



Navigating the Intersection of Corporate Governance and Corporate Tax Planning: A Scoping Review

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ABSTRACT

The scoping review analyses the convergence of corporate governance and corporate tax planning. The aim of this review is to identify the publication trends, key issues and areas of limited understanding in the current academic literature. Corporate governance structures balance the interests of shareholders, management and other stakeholders. Tax planning, on the other hand, involves strategies aimed at reducing an organisation's tax liability while ensuring compliance. Recent studies point to an intricate relationship between these two areas. The extent and form of tax planning activities can be influenced by corporate governance mechanisms, including ownership structure and board composition. Strong, independent boards may be more inclined to favour tax strategies that are consistent with long-term value creation rather than resorting to aggressive tax planning strategies. Hence, the objective of this review relevant academic articles, focusing on research that examines the relationship between corporate governance characteristics and corporate tax planning. This will provide a basis for future research that can further investigate this important relationship. Overall, this scoping review aims to provide a comprehensive overview of the current state of knowledge on the influence of corporate governance on companies' tax planning

practises. This information can provide valuable insights to policymakers, regulators and business leaders in their efforts to create a fair and open tax environment.

Keyword: Scoping Review, Corporate Governance, Tax Planning, Sustainable Development Goals

INTRODUCTION

In today's globalised business world, corporate tax practises are under increasing scrutiny. Finding a balance between maximising shareholder value and fulfilling tax obligations is a key challenge for corporate management. Corporate governance, the system of rules and practises that governs decision-making within a company, plays a central role in shaping tax planning strategies. Effective corporate governance is critical to fostering a robust business climate as it strengthens transparency and accountability within organisations. [1] defines corporate governance as *"the process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporate accountability with the ultimate objective of realising long-term shareholder value, whilst taking into account the interests of other stakeholders"* (p. 3).

According to the seminal work of [2], the board of directors plays a central role in the governance of large companies and acts as a critical mechanism for aligning the interests of management with those of shareholders. They argue that the responsibilities of the board are closely tied to the broader framework of corporate governance rules, which aim to improve the accountability and transparency of an organisation. Consequently, a higher proportion of independent directors is expected to foster a culture of enhanced disclosure. This increased transparency is vital in mitigating potential conflicts of interest among directors, as independent directors are better positioned to objectively monitor and regulate management's activities. [3] elaborate on this by pointing out that independent directors, due to their impartiality, can more effectively control and monitor the actions of management without compromising their independent judgement, thereby strengthening the overall governance structure and promoting better corporate practises.

The impact on corporate tax planning practises remains the subject of ongoing debate. Incorporating tax planning into corporate strategy can be beneficial in many ways. However, if tax planning activities are not properly regulated, they can become problematic, which can affect the quality of financial reporting [4]. The relationship between companies and tax authorities is extensive. Companies endeavour to reduce their tax liability by skilfully navigating through a complex web of laws and loopholes. Achieving a higher after-tax income is one of the company's goals so that the value of the firm also increases [5]. Consequently, this leads to meeting owners' expectation as management acts on behalf of the owners to create more profits. Besides, tax planning also is an effective mechanism in increasing company liquidity [6], minimizing the occurrence of tax surprises in the event of a tax audit by the tax authorities as well as fulfilling tax assessment correctly and in accordance with tax provisions [7]. Nevertheless, tax authorities endeavour to ensure that companies meet their fair tax obligations. This leads to the motivation of this study which is to examine the relationship between corporate governance and corporate tax planning by conducting a scoping review.

A scoping review was conducted to comprehensively summarise the research conducted in this area. The purpose of the scoping review was to capture the basic concepts of the research area and identify the primary sources and types of evidence available [8]. The study highlights the growing number of publications and the top leading journals in this area of research. In addition, this study explores the keywords used by the authors to identify important opportunities for future research. By systematically exploring this research landscape, this study hopes to uncover how corporate governance structures and practises influence a company's approach to tax planning.

METHODS

A scoping review is a methodological approach to analyse the current body of literature on a broad topic. This approach is optimal for examining the characteristics and scope of research conducted in a particular area, recognising important keywords and uncovering areas of knowledge that require additional investigation. The study adhered to the requirements of the Preferred Reporting Items for Systematic Reviews and Meta-Analyses Extension for Scoping Reviews (PRISMA-ScR), as described by [9]. Firstly, research questions are identified in order to determine and map the existing body of research on the relationship between corporate governance and corporate tax planning. The flowchart shown in Figure 1 provides a graphical representation of the key steps in conducting a scoping review.

In this study, relevant documents were identified using two international databases: Scopus and Web of Science (WoS). The search was conducted on 3 April 2024. The search terms were selected based on their relevance. The summary of articles was reviewed to identify duplicate entries. During screening and data extraction, the titles of the datasets were reviewed, and, in a further step, the abstracts were analysed to eliminate datasets that were deemed irrelevant after review. In this phase, the full texts of the identified datasets were searched for eligibility using the Scopus and WoS databases. Mendeley, a reference management software, is used to organise the retrieved data, eliminate duplicates and facilitate the screening process. Initially, 237 and 303 documents were found in the Scopus and WoS databases respectively.

The data relevant to the research question were extracted from the included studies. Based on the inclusion and exclusion criteria, 375 full texts were finalised and documented. The publications were assessed on the basis of technical attributes such as year of publication, document type, country of publication and language. The title of the source, keywords and research areas were also analysed. The extracted dataset was then synthesised and analysed to identify recurring themes in the literature. This synthesis provides a comprehensive overview of the existing knowledge base on this topic.

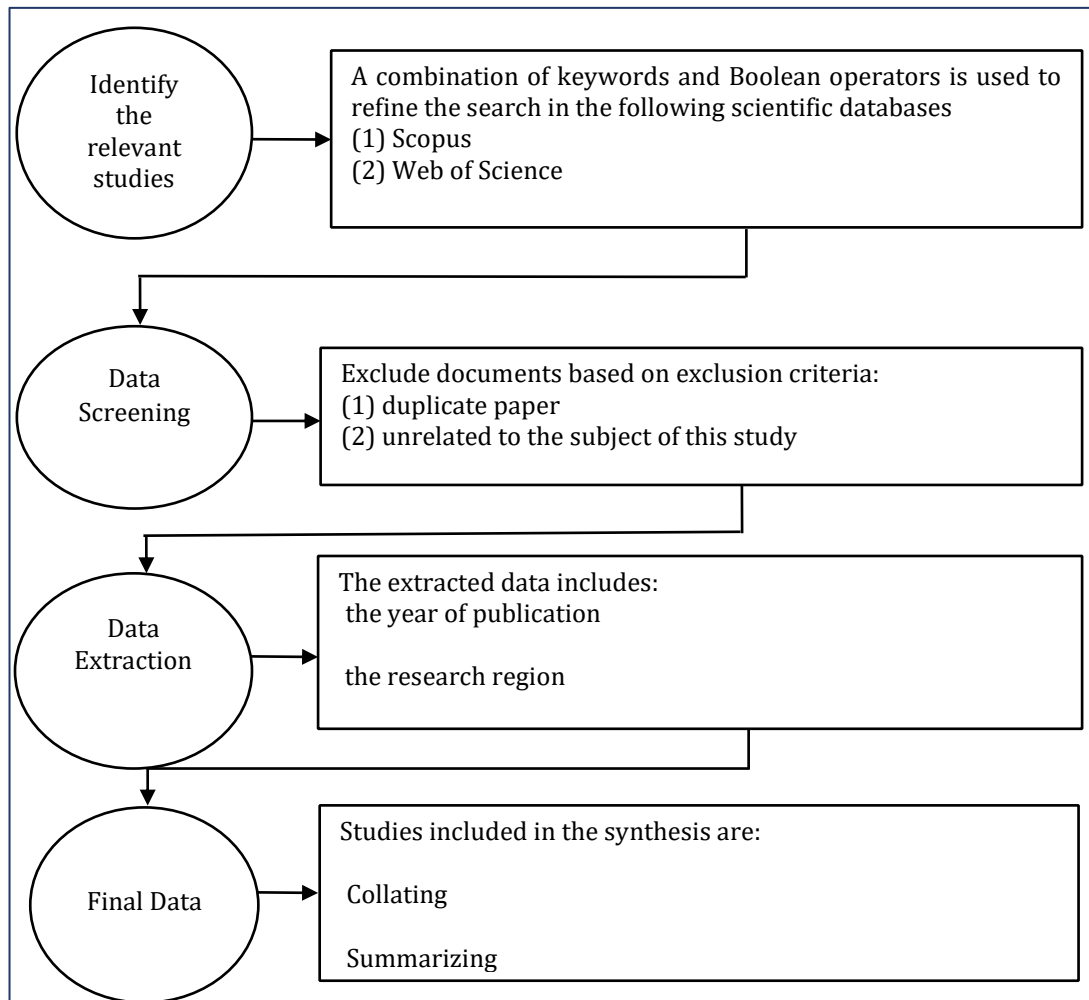


Figure 1: Research Flow

RESULTS AND DISCUSSION

A scoping review is a systematic analysis of the current scientific literature on a specific topic. Analysing trends over time can indicate whether research is moving in a desirable direction or whether there are certain areas that require additional attention. By analysing publication patterns, scoping reviews gain a deeper understanding of the research landscape, which may indicate a growing interest in the topic. Based on the review, 375 publications on corporate governance and corporate tax planning were identified as shown in Figure 2. The first publication dates back to 1997, with the number of publications increasing by more than 10 from 2014 onwards. In 2023, the number of publications reached its highest level at 66. As the study was conducted in March 2024 and there are still a considerable number of months left until the end of the year, the number of publications is expected to increase in 2024.

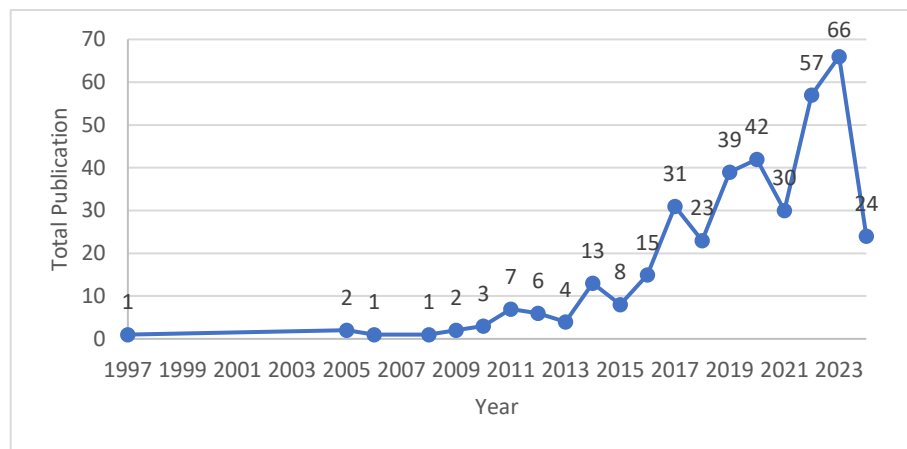


Figure 2: Publications Trends

The Sustainable Development Goals (SDGs) are an all-encompassing framework that was unanimously adopted by all member states of the United Nations (UN) in 2015. They symbolise the global commitment to tackle the most pressing issues facing humanity and the planet by 2030. The SDGs comprise a set of 17 interlinked targets, each of which must be achieved as shown in Figure 3. The goals can be categorised into five overarching themes: People, Planet, Prosperity, Peace and Partnership. Due to their ambitious nature, the UN SDGs require imaginative solutions and a synchronised global approach. Taxation, which is usually only seen as a method of generating income, is proving to be an effective tool for achieving these goals [10,11].



Figure 3: The 17 SDGs established by the United Nations

The SDGs are inextricably linked. A scoping review can highlight the overlap and contribution of different research areas to the achievement of specific SDGs. This promotes understanding of potential synergies between disciplines and facilitates cross-disciplinary collaboration. A recent study by [12] highlights the significant overlap between several SDGs and research areas and emphasises the central role of knowledge management in achieving the SDGs. In addition, tax policy can be deliberately formulated to not only increase government revenue but also incentivise behaviours that are in line with the SDGs. This study identified a total of 375 articles on the topic of corporate governance and corporate tax planning. Figure 3 provides a comprehensive visualisation of the specific SDGs mentioned in the texts.

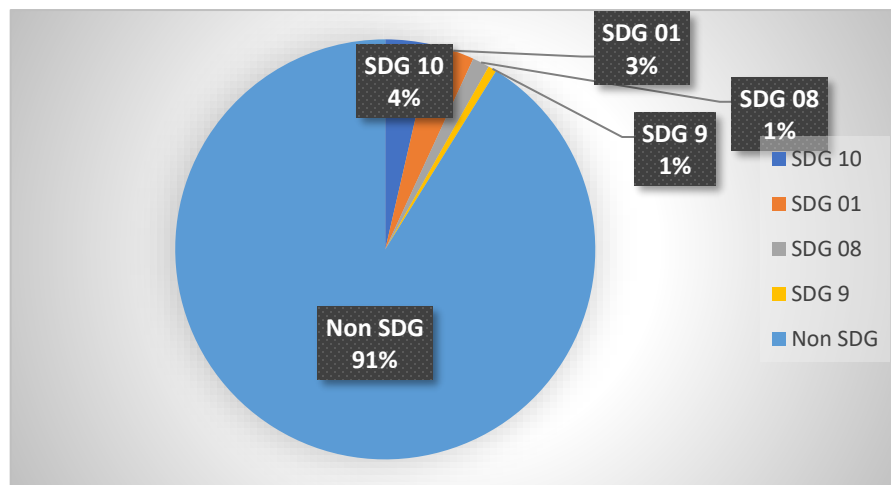


Figure 3: Categorisation of SDGs

Interestingly, the WoS website offers analysis results based on published articles, regardless of their relevance to the discussion on the SDGs. On closer inspection, it was found that only a minority (less than 5%) of researchers included the SDGs in their work. Of the 305 articles analysed, only 27 contain data on the SDGs, which is only 8.92% of the total. The other 91.08% of documents made no reference to the SDGs. The SDGs are a global initiative to eradicate poverty, protect the environment and ensure peace and prosperity for all [13]. This might shed light for future research in the area to focus on this direction as previous study has evidenced significant positive association between sustainability and tax planning [14]. The fact that most of the articles do not mention the SDGs shows a significant gap in the literature. This suggests that researchers in the field of corporate governance and tax planning are not explicitly embedding their studies in the context of the SDGs. This is a critical area where there is potential for development, as aligning research with the SDGs can increase the relevance and impact of academic work on global challenges. The record numbers for the individual SDGs are as follows:

- SDG 10: Reduced Inequality (11 documents)
- SDG 01: No Poverty (10 documents)
- SDG 08: Decent Work and Economic Growth (4 documents)
- SDG 09: Industry, Innovation and Infrastructure (2 documents)

Among the taxation papers that addressed on sustainability, the authors emphasised the importance of tax policy for sustainable economic development and pointed out the need to reduce the tax burden on companies to increase profitability and promote sustainable economic growth. At the top of the list is SDG 10, entitled "Reduce inequalities," which aims to reduce income disparities both within nations and between different countries. This could be due to the direct impact that governance and tax policy have on income distribution and poverty reduction. Taxes are crucial to achieving this goal as they enable a fairer distribution of wealth and resources. On the second list is SDG 01 with a theme of "No poverty" which address on the eradication of poverty in all forms. Tax planning and good corporate governance, be it for the government as well as corporations play crucial role to navigate the 'poverty' challenges, by properly managing and allocating the funds to the much-needed area. The low percentages for SDG 8 and SDG 9 indicate that less importance is attached to these areas in current research. This under-representation could indicate potential areas for future

research, particularly given the importance of the SDGs and innovation in achieving long-term development goals.

In addition, this study analyses the data based on the title of the source. The top journals are used to identify the most important scientific papers on a particular topic. These journals often publish the most influential and respected research papers on a given topic. Table 1 details the leading journals, with the *Journal of Corporate Finance* in first place, followed by *Accounting and Finance*, while the other journals have less than 5 publications on this topic. Examining these journals allows academics to gain a comprehensive understanding of the current patterns, theories and methodologies used in corporate governance and tax planning research.

Table 1: Top leading journals

Source Title	Total Publication
Journal of Corporate Finance	12
Accounting and Finance	8
Accounting Review	7
Cogent Business and Management	7
Contemporary Accounting Research	6
Review of Accounting Studies	6
Sustainability	6
International Journal of Disclosure and Governance	5
Review of Quantitative Finance and Accounting	5

The type of document can provide information about the specific area of the study. Scoping review typically attempt to capture a broad range of viewpoints, and knowing the type of document helps to ensure that the review includes many perspectives on the topic. Table 2 exhibits the source type of published documents where most papers were published in journals, followed by conferences, books and book chapters as the next most common publication formats. Journals emerged as the most favoured form of publication with 332 documents or 88.53% of research related to corporate governance and tax planning being published here. Researchers can ensure comprehensive coverage of the current literature on their topic by carefully selecting the type of document that captures the most relevant and helpful sources.

Table 2: Documents type

Source Type	Total Publication
Journal	332
Conference	26
Book	14
Chapter in Book	3
Total	375

The mere observation of publication patterns, source titles and source types does not necessarily reflect the quality or influence of the research. It is crucial that the trend analysis is complemented by an examination of the actual content of the publications, i.e. the keywords used by the authors. After conducting the analysis based on the authors' keywords in the Scopus database, the keywords were categorised into different categories. Taxation is the main source

of government revenue and therefore requires a fundamental restructuring of the tax system to improve tax collection and promote economic growth [15]. Previous studies have explored different areas of research in the field of taxation. The authors' keywords provide a comprehensive understanding of the various facets of corporate governance and taxation that were analysed in the scoping review. Table 3 summarises the categorisation of the links between these keywords according to their semantic meaning. Tax planning is being categorised together with 'tax avoidance', 'tax evasion' as well as 'tax aggressiveness'. This resembles that tax planning is one of the mechanisms for corporations to engage in any one of these tax activities or behaviours which requires careful attention by the management, and hence good corporate governance.

Table 3: Cluster keywords on corporate tax planning research

Cluster 1	Cluster 2	Cluster 3	Cluster 4
Tax Avoidance	Tax Management	Tax Environment	Tax Fees
Tax Evasion	Tax Enforcement	Tax Disclosure	Tax Risk
Tax Planning		Tax Reporting	Tax Uncertainty
Tax Aggressiveness			

Furthermore, this study categorises the list of keywords that related to corporate governance and corporate tax planning as shown in Table 4. Previous studies have shown that corporate governance, consisting of ownership structure, board composition, audit committee and audit quality, influences the extent of corporate tax planning. This list of keywords thus points to the variables used by previous researchers to investigate the intersection of corporate governance practises and tax planning. Keywords such as "family ownership"," "board size"," "board independence" and "institutional investors" indicate that the focus is on how ownership concentration and board composition influence tax planning decisions. On the other hand, the keywords "foreign ownership" and "board composition" can explain how the presence of foreign shareholders could influence tax planning decisions.

Next, keywords such as "board diversity"," "agency theory"," "audit fees" and "audit quality" may suggest that diverse boards bring a broader range of perspectives to tax planning discussions, potentially reducing agency risks. Audit quality is critical to maintaining transparency and accountability in corporate tax planning. Emphasising rigorous auditing practises encourages companies to comply with tax requirements while maintaining investor confidence in the reliability of financial reporting. A robust and independent audit profession is essential for a thriving and sustainable business ecosystem. Based on the scoping review, this study found that audit fees, audit firm, audit size and Big 4 are among the proxies of audit quality.

The relationship between management and shareholders can be very complicated. Shareholders trust management to make decisions that prioritise their own interests, even if those interests are not always fully aligned. The findings show that most articles have used agency theory as a theoretical framework to shed light on the factors that influence corporate tax planning. Agency theory provides a theoretical basis for understanding the relationship between corporate tax planning and corporate governance practises [16]. This study also discover that the main keywords used by the author are agency problem, agency conflict, agency cost and agency theory. Corporate governance plays a critical role in ensuring that

management acts in the best interests of shareholders, thereby reducing the agency problem, agency costs and agency conflicts while promoting effective tax planning. This is consistent with [17] who recommends for firm to emphasize a strong corporate mechanism which can review, and balance tax planning activities adopted by the management. Hence, agency theory provides a crucial viewpoint for understanding the incentives underlying corporate tax planning.

Table 4: Cluster keyword on corporate governance

Cluster 1	Cluster 2	Cluster 3	Cluster 4	Cluster 5
Ownership structure • Family Ownership • Institutional Investors • Government Ownership • Foreign Ownership	Board Characteristics • Board Size • Board Independence • Board Diversity • Political Connection	Chief Executive Officer • CEO Duality • CEO Power • Family CEO	Audit Quality • Audit fees • Audit size • Big four	Agency Theory • Agency cost • Agency problems • Agency conflict
Ownership Concentration • Institutional Ownership • Ownership Concentration	Board Composition • Board of Directors • Board Commissioner		Audit Committee	

Moreover, the author's keywords indicate that the scoping review analyses the impact of different corporate governance structures and practises on companies' tax planning strategies. By analysing the relationships between these keywords, researchers can gain valuable insights into the research questions that can be addressed. Below are some possible areas of research:

- Is there a correlation between companies with a concentrated ownership structure and more aggressive tax planning?
- Does board composition, including factors such as diversity and independence, influence the degree of transparency in tax practises?
- To what extent does audit committee involvement mitigate or prevent aggressive tax planning activities?

The VOSviewer map shown in Figure 4 displays several key clusters of co-occurring author keywords that highlight prominent topics within corporate governance and corporate tax planning research. the nodes and their size provide a clear and visual representation of the frequency and meaning of keywords in a data set. Larger nodes represent keywords that occur more frequently, indicating their importance or centrality in the field of research. The central positioning of "tax avoidance" and "corporate governance" emphasises their importance and the extensive research attention they receive. Corporate tax planning is a complex matter that is influenced by numerous factors. The network map show that when examining corporate tax planning, corporate social responsibility, earnings management, audit quality, financial distress, ownership, financial performance and firm value serve as either independent or dependent variables.

Furthermore, there is a strong correlation with agency theory, which states that understanding tax planning strategy requires a deep understanding of the relationship between shareholders and management. The links to other factors suggests that corporate tax planning should not be analysed in isolation, but in the context of wider corporate practises and responsibilities. The motivations behind a company's tax planning techniques can be determined by examining the interplay of these variables. These insights allow stakeholders such as investors, tax authorities and regulators to better assess the potential risks and consequences of these tax planning strategies. By understanding these variables and their interrelationships, it is possible to create a more transparent and responsible tax climate that enables companies to balance tax efficiency with ethical and sustainable practises.

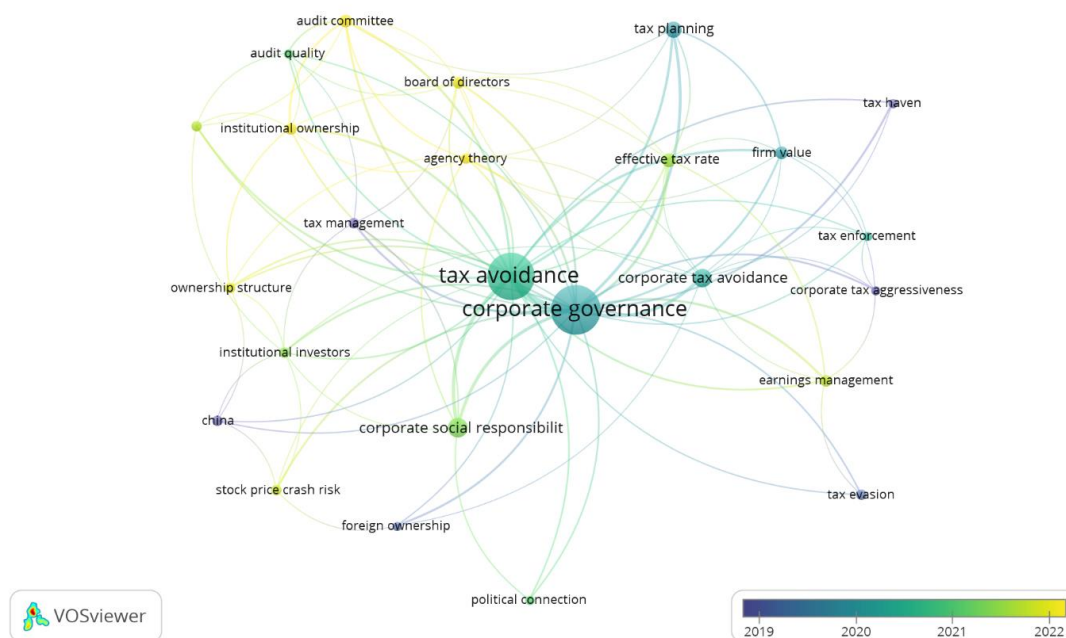


Figure 4: Network visualisation of the author's keywords

CONCLUSIONS

Overall, this study examined a large body of academic literature dealing with the interplay between corporate governance and corporate tax planning. The research uncovered a considerable amount of information on various facets of this relationship. The results show that most studies use several keywords to explain tax planning strategies, namely tax evasion, tax avoidance and tax aggressiveness with the same goal of reducing the tax burden. In addition, the results have shown that audit quality, which depends on characteristics such as audit fees, audit size and big four, plays an important role in preventing aggressive tax planning. Moreover, the interaction between various factors such as corporate ownership, financial performance and agency conflicts has been identified as an important factor influencing corporate tax planning. These findings emphasise the need for additional studies to improve the understanding of the relationships between corporate governance practises, tax planning decisions and their sustainable impact on firm value and stakeholder confidence.

By advocating for sound corporate governance frameworks, supporting rigorous audits and promoting transparency in tax disclosure, stakeholders can create a favourable climate that

encourages ethical and sustainable tax planning practises. Additional research that examines the effectiveness of specific corporate governance practises and corporate tax planning in different industry contexts can help create more effective frameworks to promote responsible tax practises. Therefore, the scoping review emphasises the need for additional research on the relationship between corporate governance and corporate tax planning. There is a clear opportunity for researchers to integrate the SDGs more explicitly into their studies of corporate governance and tax planning. This could provide valuable insights into how these strategies can contribute to sustainable development. Researchers could explore how corporate governance frameworks and tax strategies can be designed to support different SDGs and thereby promote more holistic and sustainable business practises. Future research also should focus on the ethical dimensions of tax avoidance, the role of political connections, the comparative effectiveness of regulations and the long-term financial impact of tax strategies. Addressing these gaps can contribute to a more comprehensive understanding of the ways in which corporate governance shapes and is shaped by tax planning, ultimately leading to more sustainable and responsible business practises.

The study, however, has a number of limitations. The use of certain search terms and databases in this study may have limited the scope of the literature analysed. Exploring an alternative search strategy using multiple academic databases may reveal additional relevant studies, as a scoping review provides a broad perspective rather than a detailed examination of individual studies. Further research is required to explore the particular research methods, findings and limitations of the studies identified. The analysis of this study was based on the keywords found in the studies reviewed. Whilst this provides a useful insight, it may not encompass the full range of nuances and theoretical frameworks used in the research.

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