Does Institutional Ownership Influence Construction Firms In Malaysia On Tax Avoidance?

Azilawati Banchit*a, Sazali Zainal Abidinb, Kelly Armira Mosses Ejua

*aFaculty of Business & Management, Universiti Teknologi MARA, Kota Samarahan Campus, 94300 Sarawak, Malaysia

https://doi.org/10.35609/gcbssproceeding.2023.1(50)

ABSTRACT

The study aims to investigate whether institutional ownership influences tax avoidance behavior among the listed construction firms in Malaysia. Whilst tax avoidance is legal as the amount paid to the Government is reduced within the law, it is still a risky activity which can eventually increase the costs of the firms (Badertscher, Katz, & Rego, 2013). This is explained in the context of agency theory where firms may use debt for tax avoidance in terms of reducing the tax, but institutional ownerships tend to also incur costs by imposing control on firms to avoid tax. Construction sector becomes the focus of study as there are numerous reports that advocate the sector being high in risk for evading tax payments (HM Revenue & Customs, 2020). It is interesting to also note how the ownership level may also impact the outcome of the study considering that developing markets, such as Malaysia is usually concentrated as opposed to those in the developed countries.

Keywords: Tax avoidance, Construction industry, Agency theory, Firm size