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EQUITY OWNERSHIP STRUCTURE AND CORPORATE TAX AGGRESSIVENESS: THE NIGERIAN CONTEXT

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ABSTRACT

Purpose- This study examines the effect of ownership structure on corporate tax aggressive activities of listed firms in Nigeria.

Methodology- Data were extracted from the annual reports of 40 non-financial firms that made up the sample of the study from 2010 to 2014. The effects of ownership concentration and managerial ownership as independent variables on tax aggressiveness as the dependent variable were observed in S fixed effect model including those of the control variables.

Findings-The study reveals that ownership concentration has a positive but insignificant effect on tax aggressiveness while the effect of managerial ownership was found to be significantly negative. Further results show that leverage is negatively related with tax aggressiveness while return on assets is positively related. Size has not significant relation with tax aggressiveness

Conclusion-In the Nigeria context, only managerial ownership type of ownership structure determines how tax aggressive a firm is.

Keywords: Managerial ownership, ownership concentration, tax aggressiveness, Nigeria context, non-financial firms.

JEL Codes: H20, H25, H32

1. INTRODUCTION

One major objective of firms is to maximize shareholders value. Achieving this would entail the reduction of incurred costs by the firms. One of such incurred cost which is important to a firm is income tax because of the direct relationship it has with profitability. Tax on the other hand, is a very important income to the development of any nation because it provides revenue for the government to carry out its objectives such as resource redistribution, employment generation and economic development. Despite the obvious benefits of taxes to nations, tax non-compliance, which tax aggressiveness is one of the manifestations, is an issue prevalent in every society and it is as old as tax itself (Uadiale, Fagbemi, and Ogunleye, 2010). Mgbame, Chijoke-Mgbame, Yekini and Yekini, (2017) present tax aggressiveness as the different activities, engaged by management, to lower taxable income which could be legal or illegal, with the aim of maximizing income

In Nigeria, tax administration has been inefficient and ineffective which has led to an increase in costs of tax compliance and uncertainty in the tax system (Maiye, 2012). This inefficiency can be seen in the manner in which the tax authority (Federal Inland Revenue Service, FIRS) goes about revenue collection from firms. Sometimes the tax officials delegate this responsibility to third parties who use odd methods such as sealing off of firms' premises resulting in uncertainty in the system (Maiye, 2012). There is also the issue of overlapping of taxes from different levels of government which could result in multiple taxes. Additionally, firms are sometimes compelled to make additional cash payments for taxes that they had already paid at source due to non-remittance by government agents in charge of such deductions (Nwaobia and Jajeoba, 2016). As a result, firms either because they want to avoid the inefficiency in the tax system or because of the financial incentives that they will benefit will adopt strategies that will allow them minimise or reduce their tax burden. They do this by employing all legitimate opportunities offered by the tax laws to increase their income after tax deduction. This leads to firms being tax aggressive.

Tax planning then becomes a paramount decision option for managers of firms. This is because managers can use tax planning to seek private interest as well as to increase the firms' earnings (Desai and Dharmapala, 2006). According to Lanis and Richardson (2011) the corporate landscape in many countries around the world is filled with managerial actions aimed at minimising corporate taxes through tax aggressive activities and it comes with costs and benefits that cannot be overlooked for management, shareholders, government and society as a whole. Chen, Chen, Cheng and Shelvin (2010) posit that the benefits of tax aggressiveness include greater tax savings, which is the most obvious benefit and then rent extraction which can be disguised under the cover of tax aggressive activities. Shareholders benefit directly from such tax savings while managers also benefit if they are compensated by shareholders for their efforts in effective tax management. When managers carry out activities that do not maximise firm value, at shareholders expense, it amounts to rent extraction. An example is aggressive financial reporting. Some costs of tax aggressiveness include time and effort spent on tax planning activities, transaction costs of tax planning activities and lower reported earnings (Chen et al., 2010). Chen et al., (2010) argue that the extent of benefits/costs is to be derived will affect how aggressive a firm may be.

The need for more studies on equity ownership structure as an important determinant of tax aggressiveness has been pointed out by Shackelford and Shevlin (2001). (Equity ownership structure comes in many forms including concentrated ownership and managerial ownership). This need is even more especially for developing economies (Adhikari, Derashid and Zhang, 2006). There is also the call for more research for tax aggressiveness to be examined in line of the agency context by Scholes, Wolfson, Erickson, Maydew, and Shevlin, (2005) and Desai and Dharmapala, (2006). Prior research which investigates the link between ownership structure and tax aggressiveness focuses mostly on developed economies (Chen et al., 2010; Landry, Deslandes and Fortin, 2013; Chan, Mo and Zhou, 2013; Bradshaw, Liao and Ma, 2014), there is however, a dearth of research in this area for developing countries like Nigeria. In the Nigerian context, studies on tax aggressiveness focus on corporate social responsibility (CSR) performance and board characteristics (Oyeleke, Erin and Emeni, 2016; Mgbame, Chijoke-Mgbame, Yekini and Yekini, 2017). The link between ownership structure and tax aggressiveness with particular reference to agency conflict in an emerging economy requires attention. Understanding this relationship would help assist firms better in internal tax management and also be relevant in effectively reducing tax non-compliance in the Nigeria. Hence this research aims to build up the empirical research by examining the effect of equity ownership structure on corporate tax aggressiveness of listed firms in Nigeria.

Further discussions in this study proceed as follows; the next section reviews relevant extant studies and develops the hypotheses, section three presents the research methodology, section four presents and discusses the results while the last section concludes the paper.

2. LITERATURE REVIEW

Ownership concentration can influence the shareholders' willingness to actively monitor managers' behaviour (Fraile and Fradejas, 2014). Ribeiro, Cerqueira and Brandao (2015) posit that ownership concentration can either contribute to value maximizing activities thereby reducing agency problems, or to accentuate agency conflicts between large shareholders and minority shareholders. Many authors argue that high levels of ownership may induce shareholders to actively monitor managers since non-value maximizing decisions will have significant impact on majority shareholders. For that reason, ownership concentration acts as a mechanism to reduce agency conflicts. On the one hand, Khurana and Moser, (2013) argue that firms with higher ownership concentration may be more tax aggressive because large shareholders can effectively monitor and incentivise managers to generate more tax savings. On the other hand, firms with higher ownership concentration may be less tax aggressiveness which may be due to the costs involved such as implementation costs and agency costs. Chen, et al., (2010) find that family-owned firms with higher ownership concentration are less tax aggressive than non-family-owned firms. Li (2014) also find concentrated ownership to be positive and significantly related with tax aggressiveness. Ribero et al., (2015) find that firms that are more independent from controlling shareholders exhibit higher ETRs with a positive significant relationship between ownership concentration and tax aggressiveness.

The separation of ownership and control is one of the main reasons for the existence of agency problems (Jensen and Meckling, 1976). Managers may not be interested in lowering effective tax rates in order to increase shareholders' wealth for the reason that this does not directly affect their own wealth. Chan et al (2013) state that equity ownership by board members creates incentive for directors to protect their financial stake in the firm. Chen et al., (2010) find a negative relationship between insider ownership and tax aggressiveness showing that firms with high insider ownership tend to be more aggressive. Ribero et al., (2015) find a negative relationship between managerial ownership and tax aggressiveness. Their findings also reveal that managerial ownership contributes to lower ETRs. Boussaidi and Hamed (2015) find managerial ownership to be positively related with tax aggressiveness. They conclude that firms that have substantial holdings of executives and directors on their boards are less aggressive on tax. Li (2014) finds that managerial ownership shareholding proportion is negatively related with tax aggressiveness but is insignificant. He explains that the insignificance may be due to low portion of ownership by managers.

Oyeleke et al (2016) examine the relationship between the board of directors' gender diversity and tax aggressiveness of banks listed on the Nigerian Stock Exchange (NSE) using panel data obtained from 2012-2014. After controlling for firm characteristics and governance mechanisms, the result shows that a positive and non-significant association exists between female directors and tax aggressiveness. In addition, the study finds that the interaction of board size with female directors is significantly associated with the reduced level of tax aggressiveness.

Kourdoumpalou (2015) examines the association between corporate governance practices and the extent of tax evasion for the Greek listed companies when they operated in an accounting environment characterised by a high level of book-tax conformity. The study sample consists of the public companies listed on Athens Stock Exchange during the period 2000-2004. Using univariate analysis, the results suggest that tax evasion is lower when the chairman of the board is also the owner of the company. A strong negative association is also reported between tax evasion and the percentage of stock held by the owner and its family members and the percentage of stock held by board members. In a similar vein, Boussaidi and Hamed (2015) examine the effect of some governance mechanisms on corporate tax aggressiveness. The study is based on the analysis of a sample of Tunisian listed firms over the period of 2006-2012. The results indicate that diversity in gender on corporate boards, managerial and concentrated ownership has significant effects on firms' tax aggressive activities. Board diversity and managerial ownership exhibit a positive association with the effective tax rate while increases in concentration ownership tend to affect it negatively. Their findings did not show any significant effects of corporate board size and external auditors profile on the tax aggressiveness.

Ying (2015) examines corporate governance and tax strategies in Chinese listed firms making use of available income tax reconciliation data to examine the determinants and effects of tax planning activities conducted by Chinese listed firms. He hand-collected a sample of 229 publicly-listed firms, between 2006-2012. His study advances a new, refined method of separating company book-tax differences (BTDs) into a normal component of BTDs that arises as a result of divergence between Chinese GAAP and tax rules, and an abnormal BTD component which is presumed to arise a result of earning management and tax planning. He finds that increase in managerial cash compensation tend to reduce the level of tax aggressiveness. Also Li (2014) studies the impact of both the equity holders' identity structure and ownership concentration of listed companies on the companies' tax aggressiveness of Chinese listed companies from 2008 to 2012. The study finds that equity holders' identity structure is significantly associated with tax aggressiveness, and there is a positive correlation between ownership concentration and tax aggressiveness. The study also finds that the state-owned equity shareholding proportion is positively related to tax aggressiveness, but the manager ownership shareholding proportion is negative. Chan et al (2013) find government ownership and higher percentage of board shareholding to be positively related with tax aggressiveness.

Chen et al (2010), consider the aggressiveness of family firms over non-family firms having multiple measures to capture tax aggressiveness and founding family presence. Their sample consists of 3,865 firm-years from 1,003 firms in the S&P 1500 index covering the period 1996-2000. Using cross-sectional regression analysis, they find that family firms are less tax aggressive than their non-family counterparts, *ceteris paribus*. This result suggests that family owners are willing to forgo tax benefits to avoid the non-tax cost of a potential price discount, which can arise from minority shareholders' concern with family rent-seeking masked by tax avoidance activities. Their result is also consistent with family owners being more concerned with the potential penalty and reputation damage from an IRS audit than non-family firms.

Lanis and Richardson (2011) consider the effect of board of director composition on corporate tax aggressiveness. Their regression results for a hand selected sample of 32 corporations comprising 16 tax-aggressive corporations and 16 non-tax-aggressive corporations show that the inclusion of a higher proportion of outside members on the board of directors reduces the likelihood of tax aggressiveness. The ordinary least squares regression results from their analysis of a cross-section of 401 corporations confirm their main results about board of director composition and tax aggressiveness.

2.1 Hypotheses Development

Concentrated ownership and tax aggressiveness

Ownership concentration can influence the shareholders' willingness to actively monitor managers' behaviour (Fraile and Fradejas, 2014). Jian, Li and Zang (2012) posit that large shareholders may use their control rights to pursue their private interests and encroach on minority shareholders in firms with high concentrated ownership. This could result in agency problems. According to Florackis (2008), smaller shareholders have little incentives to monitor management, but if they own a significant stake of shares (ownership concentration) they will have interest in actively and effectively monitoring management. Shareholders are the ones that bear all the costs related to monitoring activities, therefore, it will warrant that they own a large proportion of shares for them to actively monitor management. Ribeiro, et al., (2015) posit that ownership concentration can either contribute to value maximizing activities thereby reducing agency problems, or increasing agency conflicts between large shareholders and minority shareholders. Some authors argue that high levels of ownership may induce shareholders to actively monitor managers since non-value maximizing decisions will have significant

impact on majority shareholders. For that reason, ownership concentration acts as a mechanism to reduce agency conflicts. On the one hand, Khurana and Moser, (2013) argue that firms with higher ownership concentration may be more tax aggressive because large shareholders can effectively monitor and motivate managers to generate more tax savings. On the other hand, in contrast, firms with higher ownership concentration may be less tax aggressive which may be due to the costs involved such as implementation costs and agency costs. This leads to the first hypothesis which is:

H₀1: There is no significant relationship between ownership concentration and tax aggressiveness of listed firms in Nigeria.

Managerial ownership and tax aggressiveness

One of the main reasons for the existence of agency problems is the separation of ownership and control (Jensen and Meckling, 1976). Managers may not be interested in lowering effective tax rates in order to increase shareholders' wealth because that this does not directly benefit them. Dyreng, Hanlon and Maydew (2010) opine that managers play a vital role in influencing the tax planning activities of firms especially top officers like the Chief Executive Officers (CEOs). Activities that can influence a firm's level of tax aggressiveness such as budgeting to hire tax experts are handled by managers even though they are not directly responsible for developing tax strategies. Other tax-aggressive activities such as taking advantage of tax shelters need the direct involvement of top managers (McGuire, Wang and Wilson, 2014). There is therefore the need for supervision and control of managers. Such supervision is necessary because tax aggressiveness may not always lead to maximization of firm value when the firm has to pay large penalties and interest following a tax audit (Landry et al, 2013). This supervision can be achieved through the nature of a firm's ownership structure, which can affect shareholders' ability and willingness to supervise and control managers. Ribeiro et al (2015) state that if managers hold a significant proportion of shares (managerial ownership), reducing tax cost will also benefit them and, consequently, they will have incentives to make financial decisions that contribute to the reduction of effective tax rates. Chan et al., (2013) also state that equity ownership by board members creates incentive for directors to protect their financial stake in the firm. In all, the nature and extent of agency conflicts between shareholders and managers, such as the costs arising from managers' actions, can affect the level of tax aggressiveness of the firms. Hence we arrive at the second hypothesis:

H₀2: Managerial ownership has no significant effect on tax aggressiveness of listed firms in Nigeria.

3. DATA AND METHODOLOGY

3.1 Data Set

The population of the study comprises of all 123 non-financial listed firms on the Nigeria Stock Exchange (NSE) as at December 2016. Consistent with prior studies (Gupta and Newberry, 1997; Frank, Lynch and Rego, 2009; Chen, et al., 2010), this study excluded firms operating in the financial service sector because of their special financial reporting requirements. In selecting the sample size, firms were eliminated from the population based on the criteria in Table 1.

Table 1: Sample Reconciliation

Observations of firms (non-financial firms) from 2011 – 2015	123
Less firms with negative income (loss) during the five year period	(37)
Less firms with missing firm characteristics data	(27)
Less firms with missing ownership structure data	(19)
Final sample size	40

After the sample frame criteria were applied to the 123 non-financial listed firms, they were reduced to 40 firms. First, 37 firms that made losses resulting in negative income during the five year period were eliminated from the population (Kim and Limpaphayom, 1998 opine that Effective tax rate is meaningless when income negative). Furthermore, 27 firms with incomplete or missing data on the control variables (size, return on assets and leverage) were also eliminated. Lastly, 19 firms not having ownership structure data were removed from the total observations. These reduced the number of firms to 40 observations as sample size. The data for this study were extracted from the published annual reports of the sampled firms from 2010 to 2014. The period was reduced to 5 years to prevent greater data mortality.

3.2 Definition of Variables

The dependent variable of this study is tax aggressiveness (TE) and it is represented by the corporate effective tax rate as used in prior related studies (Gupta and Newberry, 1997; Wilson, 2009; Chen, et al., 2010). Following Chen et al., (2010) *ETR* is here defined as the ratio of the current tax expense to pre-tax income. Prior research suggests that a lower value of *ETR* reflects an increased level of tax aggressiveness (Rego, 2003; Zimmerman, 1983). This means that firms with lower effective tax rates pursue greater tax aggressive policies.

The independent variable of this study is Equity ownership Structure and is defined as a combination of ownership concentration (*OWNCON*) type of ownership and managerial ownership (*MGROWN*) type of ownership structure. Following Boussaidi and Hamed (2015), *OWNCON* is measured as total percentage of shares held by shareholders with shareholding of 5% or more of total shareholding while *MGROWN* is measured as the total amount of management-owned shares divided by the firm's total outstanding shares.

The control variables employed are firm size (*SIZ*) measured as the natural logarithm of the total assets (Li, 2014; Reibero et al., 2015), leverage (*LEV*) measured as total liabilities divided by total assets (Chen, et al., 2010) and profitability (*PRO*) represented by return on assets and measured as the pre-tax income divided by the total assets (Chan, et al., 2013). These control variables have been found to consistently affect ETR in previous study and thus the need to remove their effects.

3.3 Model Specification

To estimate what effects of the independent variables and the control variables have on the dependent variable, the following panel data regression model was formulated:

$$\text{Model: } TE_{it} = \beta_0 + \beta_1 \text{OWNCON}_{it} + \beta_2 \text{MGROWN}_{it} + \beta_3 \text{SIZ}_{it} + \beta_4 \text{LEV}_{it} + \beta_5 \text{PRO}_{it} + \mu_{it}$$

Where TE is tax aggressiveness as measured by the effective tax rate, *OWNCON* is ownership concentration, *MGROWN* is managerial ownership, *LEV* is leverage, *SIZ* is size and *PRO* is profitability as measured by return on assets, μ is the error term, *i* is the *i*th firm, *t* is the time while $\beta_0 \dots \beta_5$ are coefficients.

3.4 Estimation Procedure

Panel data were obtained for the purpose of this study and panel data, according to Fenny, Gilman and Harris (2006), are usually estimated using Random Effect or Fixed Effect regression models. These types of estimations have been found to be superior to the OLS regression model (Gupta and Newberry, 1997). This is because of the advantages which they both possess over the pooled OLS especially as they do not assume linearity in the distribution of the data and they both consider both observed and unobserved differences in the multivariate regression model. However, the Hausman Specification Test must be conducted to determine which of them suits a particular set of data. If the test of difference is significant then the Fixed Effect Model is consistent (and therefore better in the particular situation) while Random Effect Model is biased and will produce inconsistent estimate of parameters. If there is no correlation, both types of model will be considered consistent but the Random Effect will be more efficient. If there is significant difference, the Fixed Effect should be preferred (Hausman, 1978).

4. RESEARCH RESULTS AND DISCUSSIONS

4.1 Descriptive Statistics

The descriptive statistics of the variables of the study are presented in Table 2. It can be observed from the table that the sample listed firms on average the TE rate is 0.2067, with a standard deviation of 0.01168 from the mean. The maximum TE value is 0.24, minimum TE is 0.18. The minimum value for ownership concentration in the sampled listed firms is 36.0, maximum is 98.2, the mean is 75.6545 and the standard deviation from the mean is 13.9667. For managerial ownership, the sampled firms have an average of 11.1913 with a deviation from the mean of 15.2905, the maximum value is 82.2 and minimum is 1.0. Leverage has a maximum value of 76.1, minimum of 0.18 and an average of 2.3414 and a deviation from the mean of 11.4186. The maximum value for size is 11.72, minimum is 6.68 and the average is 9.7525 with a standard deviation of 1.10601. Lastly for profitability, the sampled firms have an average value of 0.1034 with a standard deviation from the mean of 0.06538, maximum value of 0.39, and minimum value of 0.01.

Table 2: Descriptive Statistics

Variable	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
TE	200	.06	.18	.24	.2067	.01168	.000
OWNCON (%)	200	62.20	36.00	98.20	75.6545	13.96672	195.069
MGROWN (%)	200	81.20	1.00	82.20	11.1913	15.29055	233.801
LEV (%)	200	75.92	.18	76.10	2.3414	11.41866	130.386
SIZ (Logged)	200	5.04	6.68	11.72	9.7525	1.10601	1.223
PRO (%)	200	.38	.01	.39	.1034	.06538	.004

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SIZ (Logged)	200	5.04	6.68	11.72	9.7525	1.10601	1.223
PRO (%)	200	.38	.01	.39	.1034	.06538	.004
Valid N (listwise)	200						

4.2 Pairwise Correlation

The result of the pairwise correlation is presented in Table 3. Pearson correlation coefficient results for the variables show that there is a negative relationship between TE and *OWNCON* with correlation coefficient of -0.062. The table also shows that there is a positive (0.021) relationship between TE and *MGROWN* implying that as managerial shareholding increases, effective tax rate also increases. The table again shows that TE is positively correlated with *LEV* at 0.127, as well as with *SIZ* at 0.075. This imply that as leverage and firm size increase, effective tax rate increases. Lastly there is a positive relationship between TE and *PRO* with correlation coefficient of 0.514. The Variance Inflation Factor (VIF) test was carried out to ascertain the collinearity status of the variables. Multicollinearity would exist when VIF is greater than 10 (Akpa, 2011). Further, From Table 3 it is evident that there is no multicollinearity problem among selected independent variables of this study because they are not highly correlated.

Table 3: Correlation Matrix

VARIABLE	TE	OWNCON (%)	MGROWN (%)	LEV (%)	SIZ (Logged)	ROA (%)	VIF
TE	1						
OWNCON (%)	-0.062	1					1.063
MGROWN (%)	.021	.181*	1				1.053
LEV (%)	-.127	.007	-.079	1			1.183
SIZ (Logged)	.075	.138	-.015	-.374**	1		1.016
PRO (%)	.514**	.013	.079	-.085	.083	1	1.201

Note: ** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).

4.3 Regression Results

The result of the Hausman Specification Test reveals a significant difference between the Fixed Effect and Random Effect regression models at 5%, thus, suggesting the use of Fixed Effect to be more appropriate for this study. Therefore, Table 4 presents the Fixed Effect Regression result.

Table 4: Association between the Dependent, Independent and Control Variables

$$\text{Model: } TE_{it} = \beta_0 + \beta_1 \text{OWNCON}_{it} + \beta_2 \text{MGROWN}_{it} + \beta_3 \text{SIZ}_{it} + \beta_4 \text{LEV}_{it} + \beta_5 \text{PRO}_{it} + \mu_{it}$$

Variables	Coefficient	Standard Error	T – value	Probability
OWNCON	2.6400e-05	7.0303e-05	0.3755	0.707787
MGROWN	-3.5406e-04	1.8667e-04	-1.8968	0.059718*
LEV	-2.4241e-03	7.4877e-04	-3.2374	0.001475**
SIZ	1.4683e-03	1.5274e-03	0.9613	0.337879
PRO	1.0762e-01	5.9479e-03	18.0946	0.000***

R-Squared = 0.68834

Adjusted R-Squared = 0.53347

P-Value = 0.000

Hausmanχ2 = 13.413

Hausman prob = 0.01988

Note: Significant codes: * means at 10%, ** means at 5% and *** means at 1%.

The fixed effect model analysis in Table 4 shows that ownership concentration is positively related to tax aggressiveness. The coefficient is 2.6400e-05. The probability of 0.707787 implies that it is statistically insignificant. Managerial ownership is found to be negatively related to tax aggressiveness having a coefficient of -3.5406e-04 and a probability of 0.059718 which proves that the result is statistically significant at 10%. Leverage is negatively related to tax aggressiveness. The correlation coefficient is -2.4241e-03 and the p-value is 0.001475 which proves that the result is significant at 1%. The table further shows that size is positively related to tax aggressiveness but not significant having a correlation coefficient of 1.4683e-03 and a p-value is 0.337879. Lastly, profitability is positively related to tax aggressiveness and significantly so. The coefficient of correlation is 1.0762e-01 and the p-value is 0.000. The Adjusted R-Square of 0.53347 implies that 53.35% of the variance in effective tax rate can be explained by the explanatory variables. The overall p-value of 0.000, shows that the model is well fitted and regression as a whole is significant meaning that the relationship between tax aggressiveness and the predictor variables is significant.

4.3.1 Discussion

Tax aggressiveness with Ownership concentration

The positive relationship of tax aggressiveness and concentrated ownership is consistent with the works of Chen et al (2010), Li, (2014) and Boussaidi and Hamed, (2015) who all find the relationship to be significant. This is to say that an increase in ownership concentration will result in higher effective tax rates showing less aggressiveness in tax planning but this is not significant in this study. The insignificance could imply that the presence of the concentration of ownership in Nigerian listed firms is not having the expected theoretical effect of active monitoring of management to make them act in the interest of majority of shareholders in maximizing their wealth. This could result in managers having enough free room without monitoring to enable the entrenchment effect. In all, with the exception of the insignificant result, the positive relationship between ownership concentration and effective tax rate is generally consistent with the prediction that the presence of high ownership concentration may induce shareholders to actively monitor managers since non-value maximizing decisions will have significant impact to majority shareholders. This makes ownership concentration act as a mechanism to reduce agency conflicts in line with the agency theory. The first null hypothesis that there is no significant relationship between ownership concentration and tax aggressiveness of listed firms in Nigeria therefore stands accepted. This study is contrary to Bradshaw et al., (2014) who finds a negative yet still insignificant result for ownership concentration and tax aggressiveness.

Tax aggressiveness with Managerial Ownership

Managerial ownership is negatively related to tax aggressiveness and is significant at 10% level. The negative relationship shows higher managerial ownership reduces tax aggressiveness and the lower tax aggressiveness contributes to higher net earnings which consequently lead to higher value for shareholders. This result is consistent with the findings of Li, (2014) and Ribeiro et al., (2015) that managerial ownership helps to reduce the agency conflict between managers and shareholders as seen in the agency theory, therefore making the managers more averse to investing in and implementing decisions that are non-value maximizing. The result implies that non-financial listed firms in Nigeria with high managerial ownership tend to be aggressive in tax planning. This result gives room for the rejection of the second null hypothesis which states that there is no significant relationship between managerial ownership and tax aggressiveness of listed firms in Nigeria and the acceptance of the alternative hypothesis. The result is not consistent with Bradshaw et al., (2014) who finds the relationship between managerial ownership and tax aggressiveness to be positive and insignificant.

Tax aggressiveness with Leverage

Leverage is negatively related to tax aggressiveness significantly at 1%. This implies that non-financial listed firms in Nigeria prefer debt financing to equity financing so that they can take advantage of the deductible interest associated with debt financing. The result is in line with the findings of previous researchers such as Chan et al., (2013) and Ribeiro et al., (2015).

Tax aggressiveness with Size

In this study, the sign of size coefficient is found to be positive, but not statistically significant. This result of size as insignificant, contradicts with various previous research findings like Frank et al., (2009), Ribeiro et al., (2015), Rego (2003), and Li (2014). With exception of the insignificant result, firm size observed a positive relationship with effective tax rate which is generally consistent with the assertion that firms with larger assets are less tax aggressive because their size makes them come under political and tax authority scrutiny thereby making them reluctant in reducing their effective tax rate. This insignificant result is consistent with the findings in Bradshaw et al., (2014) and Oyeleke et al., (2016).

Tax aggressiveness with Profitability

In this study, the fixed effect model result shows that profitability is positively related with tax aggressiveness. This relationship is significant at 1%. This implies that profitable non-financial Nigerian listed firms exhibit high tax aggressiveness hence lower taxes. This result corresponds to the findings of previous works such as Frank et al., (2009), Chen et al., (2010), Chan et al., (2013), Bradshaw et al., (2014), and Li (2014) but is inconsistent with the works of Oyeleke et al., (2016) and Mgbame et al., (2017) who find this relationship to be negative.

5. CONCLUSION

Ownership structure and tax aggressiveness nexus has not received the much needed attention in this part of the world where tax non-compliance is prevalent either due to the inefficiency in the tax system or because of the financial incentives that firms stand to gain. This means firms will adopt strategies that will allow them to minimize or reduce their tax burden either to escape the inefficiency in the tax system or to take advantage of the financial incentives attached. To achieve this, tax planning becomes important for managers of the firms who may not act in the interest of the shareholders that have delegated control to them. This study investigates the effect of the ownership structure of tax aggressiveness. Obtaining

data from the sampled forty firms listed on the Nigerian Stock Exchange from 2010 to 2014 and subjecting them to analyses in a fixed effect regression model, the findings show that managerial ownership is significantly related to tax aggressiveness. Therefore management owned equity is relevant to tax planning decisions of non-financial listed firms in Nigeria and also in reducing agency conflict between managers and shareholders. Also if the presence of concentrated shareholders does not impact significantly on the tax aggressiveness of the firm, it most likely will give managers enough room to use the entrenchment effect, since the fear of monitoring will not be there. It is therefore recommended that concentrated owners should awaken to their responsibility of monitoring managers' tax planning activities more closely in order to prevent any entrenchment effect of managerial ownership.

Like every other research, the study is not without its limitations. This study use one measure for tax aggressiveness which is the effective tax rate and effective tax rates has been credited with many definitions which have resulted in the differences in the results of studies on effective tax rates (for example see Salaudeen, 2017). Furthermore, this study only considers ownership concentration and managerial ownership as equity ownership structure variables. Future research should examine other equity ownership type such as institutional ownership and family ownership on tax aggressiveness of listed firms in Nigeria while using other measurements of tax aggressiveness.

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