KIJHUS KIU Interdisciplinary Journal of Humanities and Social Sciences

DOES AUDIT QUALITY INFLUENCE TAX AVOIDANCE AND OWNERSHIP STRUCTURE?

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Citation: Adamu et al (2024). Does audit quality influence tax avoidance and ownership structure? *KIU Interdisciplinary Journal of Humanities and Social Sciences, 5*(2), 79-93.

ABSTRACT

This study investigated how audit quality affects the association between corporate tax avoidance and ownership structure. To achieve the objective, the study employed ordinary least square regression with robust estimation on a data set of 360 firm-year observations of non-financial companies listed on the Nigerian Exchange Group (NGX) spanning from 2018 to 2022. The study found that the nexus between ownership structure and tax avoidance moderated by audit quantity greatly affects tax avoidance. Thus, indicating that higher audit quality has a considerable influence in addressing tax avoidance. The study contributes to the existing literature. First, that ownership structure influences corporate tax avoidance among nonfinancial firms. Second, audit quality tends to affect the relationship between ownership structure and tax planning strategies. The study concludes that audit quality is an important tool that can be used to enhance tax planning. Based on the findings, policymakers should strategies ways and means of enhancing audit quality.

Keywords: Tax avoidance, ownership structure, audit quality

INTRODUCTION

Tax avoidance is vital issue because it exerts influence on government revenue, public services, and in turn public perception of corporate behaviour and to some large extent fairness in the existing tax system. Businesses employs tax avoidance as a means of legally reducing their tax obligations. Tax avoidance has received increased consideration in the literature (Alkurdi & Mardini, 2020; Kovermann & Velte, 2019). Taxes reduce the cash flow available to a company's owners and are regarded as a material cost (Dakhli, 2022; Suranta et al., 2020). Consequently, it encourages corporate entities to employ tax avoidance strategies with a view to lessen their tax expenses. According to Eguavoen et al. (2023) tax avoidance is an attempt made lawfully and safely by businesses to circumvent the applicable tax laws and regulations by using strategies and

tactics to exploit loopholes in those laws and regulations. In earlier research, the characteristics of the company (Sucahyo et al., 2020) corporate governance (Zaqeeba & Iskandar, 2020) Corporate social responsibility (CSR) disclosure (Alsaadi, 2020; Pratiwi & Siregar, 2019) corporate transparency (Balakrishnan et al., 2019) ownership structure (Gaaya et al., 2017) have been studied as the driving force for tax avoidance engagement. The structure of ownership is thought to be an important predator of the company's tax avoidance strategies. Ownership structure is a major factor in business decisions to evade taxes (Kovermann & Velte, 2019; Tang, 2020). It is expected that different owners may not have similar attitudes towards tax avoidance practices since they may have distinct timelines and motivations for corporate decisions (Dakhli, 2022).
Numerous and varied studies have been conducted on the nexus between tax avoidance and ownership structure. The findings can be broadly classified as significantly positive, significantly negative, or insignificant. Hence, this called for further investigation.

As a result of the inconsistency of finding, this study introduces audit quality as a moderating variable. Preceding studies have highlighted the implication as well as benefit of audit quality in the modern corporate world (Duhoon & Singh, 2023). Audit quality lessens conflicts between management and shareholders and keeps managers from engaging in dishonest and accounting-manipulating practices (Abdel-Wanis, 2021). Hence, audit quality is a key component of corporate governance mechanism. According to Gaaya et al. (2017) the big four audited companies have a lower likelihood of engaging in tax avoidance due to the potential consequences of litigation and reputational damage. Instead, they follow fair tax auditing procedures.
More so, this study is a response to the call made by Kovermann and Velte (2019) that extant literature on tax avoidance emanated from the US market. Therefore, may have limited generalization on other economy such as Nigeria whereby some practicing accountants involved in a variety of corrupt activities, such as bribery and corruption, capital flight and tax avoidance schemes, and money laundering (Abdul-Baki et al., 2021; Otusanya, 2011).
This study examined how audit quality affects the correlation that prevails between corporate tax avoidance and ownership structure. The study employed ordinary least square regression with robust estimation on a data set of 360 firm-year observations from 2018 to 2022. The study documented that listed corporate entities in Nigeria with higher audit quality influences the nexus between ownership structure and tax avoidance affects tax avoidance.
This is how the rest of the paper is organized. We deduce our hypothesis and provide a summary of the pertinent literature in Section 2. We go over the research methodology in Section 3. Section 4 presents the findings and discussion. This paper is concluded in Section 5.

Literature Review

Theory

From the standpoint of agency theory, agency problems occur when the interests of managers and shareholders are not aligned. This includes situations in which management holds a lower percentage of the company's shares and is therefore motivated to use modified transactions and intricate organisational structures to increase their personal benefits.

Bauer and Kourouxous (2018) argued that Conflicts of interest arise from the managers and owners of a company as a result of separate ownership and control. Therefore, tax avoidance behaviour relies on various interests to satisfy management's and shareholders' concerns. Evana (2019) claimed that although shareholders want to minimise the cost of taxation by paying accumulated tax and concentrating on the growth in the value of their shares, management serves its own interests by increasing compensation through higher earnings and improved performance. Thus, strategies for avoiding taxes reflect issues in agency problems. Policies to lessen the comparatively significant impact of tax avoidance activities on the firm's position in the market are typically implemented by the ownership structure (Alkurdi & Mardini, 2020).

Prior study (Bauer & Kourouxous, 2018) has provided a link between tax avoidance and agency problems. The informational content and the managerial performance measures' incentive effect are altered by tax. Tax planning generally enhances inflow of cash flows which will in turn increase the value of a firm. It is conceivable for managers while using tax avoidance strategy to conceal certain transactions, which could result in a greater conflict of interest and information asymmetry between managers and shareholders. (Alkurdi & Mardini, 2020). According to Desai and Dharmapala (2006) the consequent of tax avoidance may result in managerial opportunistic activities, and hence, makes it difficult for shareholders to assess managers' performance due to their actions and the murky organisational structure of the company. The need for external and additional monitoring of managers is essential to decrease the agency costs likely to arise because of tax avoidance. Therefore, the incentive of ownership structure which is aimed at controlling the managers on company’s operations is imperative.

Minimising the amount of tax to be paid by company will, of course, leave surplus "after tax" cash flow that can be distributed to shareholders as a dividend or invested in lucrative ventures or might be used by the managers for perquisite consumption or empire. Consistent with the agency theory, tax avoidance activities can result in lead to resource diversion as well a as managerial opportunism (Jensen & Meckling, 1976). Consequently, this study uses agency for underpinning its findings.

Empirical Evidence and Hypotheses

Foreign Ownership

Separation of decision has given rise to various forms of ownership in nowadays corporate entities. One of them is foreign ownership. Foreign ownership is a desirable asset because it provides the capacity to track and improve company performance. Idris et al. (2020) contended that foreign owners possess essential knowledge that improves company's performance. Also, have greater incentive to monitor managers compare to other investors with limited shareholding.

Syukur and Jongsureyapart (2023) explored the effect of foreign ownership on tax avoidance in the top 100 profitable Thai companies. Based on five years of observations from 2015 to 2019. The statistical test revealed that there is a positive correlation between foreign ownership and tax avoidance. This means that higher levels of foreign ownership correspond to higher levels of tax avoidance. Along this line, Shi et al. (2020) examined the relationship between foreign ownership and tax avoidance. The study employs data from non-financial firms listed on the Philippine Stock Exchange from 2009 to 2015. The study showed that foreign investors and tax avoidance are positively related. Their result is also in agreement with Suranta et al. (2020) and Alkurdi and Mardini (2020) that companies with more higher foreign ownership structure tend to engage in more tax avoidance. Hence, foreign owners are likely to adopt tax avoidance strategies.

However, Yoo and Koh (2014) analysed the Korean publicly listed companies and revealed that greater foreign ownership significantly decreases tax avoidance and hence, supporting the agency theory. In a cross-country study, Hasan et al. (2016) investigated 43 countries and showed an inversely related results between foreign tax avoidance. Moreover, Pujiningsih and Salsabyla (2022) also reported a negative association between foreign ownership and tax avoidance. Indicating that foreign owners are associated with tax minimization.

In contrast with the two strand of tax avoidance study, Bashir and Zachariah (2020) investigated the influence of foreign ownership on tax planning of quoted non-financial companies in Nigeria from 2008-2017. The study shows that foreign ownership does not affect tax planning. In line with the previous evidence, the study hypothesizes that:

H_1: Foreign ownership greatly influences tax avoidance.

Managerial Ownership

Jensen and Meckling (1976) argued that agency problems tend to be minimised when managers become part of a company's shareholders. It is argued that since managers are shareholders, they cannot waste the accumulated funds against the interests of other shareholders. This is because a move like this may have an effect on all of the company's shareholders (Idris et al., 2019). Insider ownership, directors' holdings, and managerial ownership are terms that can be used interchangeably (Francis et al., 2011; Idris et al., 2019; Sanda et al., 2010). Earlier studies

(Alkurdi & Mardini, 2020; Bashir & Zachariah, 2020; Tanko et al., 2022) claimed there is a connection between individual effects on tax avoidance and the presence of managerial ownership. Additionally, managerial ownership is a major factor in tax avoidance because it is the source of agency conflicts and the division of ownership as well as control. Deef et al. (2021) employed examine how managerial ownership affect tax avoidance. The study employed data of listed on the Egyptian companies from 2015-2019 The findings show that managerial ownership significantly and favourably influences tax avoidance. Also, (Sholikhah & Nurdin, 2022) found a positive and statistically significant relationship between managerial ownership and tax avoidance from the Indonesian market. Tanko et al. (2022) revealed that managerial ownership positively affects tax avoidance. In more recent study and consistent with prior literature, Wongsinhirun et al. (2024) from US investigated the association between managerial ownership and tax avoidance. Using a sample of 28,370 firm year observations (1996 to 2020).

The study revealed that managerial ownership positively and significantly influences tax avoidance. Furthermore, the result lend support to agency theory that since shareholders may benefit from tax avoidance as their ownership increases, an addition in stake of the managers would probably result in increased tax avoidance. Hence, managerial ownership's effect on tax avoidance depends on its underlying incentive. In another study using Nigerian data set (Bashir & Zachariah, 2020) reported positive effect while examining the association of tax avoidance and managerial shareholding though the result is not statistically insignificant.

Contrary to the above studies, Cabello et al. (2019) from Brazilian market revealed that companies with higher management ownership may engage in less tax avoidance. The further indicate that due to their increased risk aversion, the owners are probably less inclined to fund riskier investment in the form of tax avoidance. Similarly evidence from Chinese market (Tang et al., 2019) showed that managerial power and tax avoidance are negatively related. Hence, indicating that companies with higher managerial power tend to have less incentives in avoiding taxes. Based on the above review, the study hypothesized that

H_2: Managerial ownership and tax avoidance relationship is significant.

Audit Quality Moderating Role

Tax avoidance is an extremely important issue since it impacts on public services and government revenue. It is argued that tax avoidance should be treated with care due to public perceived corporate behaviours and the fairness of the tax system (Wongsinhirun et al., 2024). Thus, maintaining an equitable as well as effective tax system and promoting the confidence of public in businesses and governments both depend on addressing tax avoidance. Agency conflicts result from corporations' separation of ownership and control (Jensen & Meckling, 1976) where managers may put their own interests ahead of those of shareholders. One of the ways mitigating the conflict, is increasing the managers stake in the company (Idris et al., 2019).

However, foreign owners are important to the company. According to Jeon and Ryoo 2013) global norms and best practices for corporate governance are expected to be upheld by foreign owners. Foreign owners must first conduct an analysis of the company, taking into account factors like its size, corporate governance practices, financial performance, and payout policies, to name a few, prior investing their resources in companies (Idris et al., 2020). As managerial ownership increases, the conflicts between managers and owners become less. This is because, the managers may likely bear higher costs for acting against the will of the owners.

Prior evidence (Lestari & Nedya, 2019; Rizqia & Lastiati, 2020) has liked audit quality with tax avoidance. Using data of manufacturing companies listed in Indonesia Stock Exchange from 2012-2017, Lestari and Nedya (2019) documented that audit quality negatively influence tax avoidance. Similarly, Rizqia and Lastiati (2020) also investigated the impact of audit quality on tax avoidance in Indonesia and Malaysia in 2018. The result revealed that Big Four audit companies lowered the tax avoidance. Since audit quality shields users of financial statement from managers' dishonest and opportunistic behaviour, it is regarded as one of the most effective governance mechanisms. Jihene and Moez (2019) indicated that managers are less inclined to engage in corporate tax avoidance if the audit is of a high calibre because they would suffer negative repercussions should tax authorities uncover their assertive positions. In this regard, audit quality is expected to play a greater role on the relationship between ownership structure and tax avoidance. Therefore, the study hypothesises that.

H_3: Audit quality moderates the nexus between foreign ownership and tax avoidance.

H_4: Audit quality moderates the nexus between managerial ownership and tax avoidance.

Methodology

The study employs secondary data. Pooled regression with robust estimation was used to explore the predictions. In line with the prior studies, non-financial firms are used in the estimation. Five years was used as the sampling period. The period covers 2018 to 2022 with a total of 360 observations (firm-year observations). The data set were retrieved from the financial statements of the listed companies.

Variable Measurement

Consistent with the existing literature (Alkurdi & Mardini, 2020; Pratiwi & Siregar, 2019), tax avoidance which is the dependent variable is measured as Income tax expense divided by profit before tax. In other words, known as effective tax rate. The independent variables of this study are foreign and managerial ownership. Foreign ownership is measured as the shares held by foreign investors divided by total share outstanding. Similarly managerial ownership is measured as shares held by managers divided by total share outstanding. Both of these measurement are consistent with prior studies (Boussaidi & Hamed-Sidhom, 2021; Deef et al., 2021; Idris et al., 2019, 2020; Wongsinhirun et al., 2024). However, big four is used as a proxy of audit quality and is measured as 1 if a company engages one of the big four audit firm as its external auditors otherwise 0 (Gaaya et al., 2017; Jihene & Moez, 2019; Rizqia & Lastiati, 2020). Besides these variables, control variables the study also employed return on assets, leverage, as control variables. Return on assets is used as a proxy of the profitability of a company, leverage (total debt to total assets) for indebtedness These control variables commonly used in the tax avoidance literature (Alkurdi & Mardini, 2020; Dakhli, 2022; Rizqia & Lastiati, 2020). Consequently, the below OLS models with robust standard error were developed to test the prediction.

$TA = \alpha + \beta_1 FS + \beta_2 MS + \beta_3 AQ + \beta_4 RA + \beta_5 LV + e$ ………………..…………….1

$TA = \alpha + \beta_1 FS + \beta_2 MS + \beta_3 AQ + \beta_4 FS*AQ + \beta_5 MS*AQ + \beta_6 RA + \beta_7 LV + e$ ……2

Where:

TA = Tax avoidance

FS = Foreign ownership

MS = Managerial ownership

AQ = Audit quality

FS*AQ= Foreign ownership interaction term

MS*AQ =Managerial ownership interaction term

RA = Return on assets

LV = Leverage

Results and Discussion

Table 1 displays the summary statistics. the discussion is only based on the main variable of interest. The average and median value for the tax avoidance in the sampled companies is 26.3 and 0.28 respectively. Thus the mean values is higher than the value reported by Alkurdi and Mardini (2020) and Dakhli (2022) that reported 21% and 14.3% for Jordanian and French companies respectively. In terms of ownership variables, the mean value for foreign ownership is 28.3% and is higher compared with prior study (Deef et al., 2021) who documented 10.4% from Egyptian listed companies. Likewise, the value of managerial shareholding for this study is 19.6% which is above the values being provided by Deef et al. (2021). The median value of managerial shareholding is 8.4%. This figure served as a basis for computing the dummy variable used for the regression.

Table 1. Summary statistics

Variable	Obs.	Mean	**Median**	Std. Dev.	Min	Max
TA	360	0.263	0.28	0.087	0.100	0.385
FS	360	0.277	0.198	0.279	0.000	0.720
MS	360	0.184	0.084	0.202	0.001	0.592
AQ	360	0.500	1.00	0.501	0.000	1.000
RA	360	0.060	0.066	0.059	-0.050	0.148
LV	360	0.546	0.571	0.214	0.188	0.846

In addition to the summary statistics, the correlation analysis is also discussed. Table depicts the correlations among the variables. Higher correlation may result in multicollinearity (Dakhli, 2022). However, the correlation reported in Table 2 indicates that none of the variable of interest has a correlation higher than 0.5. Therefore, multicollinearity will not pose a threat for study.

Table 2. Correlation analysis

Variable	1	2	3	4	5	6	VIF
1-TA	1.000						-
2-FS	0.003	1.000					1.12
3-MS	-0.070	-0.230***	1.000				1.12
4-AQ	0.172**	-0.283***	0.280***	1.000			1.25
5-RA	0.129*	-0.051	0.026	0.270***	1.000		1.14
6-LV	0.039	-0.061	0.093	0.076	-0.203***	1.000	1.07

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

The result of regression is discussed in Table 3. The Table consist of four columns. Columns 1 and 2 reported the direct model with normal and robust standard error respectively. Similarly, columns 3 and 4 reported the moderating models with normal and robust standard error respectively. All the discussion of findings were based on the result of column 2 and 4 for direct and moderating role. Consistent with the hypothesis 1, foreign ownership has a negative and statistically significant relationship with tax avoidance. Indicating that more the foreign investors in companies will engage in less tax planning practices. This result does not support prior studies (Alkurdi & Mardini, 2020; Shi et al., 2020; Syukur & Jongsureyapart, 2023) who also reported positive association between foreign owners and tax avoidance.

Regarding hypothesis 2, the result shows that managerial ownership is negative but statistically insignificant. Hence, the result did not agree with the hypothesis. Consequently, the result failed to agree with Tanko et al., (2022) and Wongsinhirun et al., (2024) but matches the finding of Bashir and Zachariah (2020) who failed to finding a significant association between managerial shareholding and tax avoidance. These results are reported in column 2. Audit quality has a significant positve effect on tax planning. This result failed to agree with evidence previously documented (Lestari & Nedya, 2019; Rizqia & Lastiati, 2020) This implies that the higher the audit quality the less likely the implementation of tax planning strategy.

Table 3. Results of the Regression

	(1)	(2)	(3)	(4)
VARIABLES	OLS	OLS	OLS Robust	OLS Robust
FS	-0.0369**	-0.0705***	-0.0369**	-0.0705**
	(0.0175)	(0.0262)	(0.0175)	(0.0276)
MS	-0.0142	-0.0469	-0.0142	-0.0469
	(0.0249)	(0.0327)	(0.0247)	(0.0321)

AQ	0.0403***	0.00463	0.0403***	0.00463
	(0.0103)	(0.0183)	(0.0102)	(0.0174)
AQ*FS		0.0665*		0.0665*
		(0.0356)		(0.0354)
AQ*MS		0.0910*		0.0910*
		(0.0497)		(0.0465)
RA	0.209**	0.194**	0.209**	0.194**
	(0.0859)	(0.0859)	(0.0917)	(0.0905)
LV	0.00946	0.0172	0.00946	0.0172
	(0.0235)	(0.0238)	(0.0243)	(0.0240)
YR	Yes	Yes	Yes	Yes
IND	Yes	Yes	Yes	Yes
Constant	0.262***	0.270***	0.262***	0.270***
	(0.0268)	(0.0270)	(0.0264)	(0.0257)
Observations	360	360	360	360
F-Stat	3.20***	3.19***	4.81***	4.57***
R-squared	0.145	0.158	0.145	0.158

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Table 3 also reported the result of moderation. The results are presented in column 3 and 4. As mentioned earlier, the discussion is based on the result reported in column 4. Rogers, (1993) argued that regression estimate based on robust standard error addresses potential threat of heteroskedasticity and time series autocorrelation. The variables in focus are the interaction terms of foreign ownership and managerial ownership (AQ*FS and AQ*MS) respectively. From Table 3, the interaction term of foreign ownership (AQ*FS) is found to be positive and significant statistically. Thus, supporting the prediction that audit quality moderates the relationship between foreign ownership and tax planning. This lend support to the notion that big four audit firm are associated with higher quality audit (Deslandes et al., 2020; Gaaya et al., 2017; Jihene & Moez, 2019). Consequently, big four audit firms may use the flexible laws to engage in tax planning activities.

Furthermore, regarding the effect of audit quality on managerial shareholding, the result depicted in column 4 is consistent with the hypothesis. The result reveals that audit quality positively moderates the association between managerial stake and tax avoidance. Thus, in companies with big four audit firms, the relationship between managerial ownership and tax planning is positive. Indicating that big four audit firm partakes in tax planning activities. The result corroborates view that companies with big four audit firms aid the management in planning their tax effectively as long as it is within the framework of the tax laws. This is because engaging themselves outside the scope of the law may lead litigation in the future and as well endanger their reputation. Hence, lowering the number of their clients and this could affect their revenue. It is worth noting that Companies with good reputations may have a substantial advantage over others and could secure greater bonds with both existing and potential stakeholders (Alzola, 2019; Idris et al., 2024; Ismail et al., 2020; Kaur & Singh, 2018).

Robustness Checking of the Results

We conducted two different robustness checks. First, we re-estimate the two models separately using high and low method for foreign and managerial ownership and it is in agreement with previous studies (Cao et al., 2017; Idris et al., 2020). In this regard, 1 was scored if the percentage of shareholding is above the sample median otherwise 0. The results for the direct and moderating model re-estimated are like those reported previously and further corroborate the hypotheses of the study. The results are based on robust standard error and presented in Table 5 column 3 and 4.

Table 5. Robustness check using high and low method for the independent variable

	Direct model (1)	Moderated model (2)	Direct model (3)	Moderated model (4)
VARIABLES	OLS	OLS	OLS Robust	OLS Robust
FS	-0.0429***	0.0586***	-0.0429***	0.0586***
	(0.00970)	(0.0133)	(0.0101)	(0.0137)
MS	0.00796	0.0317**	0.00796	0.0317**
	(0.0104)	(0.0132)	(0.0109)	(0.0133)
AQ	0.0423***	0.00791	0.0423***	0.00791
	(0.0103)	(0.0192)	(0.0102)	(0.0183)
AQ*FS		0.0333*		0.0333*
		(0.0193)		(0.0188)
AQ*MS		0.0597***		0.0597***
		(0.0204)		(0.0204)
RA	0.186**	0.183**	0.186**	0.183**
	(0.0838)	(0.0837)	(0.0887)	(0.0881)
LV	0.0122	0.0216	0.0122	0.0216
	(0.0236)	(0.0235)	(0.0246)	(0.0234)
AG	0.000772*	0.000839**	0.000772*	0.000839*
	(0.000410)	(0.000423)	(0.000444)	(0.000450)
YR	Yes	Yes	Yes	Yes
IND	Yes	Yes	Yes	Yes
Constant	0.258***	0.270***	0.258***	0.270***
	(0.0265)	(0.0269)	(0.0262)	(0.0263)
Observations	360	360	360	360

F-Stat	4.03***	4.18***	5.73***	6.08***
R-squared	0.175	0.198	0.175	0.198

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Second, we also dichotomised the dependent variable as 1 if the value of greater that the sample median of 0.28 otherwise 0. All measurement of the independent and control variables is retained based on the two primary models. The results of the re-estimation are depicted in Table 6 column 3 and 4. The direction of the re-estimations of direct model for foreign ownership is negative while for managerial ownership is positive both are not statistically significant. Additionally, audit quality is found to be positively related with tax avoidance. However, the result of the moderating model is statistically significant and agrees to the results of the primary model. hence, the result is less sensitive with the change in the measurement of the dependent variable of the study.

Table 6. Robustness check using 1 and 0 as the dependent variable

	Direct model (1)	Moderated model (2)	Direct model (3)	Moderated model (4)
VARIABLES	LGT	LGT	LGT ROB	LGT ROB
FS	-0.671	-1.699**	-0.671	-1.699**
	(0.447)	(0.717)	(0.451)	(0.752)
MS	0.524	-0.738	0.524	-0.738
	(0.655)	(0.879)	(0.671)	(0.908)
AQ	0.612**	-0.614	0.612**	-0.614
	(0.267)	(0.482)	(0.268)	(0.483)
AQ*FS		2.052**		2.052**
		(0.948)		(0.966)
AQ*MS		3.692**		3.692**
		(1.441)		(1.461)
RA	6.829***	6.751***	6.829***	6.751***
	(2.235)	(2.307)	(2.320)	(2.378)
LV	1.181*	1.504**	1.181*	1.504**
	(0.609)	(0.626)	(0.642)	(0.638)
YR	YES	YES	YES	YES
IND	YES	YES	YES	YES
Constant	-1.753**	-1.610**	-1.753**	-1.610**
	(0.712)	(0.748)	(0.685)	(0.725)
Observations	360	360	360	360
Wald chi2	38.65***	48.51***	30.66***	33.56**
Pseudo R2	0.078	0.098	0.078	0.098

Standard errors in parentheses *** p<0.01, ** p<0.05, * p<0.1

Conclusion and Recommendations

The study investigated how audit quality affects the association between corporate tax avoidance and ownership structure. Further, the study employed ordinary least square regression with robust estimation. The results indicate that audit quality moderates positively the association between ownership structure and tax avoidance. The results imply that audit quality proxied by big four audit firms is an important variable that enhances corporate reporting.

Therefore, the study recommends that listed companies should continue to engage the services of big four entities in companies with a high-level stake of foreign and managerial ownership as this will minimize the prevalence practice of tax avoidance. It is also important as part of the recommendation that policy makers should create an interactive symposium for between big four and none-big four auditing firms for knowledge sharing.

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