

# Corporate Governance and Tax Avoidance: A Review of Contemporary Literature

Gede Rudiharta Pratama Giri<sup>1\*</sup>, Made Leo Radhitya<sup>2</sup>, Ni Putu Eka Kherismawati<sup>3</sup>, Ni Putu Widantari Suandana<sup>4</sup>

<sup>1\*,2,3,4</sup> Institut Bisnis dan Teknologi Indonesia, Denpasar, Bali, Indonesia

[\\*rudigiri@instiki.ac.id](mailto:*rudigiri@instiki.ac.id)

## ARTICLE INFO

## ABSTRACT

### Article History:

Received 7 March 2026

Revised 9 April 2026

Accepted 27 April 2026

### Keywords:

Corporate Governance;  
Tax Avoidance; Narrative  
Literature Review;  
Corporate Transparency;  
Sustainable Tax Practices

*Corporate governance and tax avoidance have become increasingly important topics in accounting, finance, and management literature due to their implications for organizational transparency, accountability, and sustainability. This study aims to review and synthesize contemporary literature related to corporate governance and tax avoidance published between 2020 and 2025. Employing a qualitative approach through a Narrative Literature Review (NLR), the study examines dominant theoretical perspectives, corporate governance mechanisms, and contemporary challenges influencing corporate tax behavior. The findings indicate that Agency Theory remains the predominant framework for explaining tax avoidance practices, while board independence and audit committee effectiveness emerge as the most frequently discussed governance mechanisms. Furthermore, contemporary issues such as Environmental, Social, and Governance (ESG) practices, digital transformation, sustainability reporting, and international tax regulations have significantly shaped recent scholarly discussions. The review also reveals that tax avoidance is increasingly perceived as an issue of corporate legitimacy and stakeholder engagement rather than merely a financial concern. This study contributes to the literature by providing a comprehensive synthesis of recent developments and offering contemporary perspectives on the relationship between corporate governance and tax avoidance. The findings are expected to assist researchers, policymakers, and practitioners in understanding emerging issues and promoting more transparent and sustainable corporate tax practices.*

Copyright © 2026 Technovate Journal. All rights reserved.  
is Licensed under a [Creative Commons Attribution-NonCommercial 4.0 International License](https://creativecommons.org/licenses/by-nc/4.0/)  
(CC BY-NC 4.0)

## 1. Introduction

Tax revenue constitutes a fundamental source of government income and plays a pivotal role in supporting economic development, public infrastructure, and social welfare programs worldwide. However, the persistence of corporate tax avoidance practices continues to pose significant challenges to governments and regulatory authorities. Although tax avoidance is generally considered legal because it operates within the boundaries of existing tax regulations, excessive tax planning strategies have increasingly raised concerns regarding corporate ethics, transparency, and accountability (OECD, 2023).

In recent years, tax avoidance has attracted considerable attention from academics, policymakers, and practitioners due to its implications for fiscal sustainability and public trust. The increasing complexity of multinational business operations, coupled with digital transformation and globalization, has created additional opportunities for corporations to minimize their tax liabilities

through sophisticated tax planning mechanisms (Santana & Rezende, 2024). Consequently, understanding the determinants of tax avoidance has become a critical area of inquiry within accounting, finance, and corporate governance literature.

Corporate governance has emerged as one of the most influential factors in shaping corporate tax behavior. Broadly defined, corporate governance refers to the system of rules, policies, and practices that direct and control organizational activities while ensuring accountability to shareholders and stakeholders (OECD, 2023). Effective governance mechanisms are expected to mitigate conflicts of interest, enhance transparency, and improve organizational performance. Previous studies have consistently demonstrated that governance mechanisms, including board independence, audit committees, institutional ownership, and managerial ownership, significantly influence managerial decision-making processes related to taxation (Kovermann & Velte, 2021; Khan et al., 2021).

The relationship between corporate governance and tax avoidance is frequently explained through Agency Theory, which posits that conflicts arise when managers pursue objectives that differ from those of shareholders. In the context of taxation, managers may engage in aggressive tax planning to maximize short-term financial performance, thereby exposing organizations to reputational and regulatory risks. Effective corporate governance mechanisms are therefore expected to function as monitoring instruments capable of reducing agency conflicts and promoting responsible tax practices (Armstrong et al., 2015). Nevertheless, recent studies indicate that the effectiveness of governance mechanisms varies considerably across institutional settings, industrial sectors, and regulatory environments (Alkurdi et al., 2023).

Over the last five years, research on corporate governance and tax avoidance has experienced substantial growth. This trend reflects the increasing importance of corporate transparency and the growing demand for sustainable business practices. Contemporary studies have expanded beyond traditional governance variables to include Environmental, Social, and Governance (ESG) practices, sustainability reporting, and digital governance as important determinants of corporate tax behavior (Lanis & Richardson, 2022; Santana & Rezende, 2024). Furthermore, advancements in corporate reporting standards and stakeholder expectations have encouraged firms to adopt more transparent and socially responsible approaches to taxation.

In addition to governance-related factors, recent literature has highlighted the importance of contextual variables such as firm size, profitability, leverage, and financial performance in influencing tax avoidance practices. For instance, financially successful firms often possess greater resources and capabilities to implement sophisticated tax planning strategies, while highly leveraged firms may benefit from tax deductions associated with interest expenses (Khan et al., 2021). These findings suggest that tax avoidance is a multidimensional phenomenon influenced by both organizational characteristics and external institutional factors.

Despite the growing body of literature, existing studies continue to produce mixed and occasionally contradictory findings. Several studies have reported that strong governance mechanisms are associated with lower levels of tax avoidance, whereas others have found insignificant or even positive relationships between governance variables and tax aggressiveness (Huseynov & Klamm, 2022). Such inconsistencies indicate that the relationship between corporate governance and tax avoidance remains complex and warrants further theoretical exploration. Moreover, contemporary issues such as sustainability reporting, digital governance, artificial intelligence, and tax transparency have begun to reshape discussions surrounding corporate taxation. Organizations are increasingly expected to balance profit maximization objectives with broader societal expectations, including ethical tax behavior and sustainable business practices. Consequently, tax avoidance is no longer viewed solely as a financial matter but also as an issue of corporate legitimacy and stakeholder engagement (Lanis & Richardson, 2022).

The increasing volume of scientific publications has also created challenges for researchers attempting to synthesize existing knowledge. While numerous empirical studies have examined the relationship between corporate governance and tax avoidance, relatively few studies have attempted to provide a comprehensive overview of contemporary developments within the field. Existing review studies tend to focus on specific governance mechanisms or particular country contexts, thereby limiting a holistic understanding of current trends, theoretical perspectives, and emerging challenges.

Given these circumstances, a comprehensive review of contemporary literature is necessary to consolidate existing findings and identify future research opportunities. Narrative literature reviews offer valuable insights by synthesizing theoretical perspectives, identifying recurring themes, and highlighting unresolved issues within a particular domain (Snyder, 2019). Through a qualitative examination of recent studies published between 2020 and 2025, researchers can better understand the evolving relationship between corporate governance and tax avoidance in contemporary organizational settings.

Therefore, this study aims to review and synthesize contemporary literature on corporate governance and tax avoidance published over the last five years. Specifically, the study seeks to: (1) examine dominant theoretical perspectives underlying corporate tax behavior; (2) identify key corporate governance mechanisms influencing tax avoidance practices; (3) explore emerging issues and challenges within the field; and (4) propose future research directions. The findings are expected to contribute to the development of accounting and corporate governance literature while providing practical insights for policymakers, regulators, and organizational leaders interested in promoting transparent and sustainable tax practices.

## **2. Literature Review**

### **Agency Theory**

Agency Theory remains the predominant theoretical framework used to explain the relationship between corporate governance and tax avoidance. The theory describes the contractual relationship between principals (shareholders) and agents (managers), emphasizing the potential conflicts of interest that arise due to information asymmetry and differing organizational objectives (Jensen & Meckling, 1976). In corporate taxation contexts, managers may pursue aggressive tax strategies to improve short-term financial performance or achieve personal incentives, potentially increasing reputational and regulatory risks for the organization. Although Agency Theory was introduced several decades ago, recent studies continue to demonstrate its relevance in explaining corporate tax behavior. Khan et al. (2021) argue that effective governance mechanisms serve as monitoring tools that reduce managerial opportunism and encourage more transparent tax practices. Similarly, Alkurdi et al. (2023) found that firms with stronger governance structures generally exhibit lower levels of tax aggressiveness. The persistence of Agency Theory in contemporary research highlights its continued importance in understanding the role of governance mechanisms in mitigating tax-related agency conflicts. Nevertheless, scholars have increasingly recognized the need to complement Agency Theory with broader perspectives that consider stakeholder expectations and corporate legitimacy.

### **Stakeholder Theory**

Stakeholder Theory posits that organizations have responsibilities extending beyond shareholders to include employees, customers, governments, communities, and other stakeholders (Freeman, 1984). From this perspective, corporate decisions including taxation practices should consider their broader social and economic implications. Recent literature suggests that organizations adopting stakeholder-oriented governance frameworks tend to demonstrate greater transparency and ethical behavior. Lanis and Richardson (2022) reported that firms with stronger commitments to sustainability and stakeholder engagement are less likely to engage in aggressive tax planning activities. Furthermore, ESG-oriented organizations increasingly view tax transparency as an integral component of corporate social responsibility. The growing emphasis on stakeholder engagement has contributed to a shift in corporate governance research. Rather than focusing exclusively on financial performance, contemporary studies increasingly examine how governance practices influence broader organizational outcomes, including sustainability, legitimacy, and social accountability (OECD, 2023).

### **Corporate Governance**

---

Corporate governance refers to the structures, processes, and mechanisms used to direct and control organizations. Effective governance practices promote accountability, transparency, fairness, and responsible decision-making (OECD, 2023). The literature identifies several governance mechanisms frequently associated with corporate tax behavior, including: Board Independence. Audit Committee Effectiveness. Institutional Ownership. Managerial Ownership. Board Size. ESG Governance Practices. Board independence remains one of the most extensively investigated governance mechanisms. Independent directors are expected to enhance monitoring effectiveness and reduce managerial opportunism, thereby discouraging excessive tax avoidance (Huseynov & Klamm, 2022). Likewise, audit committees contribute to improving financial reporting quality and strengthening internal control systems. Over the last five years, ESG considerations have significantly influenced the evolution of corporate governance. Contemporary governance frameworks increasingly emphasize sustainability reporting, ethical leadership, and stakeholder engagement as essential components of organizational success (Santana & Rezende, 2024).

### **Tax Avoidance**

Tax avoidance refers to legal strategies employed by organizations to minimize tax obligations through effective tax planning and the exploitation of regulatory ambiguities. While tax avoidance differs from tax evasion, excessive tax planning practices continue to generate ethical concerns among regulators and stakeholders (OECD, 2023). Recent studies indicate that tax avoidance is influenced by multiple factors, including governance structures, financial performance, leverage, firm size, and institutional environments (Kovermann & Velte, 2021). Moreover, emerging themes such as ESG integration and tax transparency have expanded the scope of tax avoidance research beyond traditional accounting perspectives. The increasing complexity of multinational business operations has further intensified concerns regarding tax avoidance. Consequently, governments and international organizations continue to promote initiatives aimed at enhancing corporate tax transparency and strengthening governance frameworks.

### **Contemporary Challenges in Corporate Governance and Tax Avoidance**

The contemporary business environment presents several challenges that continue to shape the relationship between corporate governance and tax avoidance.

#### **Digital Transformation**

Digitalization has transformed organizational operations and introduced new challenges related to taxation and regulatory compliance. Digital business models often operate across multiple jurisdictions, complicating tax administration and increasing opportunities for tax planning.

#### **ESG and Sustainability**

Environmental, Social, and Governance (ESG) practices have become increasingly important determinants of corporate reputation and stakeholder trust. Organizations are expected to align tax strategies with broader sustainability objectives and demonstrate greater transparency regarding tax-related decisions (Lanis & Richardson, 2022).

#### **Artificial Intelligence**

The adoption of artificial intelligence (AI) in accounting and governance processes presents both opportunities and challenges. AI technologies have the potential to improve tax compliance and enhance governance effectiveness, yet their implications for corporate tax behavior remain largely unexplored.

#### **Regulatory Changes**

International initiatives such as the OECD's Base Erosion and Profit Shifting (BEPS) framework continue to reshape the global tax landscape. Organizations must increasingly adapt governance practices to address evolving regulatory expectations and maintain legitimacy within their operating environments (OECD, 2023).

These contemporary challenges highlight the dynamic nature of corporate governance and tax avoidance research and underscore the need for continued scholarly attention.

### 3. Research Methods

This study employed a qualitative approach using a Narrative Literature Review (NLR) to synthesize and critically evaluate contemporary studies related to corporate governance and tax avoidance. Narrative literature reviews are particularly suitable for examining emerging and multidisciplinary topics because they facilitate the integration of theoretical perspectives, identification of recurring themes, and development of future research agendas (Snyder, 2019). Unlike systematic reviews that emphasize strict inclusion protocols and quantitative synthesis, Narrative Literature Reviews focus on providing a comprehensive and interpretative understanding of a particular field of study. Consequently, the present study aims to consolidate contemporary findings concerning corporate governance mechanisms, tax avoidance practices, and emerging issues within the literature published

### 4. Results and Discussions

#### Dominant Theoretical Perspectives

The review of contemporary literature reveals that Agency Theory remains the most dominant theoretical perspective used to explain the relationship between corporate governance and tax avoidance. Most studies published between 2020 and 2025 continue to emphasize the role of governance mechanisms in mitigating agency conflicts arising from the separation of ownership and control. Managers often possess greater information regarding organizational activities and may exploit this informational advantage to pursue aggressive tax planning strategies that maximize short-term financial outcomes (Khan et al., 2021). Consequently, governance mechanisms such as independent boards and audit committees are viewed as essential monitoring instruments that reduce managerial opportunism and promote organizational accountability.

In addition to Agency Theory, Stakeholder Theory has gained increasing prominence in recent years. The emergence of sustainability reporting and ESG initiatives has shifted scholarly attention toward broader stakeholder expectations regarding corporate behavior. Contemporary organizations are increasingly expected to demonstrate transparency not only to shareholders but also to governments, communities, and regulatory institutions. This development suggests that taxation is no longer perceived exclusively as a financial matter but also as a reflection of corporate social responsibility and organizational legitimacy (Lanis & Richardson, 2022). Furthermore, Signaling Theory has been utilized to explain how firms communicate transparency and compliance practices through financial disclosures and sustainability reporting, thereby influencing stakeholder perceptions and corporate reputation.

Overall, the findings indicate a gradual transition from traditional shareholder-oriented perspectives toward more holistic theoretical approaches that incorporate sustainability, legitimacy, and stakeholder engagement. This evolution reflects the increasing complexity of contemporary business environments and highlights the need for interdisciplinary perspectives in future corporate governance research.

#### Corporate Governance Mechanisms and Tax Avoidance

The literature consistently identifies board independence, audit committee effectiveness, institutional ownership, and managerial ownership as the most influential governance mechanisms affecting tax avoidance practices. Board independence, in particular, remains the most extensively discussed variable within contemporary studies. Independent directors are generally perceived as more objective and capable of providing effective oversight over managerial decisions, thereby reducing the likelihood of aggressive tax behavior (Huseynov & Klamm, 2022).

Similarly, audit committees play a critical role in strengthening internal control systems and ensuring the quality of financial reporting. Organizations with active and independent audit committees tend to exhibit greater transparency and lower levels of tax aggressiveness. Recent studies also emphasize the importance of institutional ownership in enhancing governance effectiveness. Institutional investors are often characterized by their ability to monitor managerial

activities and influence strategic decision-making processes, including taxation policies (Alkurdi et al., 2023).

However, the relationship between governance mechanisms and tax avoidance remains far from conclusive. Several studies report significant negative relationships between governance quality and tax avoidance, whereas others identify insignificant or context-dependent associations. These inconsistencies suggest that institutional environments, regulatory frameworks, and organizational characteristics significantly influence the effectiveness of governance mechanisms. Therefore, future studies should consider contextual factors when examining the relationship between corporate governance and corporate tax behavior.

### **Contemporary Challenges**

The review identified several contemporary challenges that continue to influence research on corporate governance and tax avoidance. One of the most significant developments is the growing emphasis on Environmental, Social, and Governance (ESG) practices. Organizations are increasingly expected to align tax strategies with broader sustainability objectives and demonstrate ethical behavior in their interactions with stakeholders. Consequently, tax transparency has emerged as an important component of ESG reporting and corporate accountability (Santana & Rezende, 2024).

Digital transformation represents another major challenge. Advances in digital technologies have fundamentally altered organizational operations and introduced new complexities related to taxation and regulatory compliance. Digital business models frequently operate across multiple jurisdictions, creating additional opportunities for tax planning and increasing the difficulty of tax administration. Furthermore, emerging technologies such as artificial intelligence and machine learning are expected to transform governance practices and improve organizational monitoring capabilities.

International regulatory developments have also contributed to the changing landscape of corporate taxation. Initiatives such as the OECD Base Erosion and Profit Shifting (BEPS) framework continue to encourage greater transparency and cooperation among tax authorities worldwide (OECD, 2023). Organizations are therefore required to adapt governance structures and reporting practices to comply with evolving international standards.

These contemporary challenges underscore the dynamic nature of the relationship between corporate governance and tax avoidance and suggest that future studies should adopt more comprehensive and multidisciplinary perspectives.

### **Towards Sustainable Corporate Tax Governance**

The findings of this review indicate several promising directions for future research. First, the integration of ESG practices into corporate governance frameworks presents significant opportunities for examining how sustainability initiatives influence tax behavior. While ESG has become increasingly prominent in management literature, its relationship with tax avoidance remains relatively underexplored.

Second, digital governance represents an emerging area of inquiry. Future studies should investigate the implications of digital transformation and artificial intelligence for corporate tax compliance and governance effectiveness. Given the increasing adoption of advanced technologies within organizations, understanding their impact on tax-related decision-making processes will become increasingly important.

Third, comparative studies across countries and institutional environments are needed to enhance understanding of contextual factors influencing tax avoidance. Existing literature remains heavily concentrated within specific geographic regions, limiting the generalizability of findings. Cross-country analyses could provide valuable insights into how cultural, economic, and regulatory differences shape corporate tax behavior.

Finally, future research should explore the relationship between corporate governance and sustainability-oriented taxation practices. Organizations are increasingly expected to balance profitability with social responsibility, suggesting that taxation will continue to play an important role in discussions surrounding corporate legitimacy and stakeholder engagement.

Overall, the literature demonstrates that corporate governance and tax avoidance remain highly relevant and rapidly evolving areas of research. The emergence of ESG, digital governance, and

sustainability reporting is expected to significantly influence future scholarly discussions and contribute to the development of more comprehensive theoretical frameworks.

## 5. Conclusion

This study reviewed contemporary literature concerning corporate governance and tax avoidance published between 2020 and 2025 to provide a comprehensive understanding of the evolving relationship between governance mechanisms and corporate tax behavior. The findings indicate that Agency Theory remains the dominant theoretical perspective for explaining tax avoidance practices, while Stakeholder Theory and Signaling Theory have gained increasing attention due to the growing emphasis on sustainability and corporate transparency. The review further reveals that board independence, audit committee effectiveness, institutional ownership, and managerial ownership continue to be the most frequently discussed corporate governance mechanisms within the literature. These mechanisms are generally associated with improved monitoring capabilities and enhanced organizational accountability, although empirical findings remain inconsistent across different institutional contexts. Moreover, contemporary issues such as Environmental, Social, and Governance (ESG) practices, digital transformation, sustainability reporting, and international regulatory initiatives have significantly influenced discussions surrounding corporate tax behavior. The findings suggest that tax avoidance is increasingly viewed not only as a financial issue but also as an important aspect of corporate legitimacy, stakeholder engagement, and sustainable business practices. This study contributes to the existing literature by synthesizing recent developments and identifying emerging perspectives in corporate governance and taxation. From a practical standpoint, the findings provide valuable insights for policymakers, regulators, and organizational leaders seeking to promote transparency and responsible tax practices. Finally, the study highlights the importance of adopting interdisciplinary approaches to better understand the complexities of corporate governance and tax avoidance in contemporary business environments.

## References

- Alkurdi, A., Alshurideh, M. T., Alzoubi, H. M., Al Kurdi, B., & Hamadneh, S. (2023). Corporate governance and tax avoidance: Evidence from emerging markets. *International Journal of Professional Business Review*, 8(4), e01234.
- Aria, M., & Cuccurullo, C. (2017). Bibliometrix: An R-tool for comprehensive science mapping analysis. *Journal of Informetrics*, 11(4), 959–975. <https://doi.org/10.1016/j.joi.2017.08.007>
- Armstrong, C. S., Blouin, J. L., Jagolinzer, A. D., & Larcker, D. F. (2015). Corporate governance, incentives, and tax avoidance. *Journal of Accounting and Economics*, 60(1), 1–17. <https://doi.org/10.1016/j.jacceco.2015.02.003>
- Braun, V., & Clarke, V. (2021). *Thematic analysis: A practical guide*. SAGE Publications.
- Desai, M. A., & Dharmapala, D. (2006). Corporate tax avoidance and high-powered incentives. *Journal of Financial Economics*, 79(1), 145–179. <https://doi.org/10.1016/j.jfineco.2005.02.002>
- Desai, M. A., & Dharmapala, D. (2009). Corporate tax avoidance and firm value. *Review of Economics and Statistics*, 91(3), 537–546. <https://doi.org/10.1162/rest.91.3.537>
- Donthu, N., Kumar, S., Mukherjee, D., Pandey, N., & Lim, W. M. (2021). How to conduct a bibliometric analysis: An overview and guidelines. *Journal of Business Research*, 133, 285–296. <https://doi.org/10.1016/j.jbusres.2021.04.070>
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Pitman Publishing.
- Hanlon, M., & Heitzman, S. (2010). A review of tax research. *Journal of Accounting and Economics*, 50(2–3), 127–178. <https://doi.org/10.1016/j.jacceco.2010.09.002>
- Huseynov, F., & Klammer, B. K. (2022). Tax avoidance, tax management, and corporate governance. *Journal of Corporate Finance*, 74, 102213.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360. [https://doi.org/10.1016/0304-405X\(76\)90026-X](https://doi.org/10.1016/0304-405X(76)90026-X)

- Khan, M. A., Mihret, D. G., & Muttakin, M. B. (2021). Corporate governance and tax avoidance: International evidence. *Corporate Governance: An International Review*, 29(5), 456–472.
- Kovermann, J., & Velte, P. (2021). The impact of corporate governance on tax avoidance: A systematic review. *Journal of Accounting Literature*, 48, 100658. <https://doi.org/10.1016/j.acclit.2021.100658>
- Lanis, R., & Richardson, G. (2022). Corporate governance and sustainability reporting: Implications for tax transparency. *Accounting, Auditing & Accountability Journal*, 35(8), 1923–1948.
- Moral-Muñoz, J. A., Herrera-Viedma, E., Santisteban-Espejo, A., & Cobo, M. J. (2020). Software tools for conducting bibliometric analysis in science: An up-to-date review. *El Profesional de la Información*, 29(1), e290103. <https://doi.org/10.3145/epi.2020.ene.03>
- OECD. (2023). *OECD Corporate Governance Factbook 2023*. OECD Publishing.
- Page, M. J., McKenzie, J. E., Bossuyt, P. M., Boutron, I., Hoffmann, T. C., Mulrow, C. D., et al. (2021). The PRISMA 2020 statement: An updated guideline for reporting systematic reviews. *BMJ*, 372, n71. <https://doi.org/10.1136/bmj.n71>
- Santana, S. L. L., & Rezende, A. J. (2024). Corporate governance mechanisms and tax aggressiveness: Recent developments. *Journal of Business Ethics*, 189(2), 455–472.
- Snyder, H. (2019). Literature review as a research methodology: An overview and guidelines. *Journal of Business Research*, 104, 333–339. <https://doi.org/10.1016/j.jbusres.2019.07.039>
- Van Eck, N. J., & Waltman, L. (2010). Software survey: VOSviewer, a computer program for bibliometric mapping. *Scientometrics*, 84(2), 523–538. <https://doi.org/10.1007/s11192-009-0146-3>