articles from 36 journals were found. This study reveals that the determinants in tax avoidance include several indicators, namely, corporate governance, company characteristics, corporate social responsibility, politics, marketing, information systems, spirituality, and tax haven. The practice of tax avoidance contributes huge impacts to both the country and the company. This practice leads to serious losses for national economic stability as it significantly affects the country's national income. Meanwhile, although companies involved in this activity can obtain bigger tax savings, they will encounter a number of dangerous risks. Which will affect their enterprise value, capital costs, capital structures, cash holding policies, stock market, information asymmetry, accounting perspective related to profit management, and auditing related to audit fees.

Keywords: Corporate Risk, Determinant, Literature Review, Tax Avoidance

1. Introduction

The formation of a company will bring added-values as the company runs its operational activities. One of the purposes of a company formation is to manage assets in order to earn desired profit or exceed it to increase the company's value (Sembiring & Trisnawati, 2019). Therefore, the stock value traded in public will have a prominent influence and offer high selling value (Widyastuti et al., 2022). Eventually, regulators will require companies to pay high amount of taxes for their activities.

Taxes, particularly direct taxes, are the primary source of income of a country, and corporate tax is one of the kinds of direct taxes. Taxes make the biggest proportion in the funding of the national development which will progressively strengthen the national economy and prosperity (Sritharan et al., 2022). For that reason, companies are expected to pay proportional taxes to the

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country to continue their operation (Rao & Chakraborty, 2010). However, corporate taxes are the biggest expense companies have to make, and they tend to deem this responsibility a burden. In order to reduce the amount of tax they have to pay, companies use several methods which are acceptable, such as tax management, and those which are unacceptable, such as tax avoidance (Khaoula, 2013). Although tax avoidance might be considered legal due to a few flaws found in tax regulations, companies could be sanctioned if they are found violating the regulations (Fisher, 2014).

Corporate tax avoidance emerges as an interesting issue and has been debated among both political figures and scholars. However, the public can supervise the development of this issue as a response to news on this practice which appear in the media (Kanagaretnam et al., 2016). To avoid tax, companies typically would approach several methods, such as invest more on their fixed assets, shift their profits to countries of tax haven, apply thin capitalisation, and managing their intellectual property, as stated by Duhoon & Singh (2023). In this respect, they also found that approximately US$650 billion national income all over the world has been lost because almost 40% of the total profits made by multinational enterprises are shifted to countries with low taxes. According the study conducted by Tax Justice Network, tax avoidance has caused a total loss of US$427 billion throughout the world (Mansour, 2020). This phenomenon has been found in big companies, such as Apple, Facebook, Starbucks, Enron, and Tyco.

The practice of tax avoidance has been researched in numerous studies, namely, Badertscher et al. (2013), Boone et al. (2013), Gaertner (2013), Hoi et al. (2013), Chyz & White (2014), Armstrong et al. (2015), Gao et al. (2015), Evertsson (2016), Tandean & Winnie (2016), Akbari et al. (2018), Gaaya et al. (2017), (Park, 2017), Su et al. (2018), Amidu et al. (2019), Bimo et al. (2019), Hoseini et al. (2019), Ma et al. (2019), Zeng (2019a), Zeng (2019b), Ajili & Khlif (2020), Alkurdi & Mardini (2020), Jarboui et al. (2020), Riguen et al. (2020), Sadjiarto et al. (2020), Salehi et al. (2020), Wen et al. (2020), Chouaibi et al. (2021), Hasan et al. (2021), Lee (2021), Abdelmoula et al (2022), Dakhli (2022), Firmansyah et al. (2022), Handoyo et al. (2022), Kolias & Koumanakos (2022), Kurniasih et al. (2022), Li & Wu (2022), Liu et al. (2022), Rakia et al. (2022), Saragih & Ali (2022), Silvera et al. (2022), Xu et al. (2022), Alsmady (2023), dan Ariff et al. (2023).

However, of all those studies a few of them merely shows the determinants from the practice of tax avoidance. Not only do companies need to expect the positive effects, they also have to consider the negative effects they might encounter if they ever decide to avoid taxes. It should be pointed out that such practices will definitely cause problems for the government in their efforts to reach their tax revenue target. When this is not met, the amount of fund the government have to allocate for the public services and facilities will be affected. Companies need to understand this when thinking about avoiding taxes since they will also be impacted. Therefore, the writers conducted a literature review as a relevant form of study since this type of study discusses all proofs provided in past studies related to a specific field (Murata et al., 2014).

A number of literature reviews on tax avoidance have been done by several researchers from multiple perspectives, inchding tax planning made by multinational companies (Wang et al., 2020), tax avoidance in family companies (Khelil & Khlif, 2023), tax avoidance determinants

(Sritharan et al., 2022), tax avoidance proxy (Gebhart, 2017), ownership structure (Syukur et al., 2022; Velte, 2023), institutional ownership (Khan et al., 2017), corporate social responsibility (Jemiolo & Farnsel, 2023), and corporate governance (Kovermann & Wendt, 2019). However, there is still a limited number of studies which thoroughly elabora the consequences faced by companies due to tax avoidance.

Including a number of SCOPUS indexed articles, this study aims to disclose the development research on tax avoidance in the world. This is crucial since studies on tax avoidance has received world-wide attention (Tang, 2020). Furthermore, such studies pose diverse perspectives (Hanlon & Heitzman, 2010). It is important to observe this phenomenon from various viewpoints, for the practice of tax avoidance will have widespread impacts and risks (Rego & Wilson, 2012). This study is useful in providing illustrations on the development of tax avoidance studies. In the end, this study is expected to give several contributions. First, this study provides proofs of studies on tax avoidance done by various countries. Second, this study can be a part of the considerations made by organisations in formulating their policies, especially those related to taxes. Lastly, this study provides proofs of tax avoidance determinants which can be applied in developing countries, especially Indonesia.

2. Literature Review

2.1 Tax Avoidance

Tax avoidance is categorised into *fraus legis*, meaning it is part of the grey area between tax compliance and tax evasion. Numerous researchers have attempted to define tax avoidance. According to Darussalam & Septriadi (2007), tax avoidance is deemed as “no illegal action”, which means that companies’ efforts to manipulate their tax expense legally in accordance to the regulations. This is supported by a tax expert, Justice Reddy, who handled the case of McDowell & Co versus CTO in the United States. It was explained that tax avoidance is an art form of avoiding taxes without violating the laws. Black’s Law Dictionary defines tax avoidance as an effort to minimise companies’ tax expense by exploiting flaws in tax regulations (loopholes), this this does not make any violations. Furthermore, according to Organisation for Economic Co-operation and Development, tax avoidance is an effort made by taxpayers to reduce their tax expense with legal methods, yet it goes against the goals of the regulation enforcement.

Rahayu (2010) classifies the practice of tax avoidance into two categories: (a) acceptable tax avoidance and (b) unacceptable tax avoidance. If a transaction is done only to avoid tax or does not aim for bonafide purposes, it is considered illegal. On the other hand, a transaction can be deemed as an acceptable tax avoidance if it is done not merely to avoid taxes and the company involved does not manipulate the transaction. Combining various explanations from different experts, it can be concluded that tax avoidance does not violate the laws although everyone agrees that it is unacceptable. Therefore, tax avoidance can be considered as a practice that goes against the laws done by taxpayers, which poses losses to the government, thus it is categorised into *fraus legis* (Putri & Fadhlia, 2017).

The practice of tax avoidance has been researched in numerous studies, namely, Badertscher et al. (2013), Boone et al. (2013), Gaertner (2013), Hoi et al. (2013), Chyz & White (2014), Armstrong et al. (2015), Gao et al. (2015), Evertsson (2016), Tandean & Winnie (2016), Akbari et al. (2018), Gaaya et al. (2017), (Park, 2017), Su et al. (2018), Amidu et al. (2019), Bimo et al. (2019), Hoseini et al. (2019), Ma et al. (2019), Zeng (2019a), Zeng (2019b), Ajili & Khlif (2020), Alkurdi & Mardini (2020), Jarboui et al. (2020), Riguen et al. (2020), Sadjiarto et al. (2020), Salehi et al. (2020), Wen et al. (2020), Chouaibi et al. (2021), Hasan et al. (2021), Lee (2021), Abdelmoula et al (2022), Dakhli (2022), Firmansyah et al. (2022), Handoyo et al. (2022), Kolias & Koumanakos (2022), Kurniasih et al. (2022), Li & Wu (2022), Liu et al. (2022), Rakia et al. (2022), Saragih & Ali (2022), Silvera et al. (2022), Xu et al. (2022), Alsmady (2023), dan Ariff et al. (2023).

3. Research Method

Bibliography research is part of qualitative research, which is done by analysing the research topic through observations using scientific resources (articles, proceedings, books, and the likes) as the data. Therefore, finding quality sources (journals) is essential in this kind of research. Zoogah & Rigg (2014) state that there are three steps in conducting bibliography research, namely, data collection, data preparation, and data analysis. This kind of research aims to identify research discrepancies based on the development of studies on a particular topic or type of knowledge (Villas et al., 2008).

This research utilised a method used by Hesford et al. (2007), namely, the "charting the field" method. It analyses articles related to the practice of tax avoidance, which were issued on SCOPUS with the Scimago index. This research collected all articles related the cause-effect relationship on tax avoidance done by companies. The data search was carried out by using the keyword "tax avoidance" on *scopus. com* page, which was limited to article titles. The scope of this research is concentrated on accounting, financial, economy, and tax. From the search were found 43 articles, from which was known that the practice of tax avoidance has been studied in numerous countries as seen in the following figure.

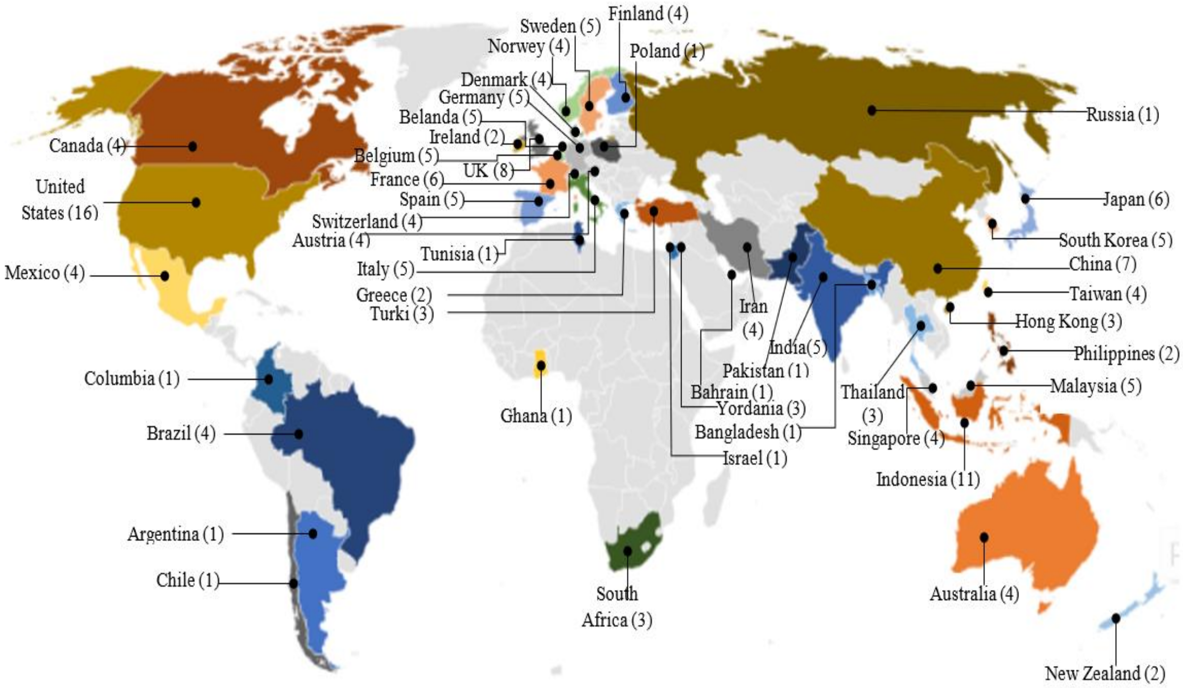

Figure 1. Geographical Distribution of Research Samples.

4. Result and Discussion

This part is divided into three sub-parts. The first sub-part discloses tax avoidance predictors, the second sub-part elaborates related factors expected to lead companies to avoid taxes, and the third sub-part discusses the consequences encountered by companies for avoiding taxes.

4.1 Tax Avoidance Predictors

Predictors leading companies to avoiding tax include tax knowledge, high tax expenses, and investments in countries considered as tax haven. According to Bhalla et al. (2022), tax knowledge is one of the driving factors companies decide to avoid paying their taxes. It refers to the knowledge possessed by taxpayers on their rights and obligations as well as their understanding on the applied tax regulations. Numerous taxpayers do not understand the tax provisions and thus use the flaws in the regulations to avoid taxes. In this case, having a vast amount of debt allows companies to do such practice (Fatica et al., 2013). Company's debt will impact their earnings by accumulating fixed load or interest. Consequently, loans are increasingly used for this purpose, and companies subjected to pay high amount of tax resort to funding their operations using loans to reduce their tax expense. Furthermore, tax avoidance predictors might also be due to the increasing number of organisations which prefer to invest in tax haven countries (Ngelo et al., 2022). They do this for a few reasons, such as tax-free investment results, bigger profits, and tax expense reduction. For these purposes, many companies have formed affiliations in tax haven countries which enable them to conduct transfer pricing, also giving the affiliates bigger profits in the end due to the revenue shifting from

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countries with high taxes to those with low taxes. Nevertheless, agency issues, such as differences between the management and the shareholders, social responsibility, and legitimacy of decisions to avoid tax, can affect an organisation's tax avoidance (Khuong et al., 2020).

4.2 Tax Avoidance Determinants

The driving factors contributing to the practice of tax avoidance can be grouped into 13 categories as seen in Figure 3. Table 1 shows mechanical impacts of corporate governance on the practice of tax avoidance as well as other impacts, such as the influence of company' characteristics, corporate social responsibility, politics, marketing, information systems, spirituality, and tax haven, as identified in Table 2.

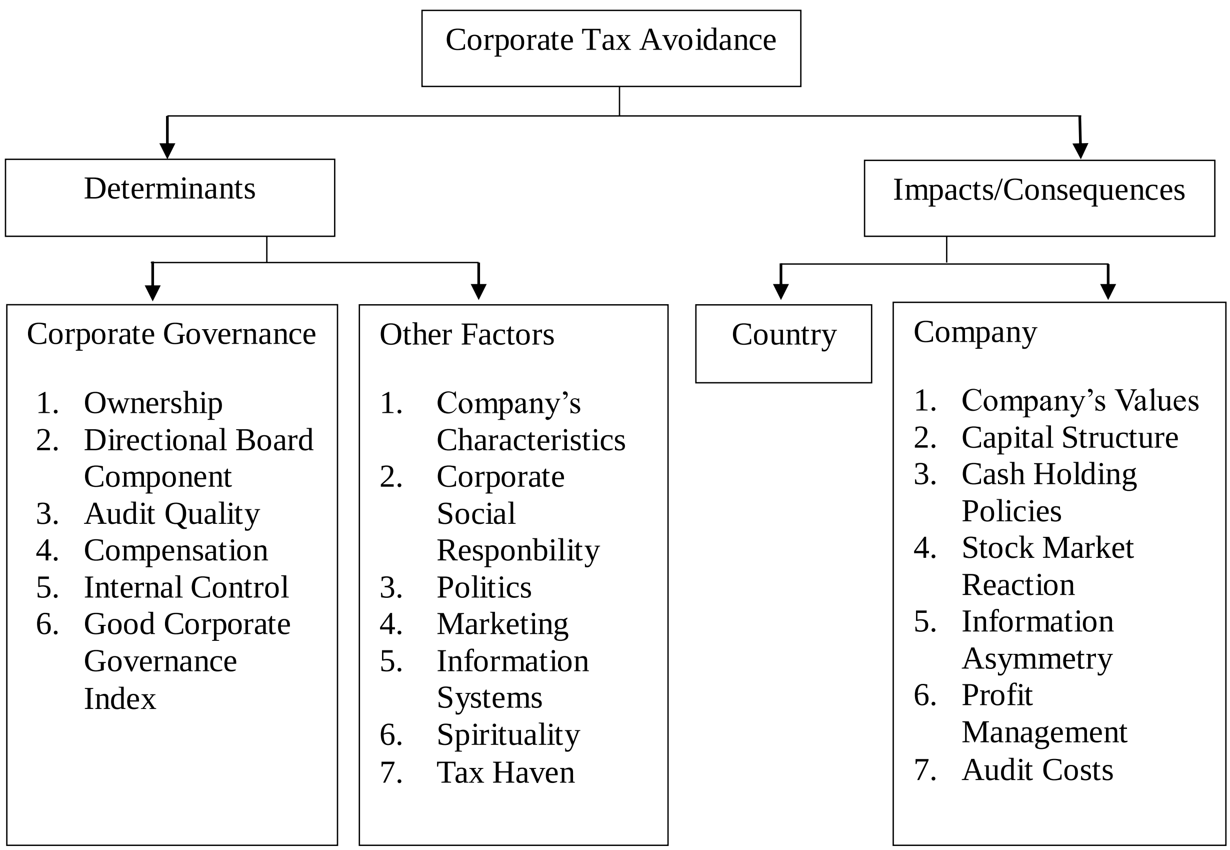

Figure 2. Determinants and Consequences of Tax Avoidance

Tabel 1. The Influence of Corporate Governance on Tax Avoidance

No.	Determinant	Result	Reseacher(s)
1.	Ownership		
	Institutional ownership	√ (-)	Dakhli (2022), Alkurdi & Mardini (2020)
		X	Tandean & Winnie (2016), Handoyo et al. (2022)
	Managerial Ownership	√ (-)	Alkurdi & Mardini (2020)
		√ (+)	Handoyo et al. (2022)
	Foreign ownership	√ (+)	Alkurdi & Mardini (2020)
	Family ownership	√ (+)	Gaaya et al. (2017)
	The Separation of Ownership	√ (+)	Badertscher et al. (2013)
	The Control of Ownership	√ (+)	Badertscher et al. (2013)
2.	Board Components		
	Board gender diversity	√ (-)	Jarboui et al. (2020), Hoseini et al. (2019)
	The Size of Directional Board	√ (+)	Hoseini et al. (2019)
	Executive Character	X	Tandean & Winnie (2016)
	Audit Committee	√ (+)	Tandean & Winnie (2016), Handoyo et al. (2022)
	Independent Commissioner	X	Handoyo et al. (2022), Tandean & Winnie (2016)
		√ (-)	Armstrong et al. (2015)
	CEO's Role	√ (-)	Evertsson (2016)
		√ (+)	Chyz & White (2014)
	Directional Board's Role	√ (-)	Evertsson (2016)
	CEO Duality	√ (-)	Kolias & Koumanakos (2022)
	Directors' Foreign Experience	√ (-)	Wen et al. (2020)
3.	Audit Quality		
	Audit Tenure	√ (+)	Salehi et al. (2020)
	Auditor Industry Specialisation	X	Salehi et al. (2020), Handoyo et al. (2022)
		√ (-)	Tandean & Winnie (2016), Riguen et al. (2020)
	Audit Opinion	√ (-)	Salehi et al. (2020)
	Fee audit	√ (-)	Salehi et al. (2020), Riguen et al. (2020)
4.	Compensation		
	Managerial Ability	√ (-)	Akbari et al. (2018)
	Executive Compensation	X	Tandean & Winnie (2016)
	Managerial Incentives	√ (+)	Armstrong et al. (2015)
	CEO After-Tax Compensation Incentives	√ (-)	Gaertner (2013)
5.	Internal Control	√ (-)	Bimo et al. (2019)
6.	Index GCG		
	Score GCG	√ (-)	Chouaibi et al. (2021), Abdelmoula et al. (2022)

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Tabel 2. The Influence of Company' Characteristics, CSR, Politics, Marketing, Information Systems, Spirituality, and Tax Haven on Tax Avoidance

No.	Determinant	Result	Reseacher(s)
7.	Company's Characteristics		
	Investment opportunity set	√ (+)	Firmansyah et al. (2022)
	Financial Distress	√ (-)	Ariff et al. (2023)
	Earnings management	√ (+)	Amidu et al. (2019)
	Sales growth	X	Handoyo et al. (2022)
	Leverage	X	Handoyo et al. (2022)
	Accounting Standards	√ (+)	Evertsson (2016), Zeng (2019a)
	Corporate dispersion	√ (-)	Su et al. (2018)
	Asset Redeployability	√ (-)	Hasan et al. (2021)
	Analysts' tax expense forecast accuracy	√ (-)	Lee (2021)
8.	CSR		
	CSR Disclosure	√ (-)	Chouaibi et al. (2021), Park (2017), Rakia et al. (2022), Silvera et al. (2022)
		√ (+)	Zeng (2019b), Hoi et al. (2013)
	Business Ethics	√ (-)	Chouaibi et al. (2021), Abdelmoula et al. (2022)
9.	Politics		
	Political Connections	√ (+)	Ajili & Khlif (2020), Alsmady (2023) Firmansyah et al. (2022), Silvera et al. (2022)
	Political sentiment	√ (+)	Liu et al. (2022)
	Political Freedom	√ (-)	Ma et al. (2019)
	Electoral Democracy	√ (+)	Ma et al. (2019)
10.	Marketing		
	Prospector strategy	√ (+)	Sadjiarto et al. (2020)
	Defender strategy	√ (-)	Sadjiarto et al. (2020)
	Patent	√ (+)	Gao et al. (2015)
	Research and Development	X	Gao et al. (2015)
11.	Information Systems		
	Extensible Business Reporting Language (XBLR)	X	Saragih & Ali (2022)
12.	Spirituality		
	Religiosity	√ (-)	Boone et al. (2013)
13.	Tax Haven		
	Tax Haven	√ (+)	Kurniasih et al. (2022)
	Transfer Pricing	√ (+)	Amidu et al. (2019), Silvera et al. (2022)

4.2.1 Ownership Structure

Ownership structure is a driving factor which is considered the most significant in leading companies to avoid taxes (Hanlon & Heitzman, 2010), but the impact of this factor has been found to be inconsistent. According to Dakhli (2022) and Alkurdi & Mardini (2020), as the rate of institutional ownership is increasing, the rate of tax avoidance is declining due to improved supervision on managers' performance. Contrary to what Tandean & Winnie (2016) and Handoyo et al. (2022), institutional ownership does not lead to tax avoidance since institutional owners prioritise their companies' prosperity whilst maximising their future profits and not involving themselves in the decision making. Alkurdi & Mardini (2020) figured that managerial owners tend to avoid risks, thus preferring to not become involved in risky actions, such as tax avoidance. In that regard, they resort to having foreign ownership since it allows them to avoid taxes, eventually exploiting their operations in the international scale in order to avoid high tax expense in the headquarters. Family companies also tend to be involved in tax avoidance activities compared to non-family ones due to the high ownership level in family companies and the better opportunities to maximise their profits since they are part of the business founder and sit in high positions (Gaaya et al., 2017). Since tax avoidance is a risky affair which might inflict high costs, companies with more proper separation of ownership and control opt to not do this because managers prefer to avoid taking high risks (Badertscher et al., 2013).

4.2.2 Directional Board Component

Board efficiency depends on the diversities in several aspects, such as genders, sizes, characters, independence, knowledge, and professionalism. Diversity in genders might lead to fewer tax avoidance practices since feminine characteristics tend to avoid risks and uphold morals and ethics (Hoseini et al., 2019; Jarboui et al., 2020). Hoseini et al. (2019) state that the bigger the size of the directional board, the bigger the number of tax avoidance practices as due to multiple perspectives in decision making process. Tandean & Winnie (2016) claim the executive characteristics do not contribute to tax avoidance practice since companies possess risk averse executives who do not typically take risks in their decision making and such behaviour is usually seen in older individuals, especially those who have been in power and strongly depend on the company, thus prioritising security rather than risky decisions, such as tax avoidance. It was also found that smaller proportion of audit committee—typically at least 3 members, according to the regulation issued by the Capital Market and Financial Institutions Supervisory Agency, including independent commissioner and head of audit committee, will lead to more tax avoidance practices. The audit committee structure is chosen by the board of commissioners, and if they abuse their power, there will be more tax avoidance practices since it is the audit committee that connect the company reporting, management, and owner (Handoyo et al., 2022). The lack of influence from the board of independent commissioners on tax avoidance could be because they work independently or because they are not properly supervised despite having many members (Handoyo et al., 2022; Tandean & Winnie, 2016). On the contrary, Armstrong et al. (2015) concluded that having independent commissioners can lead to fewer tax avoidance practices since the presence of independent commissioners can help shareholders to monitor the management in order to make decisions and transparency in the operations of the company. CEO's role, particularly their ethics which reflect the company's ethics, can reduce tax avoidance practices since such attitudes are pivotal for companies to run their operations and to determine their organisational moral and cultural values, and the fidelity of the company board and investors in gaining accountability of the management is crucial in lowering tax avoidance practices. Nevertheless, it will different if the supervision from the CEO is not maximised, eventually leading the company to avoid taxes (Chyz & White, 2014). Directional board members who have been to other countries, for either academic purposes or for business purposes, will reduce tax avoidance practices in their company only if the countries they have been to are those who offer better protection for investors. Furthermore, this will be more significantly impactful if they are given important positions in the audit committee, and, from the government perspective, directors with working experience abroad will ease the enforcement of tax regulations (Wen et al., 2020).

4.2.3 Audit Quality

Audit quality is a prominent aspect in corporate governance, which is expected to reduce conflicts between the management and the shareholders as well as preventing managers from manipulating financial reports (Wanis, 2021). Salehi et al. (2020) found that audit tenure positively contributes to companies which avoid taxes. In other words, with longer audit tenure, auditors tend to aid their clients in reducing their tax expense. The Big Four accounting firms do not play any role in tax avoidance because accounting firms in general provide professional and competent auditors who run their auditing according to the standards and regulations, allowing them to discover any frauds in companies should they attempt to avoid taxes (Handoyo et al., 2022; Salehi et al., 2020). In contrast, the studies conducted by Tandean & Winnie (2016) and Riguen et al. (2020) claim that the Big Four accounting firms negatively contribute to tax avoidance since tax authorities and the public deem them as accounting firms with high integrity in doing their work according to the regulations, particularly tax regulations. For that reason, it is believed that they will maintain their reputation and the trust given by the stakeholders. Reasonable audit opinions definitely have negative effects on tax avoidance since auditors will not issue the report if there is no transparency in the company accounting information (Salehi et al., 2020). Furthermore, Salehi et al. (2020) and Riguen et al. (2020) revealed that audit fees negatively affect tax avoidance. Managers who do not intend to avoid taxes would prefer accounting firms which have experienced human resources who would carry out more accurate audits, eventually requiring bigger audit fees.

4.2.4 Compensation

In order to accomplish their goals, organisations need good management skills. This way, managers can coordinate and utilise all resources effectively and efficiently, eventually achieving their goals (Hitt et al., 2011). At the same time, compensation plays a significant role in improving managers' performance in the organisation (Walsh & Ryan, 1997). In regard to tax avoidance, although executive compensation has no role in tax avoidance practices, good management skills in managing resources will minimise these (Akbari et al., 2018). This could be because the implementation of compensation in companies does not motivate managers in the decision making, forcing the companies to reevaluate their compensation system, for example, by giving shares as compensation (Puspita & Harto, 2014). However, Armstrong et al. (2015)

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found that compensation has a positive contribution to tax avoidance as it influences managers in decision making, particularly relating to taxes.

4.2.5 Internal Control

In terms corporate governance, internal control is a driving factor of tax avoidance (Armstrong et al., 2015). Internal control aims to ensure the accomplishment of company goals and the submission to the regulations (Rubino & Vitolla, 2014). Therefore, internal control will prevent the management from avoiding taxes, forcing them to follow tax regulations as well as detecting errors made by the management in decision making, either intentionally or unintentionally (Bimo et al., 2019).

4.2.6 Good Corporate Index

Good corporate governance is an effort done by companies to maximise their company values by optimising their performance and maintaining their company long term continuity. It requires better supervision and control in order to minimise harmful actions taken by managers. This aspect can be identified using Good Corporate Governance index which is graded by authorised institutions, such as ASSET4, and companies observed will obtain different scores (Chouaibi et al., 2021; Abdelmoula et al., 2022). The results will show companies' ability in their decision making to avoid taxes, and the scores show negative effects on tax avoidance. In other words, the higher the score of an organisation's management, the lesser the possibility they will avoid taxes since they apply good supervision and control.

4.2.7 Company's Characteristics

Company's characteristics play a significant role in tax avoidance. Investment opportunity set is strongly related to the decision-making process for companies to formulate their business strategies, and taxes are considered a significant expense for them, thus the existence of investment opportunity set in a company will usually reduce the amount of tax they have to pay (Firmansyah et al., 2022). Meanwhile, companies which suffer from financial distress will tend to not avoid taxes due to the lack of opportunity since they will be closely scrutinised by the public (Ariff et al., 2023). Managerial board will also use their profit management to plan and make their financial report in order to affect their income, eventually minimising their tax expense to increase their company values (Amidu et al., 2019). Meanwhile, according to Handoyo et al. (2022), leverage does not contribute to tax avoidance because companies lead to tax avoidance because companies act more carefully in their decision making when it is related to risk levels on huge loans, nor does sales growth contribute to this practice since companies remain obligated to pay for their taxes regardless of changes in their sales. Evertsson (2016) explains that the more the accounting standards are enforced by companies, the more tax avoidance practices there are. On the other hand, Zeng (2019a) argues that accounting standards adopted from the International Financial Reporting Standards (IFRS) can increase the quality of accounting information, including revelations related to taxes, eventually preventing tax avoidance from happening. (Su et al., 2018) state that managers in diversified companies tend to not be involved in tax avoidance due to stricter scrutiny, and in terms of resources of corporate dispersion located in smaller regions, it is assumed that the management is inexperienced in taxation, leading to incapability to avoid taxes. According to Hasan et al. (2021), the more assets that can be relocated, the fewer funding problems and liquidity crises companies encounter. In other words, a bigger number of re-deployable assets will influence companies to sell their real assets rather than applying strategies to avoid taxes in order to reduce their expense. The accuracy of analysis on estimated tax expense is related to the success rate of profits management and will also affect the stock price (Lee, 2021). This is due to the significance such information holds for investors in evaluating a company, thus managers tend to not be involved in tax avoidance practices.

4.2.8 Corporate Social Responsibility

Corporate social responsibility is a strategy applied by companies in running their business ethically whilst giving advantages to society. This is a responsibility to be fulfilled by companies in response to environmental damages and social discrepancy they have caused through their operation (Dewi & Gunawan, 2019). The connection between CSR and tax avoidance has been analysed in studied by Abdelmoula et al. (2022), Chouaibi et al. (2021), Hoi et al. (2013), Park (2017), Rakia et al. (2022), Silvera et al. (2022), and Zeng (2019b). Companies consider their decision to avoid taxes as socially irresponsible, thus they prefer not doing it (Chouaibi et al., 2021; Park, 2017; Rakia et al., 2022; Silvera et al., 2022). Different from the previous findings, Zeng (2019b) and Hoi et al. (2013) discovered that companies are suspected to avoid taxes to meet their social responsibility in order to avoid undesirable outcomes. Chouaibi et al. (2021) and Abdelmoula et al. (2022) found that business ethics as part of the fundamental principles of CSR can reduce tax avoidance practices. Companies do not only offer ideas, but they also have to meet their philanthropic responsibility towards the society where they run their business (Carroll & Buchholtz, 2008).

4.2.9 Politics

Strong political connections among parties holding high positions in companies, such as directors, commissioners, and shareholders will tend to lead them to avoid taxes (Alsmady, 2023; Firmansyah et al., 2022; Silvera et al., 2022). Kim & Zhang (2016) state that such political connections can help save companies from being detected for aggressive tax planning. Furthermore, directors with political connection will feel protected by politicians and might obtain access to information on preferential taxes (Ajili & Khlif, 2020). Politics is strongly related to democracy system in a country, in which political freedom and electoral democracy indicated can affect tax avoidance practices in companies (Ma et al., 2019). Political freedom can reduce tax avoidance practices due to public supervision which improve financial transparency, thus increasing taxpayers' willingness to pay their taxes. On the other hand, electoral democracy can increase the number of tax avoidance practices, possibly due to the general elections raise complexity levels of tax systems, eventually raising tax avoidance practices. Furthermore, political instability related to changes in government policies or changes in leadership will affect national economic conditions (Julio & Yook, 2012). For instance, uncertainty emerged from general elections will lead companies to reduce their investment until the condition is stable. Liu et al. (2022) found that managers' sentiments on political issues play a big role in their companies' tax avoidance. Managers will take advantage of political instability to avoid taxes by

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hiding their companies' actual conditions, including bad news, and gaining managerial profits from doing more lobbying and taking higher risks.

4.2.10 Marketing

Marketing can be defined as a business strategy in determining market share in satisfying consumers. This way, companies can apply high-value strategies to gain maximum profits (Putra & Suhardianto, 2020; Ren et al., 2010). This business strategy will lead companies to avoid taxes, but this depends on their tax expense and tax planning advantages (Higgins et al., 2015). Whilst prospector business strategies will increase tax avoidance practices, defender business strategies will do the opposite (Sadjiarto et al., 2020). This is because the former emphasises on market expansion and it needs efficiency in tax expense. Meanwhile, the latter is used to dominate the market by setting competitive price and producing items following the current trends. This means that production costs can be minimised, and companies which apply this strategy believe that avoiding taxes will negatively affect the defender market price.

Companies need innovation to be more competitive and productive in maintaining their reputation. There are two approaches which can be used to see the success rate of innovations, namely, (1) research and development costs and (2) patent activities (Gao et al., 2015). It was found that the increase in innovations in relation to patents can increase tax avoidance practices through tax credits and reduction, whereas reserch and development do not have any role in this matter.

4.2.11 Information Systems

Extensible Business Reporting Language (XBLR) is a standardised business reporting software which uses universal communication language based on XML, which is used to manage financial data of international enterprises. This system is advantageous for companies because it reduces information asymmetry and lowers the number of tax avoidance practices (Chen et al., 2021). Saragih & Ali (2022) proved that XBRL does not contribute to tax avoidance practices possibly due to limited tax information presented in XBRL.

4.2.12 Spirituality

Tax avoidance is a risky affair since it significantly affects national income in a negative sense. In this case, religiosity can have prominent part in company decision making, particularly regarding risks (Hilary & Hui, 2009). This aspect functions to prevent unethical acts, influencing local cultures, and, influencing managers and individuals in making decisions in the region. Consequently, it can prevent managers from avoiding taxes as every individual will be affected by religious norms that are practiced in their workplace (Boone et al., 2013).

4.2.13 Tax Haven

Tax haven refers to countries which have lower rate of taxes or even no tax levy, aiming to attract foreign investors (Hines, 2005). According to Organization of Economic Co-operation and Development (OECD), several characteristics of tax haven countries include (1) no tax levy, (2) ineffective information exchange scheme, (3) vague tax administration, and (4) ring fencing policy enforcement. Kurniasih et al. (2022) has proven that tax haven countries contribute to tax avoidance practices. Tax haven countries provide companies with facilities to keep their profits with lower tax. Numerous companies take advantage of these countries to avoid taxes through related party transaction which is not normal by shifting profits from jurisdictions with high taxes to those with lower taxes with the help of affiliates located in tax haven countries (Taylor & Richardson, 2013). Furthermore, tax avoidance to tax haven countries can utilise transfer pricing scheme to reduce tax expense. This shows that affiliates in tax haven countries encourage companies to take such steps to reduce their tax expense (Amidu et al., 2019; Silvera et al., 2022).

4.3 Impacts/Consequences of Tax Avoidance

Practices of tax avoidance will give a number of effects as if it were a double-edged sword. For a country, taxes are an important element in their national development. The increasing number of tax avoidance practices will cause detrimental impacts, whereas companies will benefit from such schemes. However, they risk facing threatening reactions, such as lawsuits, sanctions, and reputation loss.

4.3.1 Impact of Tax Avoidance for Country

Every country undoubtedly has a primary national income, such as taxes, to be used for their national development. According to Tang (2020), tax avoidance practices have been the world's attention. Organization for Economic Cooperation and Development defines it as an effort made by taxpayers to legally reduce their tax expense, yet it is against the purposes of the regulations enforced. In other words, tax avoidance can be defined as a legal action done by taxpayers which have detrimental effects for the government (Putri & Fadhlia, 2017). There are a number of negative effects of tax avoidance practices for a country. First, declining national income can slow the economic growth of a country (Moeljono, 2020). Second, tax avoidance practices can cause losses of national income for the government can also intervene with the national financial stability (Kemsley et al., 2022). Third, tax avoidance practices are part of national losses which can cause imbalance in the national budget and other consequences, such as higher tax rates (Ozili, 2020).

4.3.2 Consequences of Tax Avoidance for Companies

Companies always try pay as little tax as possible (Kurniasih et al., 2022) to avoid taxes since it burdens them (Chen et al., 2010) because high tax expense will reduce their revenue. Numerous companies use flaws found in tax regulations to favour them (Dyreng et al., 2008). One of this activity is increasing tax savings which can reduce their tax expense, allowing them to raise their cash flow (Guire et al., 2014). The concept of tax savings through tax avoidance which leads to increasing profits made by companies will positively contribute the company values (Chyz & White, 2014). Although this will be advantageous for company, it will cause a number of consequences at the same time.

The decision to avoid taxes will lower the company values—investors' evaluation on company performance at the present and in the future—since it does not portray the company's actual conditions. If this practice is done for a long period of time and revealed to the public, investors will feel disadvantaged and think that the company is not cooperative in presenting the information they need. Consequently, investors will lose their trust in the company, leading to declining company values (Santa & Rezende, 2016).

Furthermore, indirect impact of tax avoidance on company values includes budgeting problems as invested capitals increase (Hasan et al., 2016). This practice will result in negative effects, such as tax sanctions, in the future. If a company is found to manipulate their taxes, such as by not reporting their actual sales or by doing fictional transactions, they will be sanctioned accordingly. Consequently, investors and creditors will no longer trust them, and they need higher capitals (Hutchens & Rego, 2015).

Besides, tax avoidance practices will negatively contribute to the company capital structure. Creditors will no longer trust companies which do this practice since it might lead to several risks or they might fail to pay their debt. As a consequence, many creditors tend to give higher interest rate when giving loans to a company. Lower rates of loans will cause lower capital structure since the company has to use their own money for their operational activities (Asiah et al., 2022).

Hanlon et al. (2017) claim that negative effects of tax avoidance can affect company cash holding policy. Companies use cash holding policy because they have taxes to pay. They will hold transactions in order to avoid taxes, thus they can save more cash (Foley et al., 2007). If a company is suspected and found to avoid taxes by the tax authorities, their tax history will be investigated. If they are found guilty, they will have to pay the remaining taxes in addition to getting sanctioned. In this case, their cash holding will also increase (Hanlon et al., 2017).

The stock market is hugely influenced by the strategies used in tax management. Company market values will decline if they are found to practice illegal tax management (Hanlon & Slemrod, 2009). The reaction of the stock market also strongly related to the news on the legitimacy of strategies of tax minimalization. The stock market will give negative response if there is news on illegal tax avoidance, but the stock market will show the opposite attitude if the tax avoidance is legal (Blaufus et al., 2019). Some concrete evidence of this impact can be seen in the case of Panama Papers which revealed names of the companies involved in tax protection. O'Donovan et al. (2019) documented the total loss of these companies' market values, which accounted for $174 billion. Furthermore, Kim et al. (2011) state that tax avoidance can raise long-term risks, including dramatic decline of company stock values.

The practice of tax avoidance can increase the complexity of information in a company (Duhoon & Singh, 2023). When a company is indicated to practice the scheme, there will be some information asymmetry in the financial disclosure (Balakrishnan et al., 2019). Companies tend to refuse to publicise information related to their tax strategies in order to avoid penalties should an auditor find any illegal practices. Information asymmetry can increase the cost of supervision done by the authorities, eventually leading to moral hazard because managers do not finish their work properly and take actions according to the needs of the shareholders (Wang et al., 2020).

Another consequence from the practice of tax avoidance can be found in the accounting and auditing aspects. In terms of accounting, there will be some gaps between taxable profits and book profits, which could be caused by decisions made in the profit management when compared those made in the tax saving. Eventually, the financial report will also be affected (Frank et al., 2009). Profits management is a form of financial report manipulation used to show inaccurate rates of profits in order to deceive investors and other parties (Bhasin, 2016). It can be concluded that tax avoidance practices are oriented to the behaviours of the profits management (Balakrishnan et al., 2019). In regard to auditing issues, tax avoidance practices can also threaten the reputation of the auditor and result in higher audit cost (Donohoe & Knechel, 2014).

4.4 Literature gaps and future research opportunities

The practice of tax avoidance leads to companies preventing their resources which should have been given to the government, aiming to increase their productivity which will affect their company values. However, managers who decide to take this path benefits from the supplementary resources resulting from the practice, setting aside the needs of the shareholders. Generally, next research can focus on considering several aspects, such as different theoretical perspectives, objects of research including the government and companies, different research methods, independent variables which are not typically observed, and tax avoidance proxy which are new or more representative. This is important in order to expand and prove the findings from past studies and in order to discover new things which can lead to tax avoidance practices.

In this part of the study, the authors attempt to give opportunities for future research in order to enrich the number of relevant literatures on tax avoidance. The existing literatures have considered a number of different factors which lead to tax avoidance practices. As previously mentioned, most empirical studies on this topic were done in developed regions, such as the United States, Europe, Japan, Singapore, Hong Kong, South Kore, and Taiwan. Future studies are expected to expand their samples to developing countries in Asia and Africa. Cobham & Janský (2018) claim that the loss of the national income due to tax avoidance is a serious issue in countries with low national income. In the United States, income tax comprises the national income coming from taxes, whilst in other countries it could be comprised by different tax schemes, such as value-added tax. The practice of tax avoidance in this part of the topic has not been widely explored yet.

This study attempts to provide a thorough coverage on tax avoidance practices from literatures which have been collected. In regard to this phenomenon, the actual situations can be seen from the data possessed by both tax authorities and tax report by companies, but such information is hard to obtain. This study focuses on identifying the causes and effects of the practice of tax avoidance. However, since it does not discuss the approaches used in this practice, future research is expected to explore them. This literature study has documented that most studies utilise the proxy of Book Tax Difference (BTD) and Effective Tax Rate (ETR). The combination of other proxies, such as Long Run Cash Effective Tax Rate, can be used to evaluate the use of such proxies in the matter. Long Run Cash ETR can show the conditions of effective taxes which are closer to the actual corporate tax expenses in the long term, and it is expected to eliminate permanent differences in order to accurately reflect the practice of tax avoidance (Su et al., 2018).

5. Conclusion

This study aims to develop literature studies related to the phenomenon of tax avoidance by observing the development of SCOPUS-indexed studies, which is essential to do in order to improve scholars' understanding. This study uses quantitative method by collecting secondary data, and it comprises several determinants as well as the consequences. The determinants include corporate governance indicators (ownership structure, directional board component, audit quality, compensation, internal control, good corporate governance index) and other factors, such as corporate characteristics, corporate social responsibility, politics, marketing, information systems, spirituality, and tax haven. In terms of the consequences, there are two findings: (1) tax avoidance practices are detrimental to the government due to the loss of national income, eventually affecting the national economic stability, and (2) companies which do this practice can raise their tax savings by reducing their tax expense, eventually improving their company cash flow, yet the practice also gives huge risks for them on their corporate values, capital structure, cash holding policies, stock market, information asymmetry, accounting perspective on profit management, and auditing on audit costs.

Furthermore, the authors also attempt to give suggestions to future studies on tax avoidance practices. Generally, future studies can consider several aspects, including different theoretical perspectives, objects of research including the government and companies, different research methods, independent variables which are not typically observed, and tax avoidance proxy which are new or more representative. Cobham & Janský (2018) claim that the loss of the national income due to tax avoidance is a serious issue in countries with low national income. In the United States, income tax comprises the national income coming from taxes, whilst in other countries it could be comprised by different tax schemes, such as value-added tax. The practice of tax avoidance in this part of the topic has not been widely explored yet. In order to better understand this phenomenon, the measurement techniques used in the practice of tax avoidance can be further observed. Additionally, in order to rate the use of tax avoidance proxies, future research can use combinations of other proxies, such as Long Run Cash Effective Tax Rate.

This study only investigates scientific articles on tax avoidance practices published in Scopus with Scimago index. The search process uses key word "tax avoidance" on scopus.com page. For future research, the data search can use other types of database, including Google Scholar, EBESCO, and Web of Science, in order to investigate and discover new directions related to the practice of tax avoidance. This research only uses the key word "tax avoidance" in article titles in the search process. This study is also restricted to accounting, finances, economy, and taxes.

This study is expected to provide positive contributions to future research. First, this study has emphasised that tax avoidance practices remain an interesting issue to be studied. In this case, there are other aspects which have not been really observed, such as religiosity, auditing, and marketing. Second, according to Hanlon & Heitzman (2010), studies on taxess can be further developed using theories other than those related to economics. In other words, this study opens opportunities for other researchers to study tax avoidance practices through different theories, such as merketing theory

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