World Academy of Science, Engineering and Technology
International Journal of Economics and Management Engineering
Vol:16, No:06, 2022

Tax Avoidance and Leadership Replacement: Moderating Influence of Ownership and Political Connections

Authors : Radwan Hussien Alkebsee

Abstract : Under the argument that reputational costs deter firms from engaging in tax avoidance activities, this paper investigates the relationship between tax avoidance and forced CEO turnover. This study is based on a broad sample of Chinese listed companies spanning the period 2011 to 2018. The findings reveal that tax avoidance is positively associated with forced CEO turnover. This suggests that firms that engage in tax avoidance experience a high rate of leadership replacement. The findings also reveal that the positive association between tax avoidance and forced CEO turnover is pronounced for state-owned firms, firms with no political connections, and firms located in “more developed” regions with extensive tax enforcement action, while it is not for private firms, firms with political connections, and firms located in “less developed” regions with weak tax enforcement actions. The baseline results remain consistent and robust for endogeneity concerns.

Keywords : tax avoidance, CEO turnover, political connections, regional tax enforcement, China
Conference Title : ICTSED 2022 : International Conference on Taxation Systems and Economic Development
Conference Location : Dubai, United Arab Emirates
Conference Dates : June 27-28, 2022