

Corporate Tax Avoidance of Malaysian Public Listed Companies: A Multi-Measure Analysis

Nirmala Devi Mohanadas ^a, Abdullah Sallehuddin Abdullah Salim ^b,
Suganthi Ramasamy ^c

^aFaculty of Business, Multimedia University, Melaka, Malaysia

^bFaculty of Management, Multimedia University, Cyberjaya, Malaysia

^cFaculty of Business, Multimedia University, Melaka, Malaysia

[https://doi.org/10.35609/gcbssproceeding.2021.1\(4\)](https://doi.org/10.35609/gcbssproceeding.2021.1(4))

ABSTRACT

While the topic of corporate tax avoidance has been experiencing ceaseless attention among researchers, its empirical aspect is still facing the challenge of constructing a single universally accepted measure of such practice. Due to the confidential nature of tax returns, most empirical studies have had to rely on financial statements information to developed proxy measures such as effective tax rates (ETRs) and book-tax differences (BTDs) (Hanlon & Heitzman, 2010). Nevertheless, these proxies possess their individual advantages as well as limitations. Such available choices may therefore cause confusions to the researchers in choosing the most suitable measure for their corporate tax avoidance studies. As the mainstream studies on corporate tax avoidance have focused mostly on developed economies like the United States, United Kingdom, and Australia, there is a scarcity of such studies in developing countries (Salihu et al., 2015). The unique jurisdictional nature of tax laws and enforcement systems hinder the extant findings' applicability on less economically-developed countries, especially those highly dependent on their corporate income tax revenue which is especial true with regard to Malaysia (Mohanadas et al., 2020). Though not as abundant in numbers, extant published studies had found that Malaysian public listed companies were indeed being consistently tax-avoidant since the 1990s. Nevertheless, these studies had respectively employed only a single measure of corporate tax avoidance. Indeed, nearly all had used variations of ETR while only a few had applied BTD measures. Their mutually exclusive application of ETR and BTD measures could negatively impact their findings' ability to capture tax-deferring corporate strategies (Hanlon & Heitzman, 2010; Lennox et al., 2013). It thus worsened the risk of potential distortion in the results of tax avoidance level which would led to flawed conclusions being made.

Keywords: Corporate Tax Avoidance; GAAP ETR; Cash ETR; Total BTD; Permanent BTD.