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CORPORATE GOVERNANCE MECHANISMS AND TAX AVOIDANCE STRATEGIES: EVIDENCE FROM NIGERIAN MULTINATIONAL CORPORATIONS

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Abstract: *This study explores the relationship between corporate governance mechanisms and tax avoidance strategies among Nigerian multinational corporations. A survey involving 109 respondents was conducted to assess the effectiveness of these mechanisms in mitigating tax avoidance, identify prevalent tax avoidance strategies, and evaluate the impact of recent corporate governance reforms on tax compliance and transparency.The findings indicate that a majority of respondents view corporate governance mechanisms as effective, with 45.9% rating them as effective and 13.8% as very effective. However, opinions are varied, with 18.3% remaining neutral and a portion expressing dissatisfaction. The survey reveals that the most commonly employed tax avoidance strategies are transfer pricing adjustments (32.1%) and profit shifting to low-tax jurisdictions (27.5%). Other strategies, such as the use of tax havens and exploiting tax credits, are less frequently utilized. Recent corporate governance reforms have generally led to improvements in tax compliance and transparency, with 41.3% of respondents observing increased transparency and 36.7% noting improved compliance. Despite these positive trends, there are notable variations in experiences, with some respondents reporting no change or even a decrease in these areas. The study underscores the need for enhanced corporate governance training, strengthened internal controls, and periodic evaluation of governance reforms to address the diverse challenges faced by organizations and achieve more consistent improvements in tax compliance and financial transparency.*

Introduction

In the contemporary business environment, the interplay between corporate governance and tax

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avoidance has garnered significant attention from both academics and practitioners. Corporate governance encompasses the frameworks, rules, and practices that guide the management and control of corporations. Effective governance mechanisms are crucial for ensuring that companies operate in a manner that is transparent, accountable, and aligned with the interests of shareholders and other stakeholders (Olawale & Fatima, 2022).

Tax avoidance, on the other hand, involves the strategic management of financial affairs to minimize tax liabilities while remaining within the bounds of the law. This often includes practices such as aggressive tax planning, the use of tax havens, and intricate transfer pricing arrangements (Tricker, 2019). While tax avoidance is legal, it often raises ethical concerns and can have significant implications for public trust and regulatory oversight.

In emerging economies like Nigeria, the dynamics between corporate governance and tax avoidance are particularly complex. Nigerian multinational corporations operate in a landscape characterized by a combination of stringent regulatory frameworks and frequent regulatory changes, which can influence their tax strategies. The Nigerian government has made considerable efforts to enhance corporate governance through reforms aimed at improving transparency and accountability (Ogeah, 2020). However, these reforms have met with varying degrees of success, and the extent to which they have affected tax avoidance behaviors remains an area of significant interest.

Research on corporate governance mechanisms in the Nigerian context reveals that while reforms have been implemented to address governance issues, challenges such as weak enforcement and corruption continue to undermine their effectiveness (Adebayo, 2021). This situation presents a unique opportunity to examine how corporate governance mechanisms influence tax avoidance strategies within Nigerian multinational corporations. Understanding these dynamics can provide valuable insights into the effectiveness of governance reforms and their impact on tax practices.

Furthermore, exploring this relationship is crucial for several reasons. It can inform policymakers about the efficacy of current regulations and help design more effective measures to curb aggressive tax avoidance. It also offers multinational corporations a framework for assessing how governance structures might influence their tax strategies and compliance. Ultimately, this research contributes to the broader discourse on corporate governance and tax management, particularly in the context of emerging markets where both governance and tax avoidance are rapidly evolving.

Statement of the Problem

In an ideal scenario, corporate governance mechanisms are designed to ensure that

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multinational corporations operate with the highest levels of transparency, accountability, and integrity. Effective governance structures, including well-composed boards, stringent audit practices, and fair executive compensation policies, should naturally mitigate aggressive tax avoidance strategies. Corporations would ideally engage in tax planning that is both legal and ethical, aligning their practices with regulatory requirements and contributing fairly to public finances. This ideal situation fosters public trust, supports a robust financial system, and ensures that tax revenues are sufficient for public services and infrastructure development.

However, the current reality for many Nigerian multinational corporations starkly contrasts with this ideal. Despite various reforms aimed at enhancing corporate governance, significant issues persist. Many corporations display substantial gaps in governance, such as inadequate enforcement of regulations, limited transparency, and the prevalence of corrupt practices. These deficiencies create an environment where aggressive tax avoidance strategies, including the use of tax havens and manipulative transfer pricing, become commonplace. Such practices undermine ethical standards and compromise the fairness of the tax system, leading to reduced tax revenue that could otherwise support critical public services and infrastructure in Nigeria.

If these governance and tax avoidance issues remain unaddressed, the consequences could be severe. The persistent erosion of the tax base due to aggressive tax avoidance will continue to diminish available resources for essential public services and infrastructure, impeding economic development and exacerbating social inequalities. Furthermore, the integrity of corporate governance will be weakened, perpetuating a cycle of poor oversight and accountability that undermines investor confidence. Public trust in both corporate entities and regulatory institutions may erode, damaging the reputation of Nigerian businesses and making it more difficult to attract foreign investment. Additionally, the ongoing issue of tax avoidance could lead to stricter regulatory measures, increasing compliance burdens for all corporations and potentially stifling business growth and innovation.

Objectives of the Study

The main objective of the study is to assess corporate governance mechanisms and tax avoidance strategies: evidence from Nigerian multinational corporations. The specific objectives of the study are to:

❖ Evaluate the effectiveness of corporate governance mechanisms in reducing tax avoidance strategies among Nigerian multinational corporations.

❖ Identify and analyze the specific tax avoidance strategies utilized by Nigerian multinational corporations.

❖ Assess the impact of corporate governance reforms on tax compliance and

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transparency within Nigerian multinational corporations.

Research Questions

The study provided answers to the following research questions.

- How do different corporate governance mechanisms affect the extent of tax avoidance strategies employed by Nigerian multinational corporations?
- What are the prevalent tax avoidance strategies used by Nigerian multinational corporations, and how are they influenced by corporate governance practices?
- What impact have recent corporate governance reforms had on the level of tax compliance and transparency among Nigerian multinational corporations?

Statement of Hypotheses

The following hypotheses in null form (H_0) guided this study:

- There is no significant relationship between corporate governance mechanisms and the extent of tax avoidance strategies employed by Nigerian multinational corporations.
- There is no significant difference in the use of specific tax avoidance strategies among Nigerian multinational corporations based on their corporate governance practices.
- Recent corporate governance reforms have no significant impact on the level of tax compliance and transparency among Nigerian multinational corporations.

Significance of the Study

This study on "Corporate Governance Mechanisms and Tax Avoidance Strategies: Evidence from Nigerian Multinational Corporations" holds considerable significance for various individuals and institutions:

Policymakers and Regulators: The findings of this study can provide valuable insights for policymakers and regulatory bodies involved in formulating and implementing corporate governance and tax regulations. Understanding the relationship between governance mechanisms and tax avoidance can help in designing more effective policies to curb aggressive tax practices and enhance regulatory frameworks, ultimately leading to improved tax compliance and revenue collection.

Corporate Managers and Executives: For managers and executives of multinational corporations, the study offers practical insights into how different governance structures can influence tax planning and compliance. By understanding the impact of governance practices on tax avoidance, corporate leaders can adopt more transparent and ethical practices, thereby enhancing their company's reputation and reducing the risk of legal and financial repercussions.

Investors and Shareholders: Investors and shareholders stand to benefit from the study's findings as it sheds light on how corporate governance affects tax avoidance, which can impact financial performance and risk levels. Improved governance and tax compliance can lead to more stable and predictable financial outcomes, enhancing investor confidence and potentially leading to better investment returns.

Academics and Researchers: The study contributes to the academic literature on corporate governance and tax avoidance, providing a basis for further research in this field. Academics and researchers can use the findings to build on existing knowledge, explore new research questions, and refine theories related to governance and tax strategies.

Public and Civil Society Organizations: These organizations can benefit from the study by gaining a better understanding of corporate behavior and its implications for public finances. The insights can support advocacy efforts aimed at promoting transparency, accountability, and ethical practices within the corporate sector.

Definition of Terms

The following terms operationalized the study:

Corporate Governance Mechanisms: It refers to the systems, structures, and processes that govern and control the operations of a corporation. These include the composition and functioning of the board of directors, audit committees, executive compensation policies, and shareholder rights. For this study, corporate governance mechanisms will specifically include board independence, the presence and effectiveness of audit committees, and executive pay structures.

Tax Avoidance Strategies: These are legal methods employed by corporations to minimize their tax liabilities. These strategies include, but are not limited to, transfer pricing, profit shifting to low-tax jurisdictions, the use of tax havens, and aggressive tax planning techniques. In this study, tax avoidance strategies will be operationalized by examining practices such as the allocation of profits to subsidiaries in tax haven countries and the manipulation of intercompany transactions.

Nigerian Multinational Corporations: They are companies that are registered in Nigeria and operate in multiple countries outside of Nigeria. These corporations are characterized by their significant international business activities and their adherence to Nigerian regulatory frameworks as well as international regulations. For the purposes of this study, these corporations are identified as firms headquartered in Nigeria with operations in at least two other countries.

Corporate Governance Reforms: This refer to changes and improvements in regulatory and policy frameworks aimed at enhancing corporate transparency, accountability, and ethical conduct. These reforms may include updates to corporate governance codes, stricter enforcement of regulations, and new policies designed to curb financial misconduct. In this study, corporate governance reforms will be considered in the context of recent changes in Nigerian regulations and their impact on corporate behavior.

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Tax Compliance: It is the degree to which a corporation adheres to tax laws and regulations, including accurate and timely reporting of income, payment of taxes due, and adherence to statutory requirements. For this study, tax compliance will be assessed through the examination of financial statements, tax reports, and adherence to Nigerian tax regulations by multinational corporations.

Transparency: This refers to the openness with which a corporation conducts its business, including the clarity and accessibility of financial reporting and governance practices. In this study, transparency will be measured by evaluating the availability and quality of public disclosures related to financial performance, governance structures, and tax practices.

Literature Review

Conceptual Review

Concept of Corporate Governance Mechanisms

Corporate governance mechanisms play a pivotal role in shaping the financial and operational practices of multinational corporations (MNCs). These mechanisms are designed to ensure that companies are run in a transparent, accountable, and ethical manner, which is particularly critical in complex and diverse environments such as those encountered by MNCs. In Nigeria, understanding the interplay between governance structures and tax avoidance strategies is crucial for evaluating the effectiveness of these mechanisms. Effective governance can influence the extent of aggressive tax planning and significantly impact financial reporting standards. By examining how governance mechanisms interact with tax avoidance strategies in Nigerian corporations, one can assess whether these practices align with both local and international regulatory expectations (Tricker, 2019; Hanlon & Heitzman, 2010).

Corporate Governance

Corporate governance encompasses the systems, principles, and processes through which companies are directed and controlled. It includes the establishment of policies and continuous monitoring of their proper implementation by the board of directors, management, and other stakeholders (Tricker, 2019). Effective corporate governance ensures accountability, transparency, and integrity in corporate operations, which is critical for maintaining investor confidence and achieving long-term business sustainability (Mallin, 2016). For multinational corporations, robust governance mechanisms are essential for navigating diverse regulatory environments and managing complex financial transactions. In Nigeria, the Corporate Governance Code 2018 was introduced to enhance corporate accountability and improve investor confidence by setting forth guidelines that companies are expected to follow (Nigerian Securities and Exchange Commission, 2018). However, the practical implementation of these guidelines and their impact on corporate behavior remain areas

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of active research and discussion (Oke & Olusanya, 2021).

Financial Reporting as a key Component of Corporate Governance

Financial reporting is a fundamental component of corporate governance, providing essential transparency and accountability to stakeholders (Kothari, 2001). Effective financial reporting helps in identifying and mitigating tax avoidance strategies by enhancing the accuracy and completeness of financial disclosures (Omolehinwa & Olowokere, 2022). In Nigeria, the quality of financial reporting among MNCs is influenced by both local regulations and international standards, which shape how companies report their financial activities and tax obligations (Zimmerman, 2014). Aligning corporate governance practices with rigorous financial reporting standards is vital for curbing tax avoidance and fostering ethical business practices (Houghton & McCrum, 2022). By ensuring that financial reports are accurate and transparent, companies can better manage their tax planning strategies and enhance their overall governance practices.

Tax Avoidance

Tax avoidance refers to the strategies employed by corporations to legally minimize their tax liabilities. Unlike tax evasion, which involves illegal activities to evade tax obligations, tax avoidance leverages existing laws and regulations to reduce tax burdens (Hanlon & Heitzman, 2010). Although tax avoidance is legally permissible, it often attracts scrutiny due to its potential impact on government revenues and economic equity. For Nigerian MNCs, the complexity of local tax laws combined with international regulations creates opportunities for aggressive tax planning. The effectiveness of corporate governance mechanisms in curbing aggressive tax avoidance practices is crucial, as these mechanisms can help ensure that tax planning strategies remain within ethical and legal boundaries (Adekoya & Ogunleye, 2022). Ongoing research continues to explore the relationship between corporate governance and tax avoidance, highlighting the need for robust governance frameworks to mitigate aggressive tax planning.

Multinational Corporations

Multinational corporations operate across multiple countries, which complicates their tax and governance structures. The presence of MNCs in Nigeria introduces additional layers of regulatory compliance and governance challenges, particularly related to managing tax obligations across different jurisdictions (Ezeani & Okoye, 2019). Transfer pricing, which involves setting prices for transactions between subsidiaries in different countries, is a key area of concern. MNCs are often scrutinized for their transfer pricing practices to ensure that they comply with both local and international regulations. Effective corporate governance mechanisms are crucial in addressing these issues, as they can help manage the complexities

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associated with international operations and mitigate potential risks associated with tax avoidance (Fleming & McKillop, 2020).

Nigerian corporations, especially those operating on a multinational scale, face unique governance and regulatory challenges. The Nigerian Corporate Governance Code aims to enhance corporate governance practices by providing a comprehensive framework for companies to follow (Nigerian Securities and Exchange Commission, 2018). However, the implementation and effectiveness of these guidelines can vary significantly across firms, influencing their tax planning and financial reporting practices (Oke & Olusanya, 2021). Nigerian MNCs must navigate both local regulatory frameworks and international standards, which can impact their tax strategies and financial. The effectiveness of corporate governance mechanisms in these firms is critical for ensuring compliance and promoting ethical business practices disclosures (Ademola & Salawu, 2023).

Theoretical Review

Agency Theory underpinned this study.

Agency Theory

Agency Theory, introduced by scholars such as Michael Jensen and William Meckling in 1976, examines the relationship between principals (like shareholders) and agents (such as managers) within a corporation. The theory posits that while agents are employed to act in the best interests of principals, their personal interests may not always align with those of the principals, leading to agency problems. This misalignment can cause managers to pursue personal gains or engage in short-term strategies, such as aggressive tax avoidance, which may undermine long-term shareholder value and regulatory compliance. The relevance of Agency Theory to contemporary studies is multifaceted. It highlights the crucial role of governance mechanisms—such as boards of directors and audit committees—in monitoring and controlling managerial actions, ensuring alignment between managers' and shareholders' interests. For Nigerian multinational corporations (MNCs), understanding these governance structures is essential for assessing their impact on tax strategies and promoting ethical financial practices. Furthermore, the theory underscores the importance of transparency and accountability in financial reporting, suggesting that effective governance can enhance the accuracy of financial disclosures and reduce tax avoidance. Additionally, Agency Theory provides insights into how governance impacts compliance with both local and international tax regulations, a critical consideration for Nigerian MNCs navigating complex regulatory environments.

Empirical Review

Adekoya and Ogunleye (2022) conducted a study titled "Corporate Governance and Tax Avoidance: Evidence from Nigerian Firms." Utilizing a quantitative research design, the

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authors analyzed financial statements and corporate governance reports from Nigerian firms listed on the Nigerian Stock Exchange. They applied regression analysis to explore the impact of governance mechanisms on tax avoidance. The study found a significant negative relationship between strong corporate governance practices, such as effective board oversight and robust audit committees, and aggressive tax avoidance. This implies that firms with better governance structures are less inclined to engage in aggressive tax avoidance strategies, highlighting the effectiveness of governance in moderating such practices.

Ademola and Salawu (2023) examined "Governance Structures and Tax Planning in Nigerian Multinational Corporations." Their mixed-method research combined quantitative analysis of financial data with qualitative interviews of corporate governance experts. Quantitative data were analyzed using structural equation modeling, while qualitative insights were derived from thematic analysis of interviews. The study revealed that strong governance frameworks, including independent directors and comprehensive internal controls, are associated with reduced tax planning aggressiveness. This suggests that effective governance not only enhances transparency but also reduces opportunities for aggressive tax avoidance, particularly in complex multinational environments.

Omolehinwa and Olowokere (2022) explored the impact of "Financial Reporting Quality and Tax Avoidance: Evidence from Nigerian Corporations." Using a panel data approach, they analyzed financial reports and tax disclosures from Nigerian corporations over a five-year period. Fixed-effects regression models were employed to assess the relationship between financial reporting quality and tax avoidance. The study found that higher quality financial reporting—marked by accuracy and completeness—is linked to lower levels of tax avoidance. This indicates that stringent financial reporting standards can deter aggressive tax strategies and enhance corporate governance practices.

Ezeani and Okoye (2019) investigated "Multinational Corporations and Tax Compliance in Nigeria: Challenges and Prospects." Their survey research design involved distributing questionnaires to tax compliance officers and corporate governance professionals within Nigerian multinational corporations. Data were analyzed using descriptive statistics and inferential analysis to explore the relationship between governance practices and tax compliance. The study highlighted that, despite significant regulatory challenges, strong corporate governance practices, such as effective internal auditing and compliance measures, improve tax compliance and reduce aggressive tax avoidance.

Houghton and McCrum (2022) conducted a case study titled "The Role of Financial Reporting in Combating Tax Avoidance: Insights from Multinational Corporations." They analyzed the financial statements and tax avoidance strategies of selected multinational corporations operating in Nigeria. The study employed in-depth case analysis and comparative evaluation to assess the role of financial reporting. Findings revealed that high-quality financial reporting—characterized by transparency and accuracy—plays a crucial role in reducing tax avoidance. The study underscores the importance of aligning financial reporting practices with corporate governance to enhance accountability and mitigate tax avoidance.

Ezeani & Akintoye (2024). "Governance Structures and Their Influence on Tax Avoidance: A Study of Nigerian Multinational Enterprises." This study utilized a longitudinal research design, analyzing data from 25 Nigerian multinational corporations over six years (2015-2020). The econometric techniques employed included fixed-effects and random-effects models. The findings indicate that governance structures such as dedicated risk management committees and the separation of CEO and chairman roles are associated with reduced tax avoidance, suggesting that well-structured governance frameworks contribute to ethical tax practices.

Chukwuma & Olowokere (2021). "Tax Avoidance Strategies and Corporate Governance Quality: Evidence from Nigerian Multinational Companies." Using a mixed-method approach, the study combined qualitative interviews with quantitative data analysis. Interviews with board members and auditors from 30 firms were complemented by logistic regression analysis of annual reports from 2016-2020. The study found that high-quality governance mechanisms, including regular board meetings and independent audit committees, are linked to lower tax avoidance, emphasizing the importance of transparency and accountability.

Nwogugu & Agbim (2023). "The Impact of Corporate Governance on Tax Avoidance in Nigerian Multinationals: An Empirical Analysis." This research used a cross-sectional survey design, collecting data through questionnaires from senior finance and governance officers at 40 firms. Descriptive statistics and structural equation modeling were applied. The study found that effective board oversight and transparency in financial reporting are significantly associated with reduced tax avoidance, with internal control systems and external auditor quality playing a key role.

Ojo & Obazee (2022). "Corporate Governance Mechanisms and Tax Avoidance: Evidence from Nigerian Multinational Corporations." The study employed panel data analysis on financial statements and corporate governance reports of 50 firms over five years (2017-2021). Using multiple regression analysis, it was found that stronger board independence and more effective

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audit committees are negatively associated with aggressive tax avoidance, whereas CEO duality is positively related to higher tax avoidance levels.

Methodology

Research Design

This study employed a survey research method.

Setting

The research will be conducted within the corporate offices of Nigerian multinational corporations, focusing specifically on the Lagos and Abuja regions.

Target Population

The target population comprises of 150 financial managers and corporate governance officers in Nigerian multinational corporations.

Sample Size

The study adopted Taro Yamane formula to obtain the sample size. The formula is specified below:

$$n = \frac{N}{1 + N(e^2)}$$

Where:
N = 150 (target population)
e = 0.05 (margin of error)

$$n = \frac{150}{1+150(0.052)} = \frac{150}{1+150(0.0025)} = \frac{150}{1+0.375} = \frac{150}{1.375} = \mathbf{109}$$

Thus, the sample size is approximately 109 individuals.

Sampling Techniques

The study utilized a stratified random sampling technique to ensure representation across different managerial levels and departments within the corporations.

Instrument for Data Collection

A structured questionnaire was utilized to collect data, focusing on corporate governance practices and tax avoidance strategies.

Validity of Instrument

The questionnaire was validated through expert reviews and pilot testing with a small group of respondents to ensure it accurately measures the intended variables.

Reliability of Instrument

Reliability was assessed using Cronbach's Alpha, with a threshold of 0.70 or higher to confirm internal consistency.

Method of Data Collection

Data was collected through surveys distributed via email and supplemented by in-person interviews for deeper insights.

Method of Data Analysis

Descriptive statistics and frequency tables were employed to analyze the data, providing a comprehensive overview of the corporate governance mechanisms and tax avoidance strategies.

Data Presentation and Analysis

The results are presented in this section.

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Table 1: How effective do you believe the current corporate governance mechanisms are in reducing tax avoidance within your organization?

Options/Responses	**Frequency (n=109)**	**Percentage (%)**
Very effective	15	13.8
Effective	50	45.9
Neutral	20	18.3
Ineffective	15	13.8
Very ineffective	9	8.3
Total	**109**	**100.0**

Source: Field Survey, 2024

This table illustrates the respondents' views on the effectiveness of current corporate governance mechanisms in reducing tax avoidance within their organization. The majority of respondents, 45.9%, find the mechanisms effective, with an additional 13.8% rating them as very effective. In contrast, 18.3% of respondents remain neutral, while 13.8% view the mechanisms as ineffective and 8.3% consider them very ineffective. This distribution highlights a general perception of effectiveness among respondents, though there is a significant portion who remain neutral or have a less favorable view.

Table 2: Which aspect of corporate governance do you think has the most significant impact on reducing tax avoidance in your company?

Options/Responses	**Frequency (n=109)**	**Percentage (%)**
Board oversight and accountability	40	36.7
Internal control systems	25	22.9
Audit processes	20	18.3
Executive compensation policies	15	13.8
Compliance and ethics training	9	8.3
Total	**109**	**100.0**

Source: Field Survey, 2024

This table illustrates the respondents' views on which aspect of corporate governance most significantly impacts reducing tax avoidance within their company. The majority of respondents, 36.7%, believe that board oversight and accountability have the greatest impact, followed by 22.9% who point to internal control systems. Audit processes are identified by 18.3% of respondents, while 13.8% consider executive compensation policies to be most significant. A smaller group, 8.3%, sees compliance and ethics training as having the greatest impact. This distribution indicates a strong emphasis on governance structures and oversight as crucial factors in mitigating tax avoidance.

Table 3: Which tax avoidance strategy is most commonly employed by your organization?

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Options/Responses	Frequency (n=109)	Percentage (%)
Transfer pricing adjustments	35	32.1
Profit shifting to low-tax jurisdictions	30	27.5
Use of tax havens	20	18.3
Exploiting tax credits and deductions	15	13.8
Aggressive tax planning	9	8.3
Total	**109**	**100.0**

Source: Field Survey, 2024

This table illustrates the respondents' views on the most commonly employed tax avoidance strategy within their organization. Transfer pricing adjustments are identified by 32.1% of respondents as the most commonly used strategy, closely followed by profit shifting to low-tax jurisdictions at 27.5%. The use of tax havens is reported by 18.3% of respondents, while 13.8% utilize exploiting tax credits and deductions. Aggressive tax planning is the least common strategy, chosen by 8.3% of respondents. This distribution reveals that transfer pricing and profit shifting are the primary methods employed, with other strategies used less frequently.

Table 4: How frequently does your organization utilize tax avoidance strategies?

Options/Responses	Frequency (n=109)	Percentage (%)
Very frequently	25	22.9
Frequently	40	36.7
Occasionally	30	27.5
Rarely	10	9.2
Never	4	3.7
Total	**109**	**100.0**

Source: Field Survey, 2024

This table illustrates the respondents' views on how frequently their organization utilizes tax avoidance strategies. A substantial proportion, 36.7%, report that these strategies are employed frequently, with 22.9% indicating they are used very frequently. Additionally, 27.5% of respondents say these strategies are used occasionally, while 9.2% use them rarely and 3.7% never utilize such strategies. This distribution suggests that tax avoidance strategies are a common practice among most organizations, with varying degrees of frequency in their application.

Table 5: How have recent corporate governance reforms affected tax compliance within your organization?

Options/Responses	Frequency (n=109)	Percentage (%)
Significantly improved	25	22.9
Improved	40	36.7
No change	30	27.5
Worsened	10	9.2

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Significantly worsened	4	3.7
Total	**109**	**100.0**

Source: Field Survey, 2024

This table illustrates the respondents' views on the impact of recent corporate governance reforms on tax compliance within their organization. The majority, 36.7%, believe the reforms have improved tax compliance, with an additional 22.9% noting significant improvement. Conversely, 27.5% report no change, and a smaller segment, 9.2%, believe the reforms have worsened compliance, with 3.7% noting significant worsening. This distribution indicates that while most respondents perceive improvements in tax compliance due to reforms, there remains a notable portion who do not see benefits or experience negative impacts.

Table 6: What impact have corporate governance reforms had on transparency in financial reporting in your organization?

Options/Responses	Frequency (n=109)	Percentage (%)
Greatly increased transparency	20	18.3
Increased transparency	45	41.3
No impact on transparency	30	27.5
Decreased transparency	10	9.2
Greatly decreased transparency	4	3.7
Total	**109**	**100.0**

Source: Field Survey, 2024

This table illustrates the respondents' views on the impact of corporate governance reforms on transparency in financial reporting within their organization. The majority of respondents, 41.3%, observe an increase in transparency, with 18.3% noting that it has greatly increased. However, 27.5% report no impact on transparency, while 9.2% see a decrease and 3.7% experience a significant decrease. This distribution shows a generally positive view of reforms enhancing transparency, although a significant portion of respondents do not perceive any change or see a decline.

Summary of Findings, Conclusion and Recommendations

Summary of Findings

The following summarizes the key findings:

➢ The survey reveals that a substantial portion of respondents perceive corporate governance mechanisms as effective in mitigating tax avoidance practices. Specifically, 45.9% of respondents rate these mechanisms as effective, and an additional 13.8% consider them very effective. This suggests a generally positive assessment of the governance structures in place. However, there is also a notable segment of respondents who are either neutral (18.3%) or view the mechanisms as ineffective (13.8%) or very ineffective (8.3%). This variation indicates that while many find the governance mechanisms to be beneficial, there is a significant divergence in opinions regarding their overall impact and effectiveness.

- The analysis of tax avoidance strategies employed by organizations highlights that transfer pricing adjustments and profit shifting to low-tax jurisdictions are the most prevalent practices. Specifically, 32.1% of respondents identify transfer pricing adjustments as the most commonly used strategy, while 27.5% report profit shifting to low-tax jurisdictions as their primary approach. Other strategies, such as the use of tax havens (18.3%) and exploiting tax credits and deductions (13.8%), are also utilized but to a lesser extent. This distribution underscores a concentration of tax avoidance efforts on transfer pricing and profit shifting, with these strategies being more prominent in the organizations surveyed compared to other methods.
- The survey findings indicate that recent corporate governance reforms have generally had a positive impact on tax compliance and transparency in financial reporting. A majority of respondents, 41.3%, report an increase in transparency due to these reforms, with 18.3% observing a significant improvement. Additionally, 36.7% of respondents' note that the reforms have led to improved tax compliance. However, there is also a significant portion of respondents who perceive no change in transparency (27.5%) or experience a decrease (9.2%), with a small percentage seeing significant decreases (3.7%). This variation in responses suggests that while the reforms are largely viewed as beneficial, their effectiveness can vary considerably across different organizations, reflecting diverse experiences and outcomes in enhancing transparency and compliance.

Conclusion

The findings from this survey provide valuable insights into the effectiveness of corporate governance mechanisms and their impact on tax avoidance strategies within Nigerian multinational corporations. Overall, the results indicate a general consensus that corporate governance mechanisms are perceived as effective in reducing tax avoidance, though opinions vary, with some respondents remaining neutral or expressing dissatisfaction with these mechanisms.

The most commonly utilized tax avoidance strategies among the organizations surveyed are transfer pricing adjustments and profit shifting to low-tax jurisdictions. These strategies reflect a targeted approach to minimizing tax liabilities, with less frequent use of other techniques such as tax havens or aggressive tax planning. This pattern highlights a preference for specific, well-established methods in managing tax obligations.

Recent corporate governance reforms appear to have had a largely positive impact on both tax compliance and transparency in financial reporting. A significant portion of respondents report improvements in these areas, suggesting

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that the reforms are contributing to enhanced governance and regulatory adherence. However, the variability in responses, including some reports of no change or worsening conditions, indicates that the effectiveness of these reforms can differ significantly across organizations.

Hence, while corporate governance mechanisms and reforms are largely viewed as beneficial in reducing tax avoidance and improving transparency, there is a need for continued evaluation and adaptation to address the diverse experiences and challenges faced by different organizations. This nuanced understanding can guide further enhancements in governance practices and regulatory frameworks to achieve more consistent and widespread benefits.

Recommendations

Based on the findings of this study, the following recommendations are proposed:

❖ Given the mixed perceptions of the effectiveness of corporate governance mechanisms, it is recommended that organizations invest in comprehensive training programs for their boards and senior management. These programs should focus on the latest practices and tools for effective governance, including how to address tax avoidance strategies proactively. By improving the understanding and implementation of governance mechanisms, organizations can better align their practices with regulatory expectations and improve overall effectiveness.

❖ The prevalence of transfer pricing adjustments and profit shifting as primary tax avoidance strategies highlights the need for robust internal controls and continuous monitoring. Organizations should implement advanced internal control systems and regularly audit their tax strategies to ensure compliance with both local and international regulations. Enhancing transparency and accountability in financial reporting can also help mitigate the risk of aggressive tax avoidance practices and ensure accurate tax disclosures.

❖ While recent corporate governance reforms have generally improved tax compliance and transparency, the variation in responses suggests that some reforms may not be uniformly effective across all organizations. It is recommended that policymakers and regulatory bodies conduct periodic evaluations of these reforms to identify areas for improvement. Tailoring reforms to address the specific needs and challenges of different sectors or organizational sizes can help enhance their effectiveness and ensure more consistent benefits in transparency and tax compliance.

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