Heterogeneous Effects of Governance and Information Quality on Corporate Tax Risk: A Quantile Regression Approach

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ABSTRACT

Corporate Tax Risk (CTR) encapsulates managerial uncertainty in tax reporting and reflects Corporate Governance efficacy under information asymmetry (Saragih & Ali, 2023; Guedrib & Bougacha, 2024). Anchored in Agency Theory, this study posits that conflicts arise when managers (agents) hold an information advantage over shareholders (principals), potentially facilitating opportunistic behavior that deviates from firm value maximization (Jensen & Meckling, 1976). In taxation, agency issues manifest through aggressive or non-transparent positions, heightening uncertainty and regulatory exposure (Saragih & Ali, 2023; Guedrib & Bougacha, 2024). Thus, Corporate Tax Risk is a consequence of agency conflicts mediated by Corporate Governance and internal organizational capabilities. Theoretically, stronger Corporate Governance should curb opportunistic behavior, yet empirical evidence remains inconsistent (Chen et al., 2021; Saragih & Ali, 2023). Most prior studies rely on mean-based estimators assuming cross-firm homogeneity, despite the inherent heterogeneity of Corporate Tax Risk. Firms at the upper tail of the distribution face structural exposures differing from those at the median, suggesting that risk determinants vary across segments. Quantile Regression theory indicates that the relationship between governance and Corporate Tax Risk may diverge at each quantile, revealing mechanisms undetected by mean-based estimators (Koenker & Bassett, 1978; Koenker, 2005).

JEL Codes:

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