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The Effect of Corporate Governance on Tax Avoidance: Evidence from Listed Firms in Vietnam

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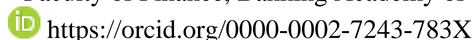
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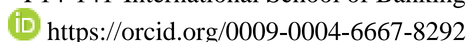
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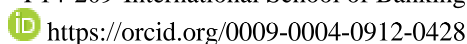
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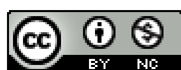

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JEL Classification:
G32; G34; M40.

Abstract: *This research aims to examine the relationship between corporate governance and tax avoidance in Vietnam, which desires to contribute to the reduction of informal tax aggressiveness. In this research, it extracts the data from 47 listed companies from the HSX100, the basket of 100 biggest companies listed in the Ho Chi Minh Stock Exchange (HOSE) in Vietnam from 2017 to 2022. The research utilizes the Ordinary Least Square Regression Model to analyze the data given from 282 observations. In addition, Pearson Correlation Coefficient, Variance Inflation Factor and White test of Heteroscedasticity are also used to confirm the validity of the model. The results show that CEO Duality has a negative relationship with Tax Avoidance while Board Size and Audit Quality both show a positive relationship with Tax Avoidance. However, Ownership Concentration, Institutional Ownership, and Executive Compensation do not show any relationship with Tax Avoidance. Throughout the research, it is beneficial to provide businesses and regulators with a better understanding of the role of corporate governance in managing tax risks and optimizing tax payments, by first incorporating tax management conducts into Corporate Social Responsibly initiatives of companies in Vietnam. Besides, it is needed for the Vietnam authority to set stricter rules and oversight over corporate activities to ensure the adequacy of tax revenue in maintaining its economy at a stable level.*

Keywords: *Corporate Governance; Tax Avoidance; Listed Firms; Vietnam.*

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Introduction

Tax is considered the most fundamental state budget contributing to the financial stability of one country since it is the main source of revenue coming from a wide range of economic activities, which mostly rely on income tax, namely corporate tax. Corporate tax, alongside being a source of revenue toward authority, also acts as the main burden regarding the firm’s financial circumstances that requires them to ignore their shareholder’s interest to fund the operation of the state, which might lead to the act of tax avoidance in companies (Graham, 2003). Tax avoidance, indeed, is not illegal, however, is considered not in line with the benefits of a country. As a result, this phenomenon leads to tax management from the authority to keep the companies strictly following their tax responsibility under the form of rules and regulations. Specifically, in Vietnam, the state has brought in a Tax Administration Law as well as decrees subject to transfer pricing to manage taxation activities, however, some loopholes are still utilized by companies to carry out tax avoidance activities (Dang & Tran, 2021). Following the report of VEPR (2020), Vietnam recorded serial tax loss when tens of thousands of companies conducted tax violations, which made up the loss of trillions of VND from 2010 to 2018 as the tax regulation could not catch up with the practical activities, mostly come from ambiguous corporate activities.

Corporate governance has a remarkable influence on directing the ways that firms operate on both sides of the financial and strategic operation, which is crucial in enabling control over tax management which optimizes both corporate and personal benefits (Armstrong et al, 2015). Tandean & Winnie (2016) indicate the importance of good corporate governance in reducing tax avoidance and demonstrate that tax avoidance will be limited when all participants in one company direct to their firm’s performance with the spirit of responsibility and accountability. However, companies that are mostly governed by the interest shared among the board of directors and institutional investors who hold large amounts of shares, play an important role in deciding their relationship with tax aggressiveness in the case of poor corporate governance (Khan et al. 2017). Armstrong et al (2015) state that tax avoidance is likely to happen when there exist shady corporate activities, which in turn results in managerial diversion as it is possible to create opportunities for managers to utilize the organizational resources to benefit themselves. Bebchuk & Fried (2006) also indicate that the management equity incentives tend to be larger in the circumstances of poor governance within an organization, which aims to diminish the agency problem that might lead to an increased possibility of tax avoidance.

Therefore, this research is especially conducted to find out the relationship between corporate governance and tax avoidance focusing on the listed Vietnamese firms given that research on tax avoidance in Vietnam is still scarce. Moreover, this research is also made to fill in the gap as the research conducted on examining this relationship is limited but problems deriving from corporate governance in managing the financial situation with crux in its corporate activities regarding controlling tax payments are still notable in Vietnam.

Literature Review

Agency Theory

Jensen & Meckling (1976) have developed a comprehensive theory of agency problems under corporate management activities, in which they state that the managers who are delegated by shareholders will be expected to bring the best interest to the owners. However, they also claim that the managers can only guarantee shareholders make suitable corporate decisions if their benefits are satisfied as well as their role is strictly governed. On the other hand, shareholders will focus on increasing the share's benefits as well as their profitability, which indeed is possible to result in increased agency costs when existing information asymmetry and shady

governance toward the board of directors, then drive the behaviors of informal financial conducts (Bebchuk et al (2017). Zemzem & Ftouchi (2013) illustrate that agency conflict possible to result in informal tax aggressiveness, especially when managers have an urging sense of maximizing their compensation. Jensen & Meckling (1976) assert that agency cost can only be decreased in the case of good corporate governance, which is beneficial to control the effective relationship between the managers and the shareholders. Mehmood et al (2019) further accentuated that argument when they indicated that institutional investors tend to invest in well-governed companies, which indeed, reducing the agency cost.

Tax Avoidance (TA)

Tax Avoidance, which differs from tax evasion, is defined as legal tax violation activity, which is utilized by taxpayers to reduce maximally the amount of tax paid by exploiting loopholes in regulations (Damayanti & Putri, 2021). Additionally, they indicate that tax avoidance is related to the manipulation of tax payable amounts or the formation of specific conducts to mitigate the tax fees. Even though it is legal, tax avoidance is considered less nationalistic as well as a negative phenomenon as it affects the financial stability of a country. Tax Avoidance, on the other hand, serves as an effective tool for diminishing the cost, of enhancing the shareholder's wealth, which satisfies the principal-agency theory (Graham & Tucker, 2006). As a result, this activity results in increased agency costs (Chen et al, 2014), and equity costs as well (Hutchen & Rego, 2012), which indeed might affect the performance of companies.

Tax Avoidance, following a large number of research papers, has a wide variety of measurements that quantify the tax avoidance within the companies, which can be categorized into three main types of method, namely (1) measurement based on the tax-income ratio (Effective Tax Rate), (2) measurement using the difference between the book and taxable income (Book-Tax Differences) and (3) measurement using other methods. Commonly, to measure tax avoidance, Hanlon & Heizman (2010) indicate measurements based on the Effective Tax Rate (ETR) on income, namely GAAP ETR, Current ETR, and Cash ETR as effective tools to quantify Tax Avoidance. As a result, Cash ETR will be integrated into this research as a measurement for tax avoidance since it focuses mainly on cash flow statements, which then diminish the likelihood of being affected by an accrual basis, which hence leads to transparency in earnings management (Khuong et al, 2019).

Corporate Governance (CG)

Corporate Governance is defined as the way of controlling the firm's operation, which relies on the principle of agency theory for the development and existence of a company governance mechanism (Huu et al, 2020). Although there exist a variety of ways of measuring and approaching from a narrow to a wide range of areas, it typically and mostly revolves around practices of directors, and board members, in which their interests linked to the companies as well as agency relationship with institutional investors, with each of them also have their objectives that affect the governance mechanism of one company (Parada et al, 2019). Thereby, corporate governance for this reason, will be measured by 6 main components, namely Ownership Concentration, Board Size, Executive Compensation, Institutional Ownership, Audit Quality, and CEO duality.

Corporate Governance Approaches

Ownership concentration (OC)

Ownership Concentration refers to the large amount of ownership within one company that lies in the control of some individuals, which allows them to control and impact the management to protect their interests (Salhi et al, 2020). Additionally, Nguyen et al (2015) illustrate ownership concentration as a mechanism that empowers large shareholders in putting their influence over

operation and management activities within companies. Indeed, ownership concentrated in a few individuals or organizations is considered beneficial to facilitate quicker and more flexible decision-making, thereby enhancing agility and responsiveness to changes in the business environment (Lawati & Sanad, 2023). Shlefer & Vishny (1986) further illustrate that those owners holding large numbers of shares are more inclined to monitor and control the firm's operation, which might indeed enhance the firm's performance as well as reduce the manipulative phenomenon. However, Kavya & Shijin (2017) demystify the owner's capability in exposing to cash-flow rights deriving from owning an overwhelming amount of shares, which makes them more susceptible to informal financial management that aims to maximize the owner's benefits. Specifically, excessive concentration of power in a few individuals or organizations can lead to unchecked power, increasing the risk of corruptive practices and abusive management that is detrimental to the firm's value (Pacheco, 2022).

Board size (BS)

Board size refers to the number of members within the Board of Directors (BOD) within one company, in which in Vietnam, it is strictly regulated that the board size will consist of from 3 to 11 members following Business Law 2020. Indeed, a larger board size is considered more susceptible to shady corporate activities, which hence influences the functional effectiveness of the business strategies (Richardson et al, 2015). Hoseini et al (2019) further bolster that larger board size might lead to a higher degree of tax avoidance deriving from councils' incentives that stimulate them to conduct unsuitable tax avoidance. In contrast, a smaller board size may, otherwise enhance decision-making efficiency and facilitate more cohesive board dynamics, in which communication channels are streamlined, allowing for quicker consensus-building and more effective oversight of corporate activities (Huu et al, 2021). However, Uadiele (2010) claims that the larger the board size, the better the firm performance since the larger board size might be considered to bring back crucial expertise and knowledge in formulating operational strategies, then significantly diminish informal management conducts. Additionally, a larger board size may provide a better representation of stakeholders' interests which serves as a foundation for fostering greater transparency in decision-making processes (Turrent et al, 2023).

Executive compensation (EC)

Tandean & Winnie (2016) signify that executive compensation is an agreement between executives and the company that aims to bring back interest to both sides regarding the efforts and actions contributed. Executive compensation can be under a variety of benefits ranging from stock bonuses, stock options, salaries, and allowances which are based on the contribution of the board to the firm's performance (Taeden & Winnie, 2016). The firm's goal achievement, indeed, is considered different from the executive's goals, which will come together by channeling through the executive's financial benefits aligned with the firm's performance, otherwise, it might be detrimental to the firm's operation since the executives is possible to focus on garnering their benefits (Vo & Phan, 2013). Additionally, they further illustrate executive compensation as a mechanism that is possible to drive the management activities pursuing the executive's benefits under the circumstance of ambiguous corporate governance.

Institutional ownership (IO)

Institutional Ownership typically is configured as the investors, shareholders control large amounts of shares within a company (Khan et al, 2017). Damayanti & Putri (2021) indicated institutional ownership refers to ownership owned by large institutions, namely investment funds, banks, and insurance companies, in which the higher the number of shares owned by institutional investors, the higher authority that institutional ownership controls the companies' operation. Moreover, institutional ownership is associated with enhanced monitoring and oversight of managerial actions, as highlighted by the study of Ogabo et al (2021). Specifically,

Ogabo et al (2021) indicate that institutional investors typically conduct rigorous due diligence and engage in active shareholder activism to protect their investments and promote long-term value creation. For that reason, institutional ownership, owing to the overwhelming ownership within the firm, implies significant incentives and control over the firm's management that drives them in preventing amendments, or problems affecting firm's value (Hartzell & Starks, 2003).

Audit quality (AQ)

Audit Quality, following DeAngelo's Theory of Audit, is defined as the possibility that the auditors will explore and report violations of one company's accounting figure that exist in their financial statement (DeAngelo, 1981). Lestari & Nedya (2019) further indicate that the probability of an auditor reporting and defining errors within the financial statement of companies lies around the independence level of auditors to their customers, which then leads to an increase in audit quality. A good quality audit makes it possible to improve the transparency of financial statements, which indeed results in the improvement of corporate governance and the firm's performance (Lestari & Nedya, 2019). Ensuring providing transparent and accurate financial information through a high-quality auditing process is considered beneficial to enhance the company's performance via strategic decisions based on more reliable information that can lead to better business results and sustainable growth for the company (Herghiligiu & Robu, 2023).

CEO duality (CD)

CEO duality is considered a ubiquitous definition that has been inserted in various research relating to Corporate Governance. Indeed, CEO duality emphasizes the role of the CEO who also concurrently acts as the Board's Chairman (Desai et al, 2003). As a result, the executives with the holdings of both roles are considered to have great structural power for emphasizing their control over not only the Board of Directors (BOD) but also the management process and policies within one firm, which then strikes up informal acts within the corporate governance (Desai et al.., 2003). Indeed, In Vietnam, following the Business Law 2020, the Board's Chairman will no longer be able to concurrently hold both roles in the Board of Directors (BOD) and Management Board and vice versa toward the CEO, which aims to restrict the overwhelming control of the individual over operation and management activities of companies. By preventing excessive concentration of power in one individual, this law can facilitate interest shared among individuals within the board, which is beneficial to stimulate the effective formulation of strategic decisions, while contributing to balancing power between stakeholders in the company (Bui et al,2020).

Hypothesis Development

Ownership Concentration and Tax Avoidance

Ownership Concentration is an ubiquitous factor analyzed in a wide range of research which has a significant impact on the financial circumstances of companies. There is a variety of research conducted showing the relationship between ownership concentration and a firm's performance (Wang & Shailer, 2015; Nashier & Gupta, 2023; Yasser & Mamun, 2017). However, apart from the performance side, the relationship between ownership concentration and tax avoidance is also needed to signify that corporate governance is considered to have a significant impact on informal tax management (Desai & Dharmapala, 2008). Specifically, (Salhi et al, 2020) state that when the owner holds majority shares, it is possible to lead to the action of tax manipulation, which indeed leads to tax avoidance to push higher profitability for achieving higher amounts of dividends. Besides that, Khan et al, (2017) found that there is a positive

association between ownership concentration and tax avoidance, which he indicated the more shares owners own, the more tax avoided. Therefore, based on that, the authors developed the first hypothesis below:

H1: Ownership Concentration has a positive relationship with tax avoidance.

Board Size and Tax Avoidance

Jensen (1993) indicates that a smaller number of board members is possible to foster the firm's success and performance. Specifically, he demonstrates that a smaller board will ensure effective control of the company's operation as well as reduce ethical issues and transparency among the board of directors. On the other hand, Klein (1998) states that a firm with a larger board will be beneficial to improve the firm's performance as it helps companies in advising and addressing financial problems as well as reducing agency costs. Moreover, the presence of many supervisors and inspectors on a large board helps establish a better control system, helping to detect and prevent fraudulent or inappropriate activities, and ensuring compliance with regulations and legal and ethical standards in business activities (Klijn et al, 2022). Besides that, Salhi et al.., (2020) found that board size has a negative association with tax avoidance, which indicated that the lower the board size, the higher the probability of tax avoidance. Quang et al, (1998) indicate that there is less possibility of sharing managerial rights within Vietnamese companies compared to international norms, and it might lead to ambiguous activities as well as increased ethical issues in corporate governance activities. The second hypothesis is:

H2: Board Size has a negative relationship with Tax Avoidance.

Executive Compensation and Tax Avoidance

Executive Compensation acts as an agreement between companies and executives in terms of benefits that the executive receives after managing the companies (Tandean & Winnie, 2016). Gorry et al (2017) reported that executive compensation has significant influences on the tax management of one company, in which the amount received by managers will cause a significant change in the tax structure of the company. This statement is further reinforced by the findings of Chee et al (2017) when they indicated that executive compensation has a positive relationship with tax avoidance. However, they indicate this relationship is only positive if there is low compensation, and its relationship will become negative when the amount of compensation becomes larger. Additionally, Dyreng et al (2010) also indicated that the more compensation the manager receives, the lower the probability of tax avoidance and vice versa. The third hypothesis is developed as below:

H3: Executive Compensation has a negative relationship with Tax Avoidance.

Institutional Ownership and Tax Avoidance

Institutional Ownership refers to the investors that hold more shares compared to other shareholders as they control more resources than others have (Buchanan et al.,2018). Khan et al (2017) demonstrated that institutional investors controlling high amounts of shares are more motivated and inclined to intervene in informal tax management in firms. Besides that, the managers in a firm with institutional investors tend to look for higher net profit to show that they have enough ability to provide significant returns to institutional investors, which in turn leads to serious tax violations (Khan et al, 2017). Moreover, Jiang et al (2020), studied the China market and found that there is a positive relationship between institutional ownership and tax avoidance, in which he indicated that the greater the percentage of institutional ownership, the higher the probability of tax avoidance. Therefore, the authors developed the fourth hypothesis as below:

H4: Institutional Ownership has a positive relationship with Tax Avoidance.

Audit Quality and Tax Avoidance

Audit Quality refers to the auditor's performance in carrying out the checks on financial statements following the accounting ethical code, as well as auditing standards, namely Vietnam Standards on auditing toward companies in Vietnam. It indeed, helps to enhance the transparency of financial figures of companies which then might lead to a reduction of accounting manipulation (Rizqia & Lastiati, 2021). Additionally, Rizqia & Lastiati (2021) further reinforce that large auditing firms, namely Big 4 are likely to represent the competencies of Auditors, which then enhance the quality of the auditing process in identifying informal tax management. Besides that, large auditing firms tend to show lower levels of financial fraud, which trustfully forms value and quality in the auditing process that alleviates tax manipulation (Gunawan et al, 2021). Lestari & Nedya (2019) further found that audit quality has a negative association with tax avoidance, which means companies with good audit quality are less susceptible to the act of tax violation. Therefore, the fifth research hypothesis is developed as below:

H5: Audit Quality has a negative relationship with Tax Avoidance.

CEO Duality and Tax Avoidance

CEO duality, in specific, stretches around the structural informal influence of CEOs concurrently owning the role of the Board of directors (BOD)'s Chairman, which can have a greater impact on the firm activities and board process deriving from their hierarchical power and structural control (Fama & Jensen, 1983). Fama & Jensen (1983) further emphasize that there exists an absence of decision independence between the Board of Directors (BOD) and Executives as both areas are structurally controlled by the same individuals. Indeed, the duality in both BOD and Management of the executive is, in hand, beneficial in interpreting the informal financial conduct revolving around tax aggressiveness, namely tax avoidance which is considered a crucial determinant in alleviating the tax aggressiveness within the firm (Zemzem & Ftouhi, 2013). Besides that, Rusydi et al (2023), in their research, certify that there is a negative relationship between CEO duality and Tax Avoidance, in which the Executive with both roles in the Board of Directors (BOD) and Management Board tends to inflict their power on controlling the tax avoidance activities. Therefore, the last hypothesis is:

H6: CEO duality has a negative relationship with Tax Avoidance.

Overall, the research hypothesis expectations are shown in the Table 1.

Table 1. Hypothesis Presentation

Hypothesis	Expectation
Ownership Concentration and Tax Avoidance	+
Board Size and Tax Avoidance	-
Executive Compensation and Tax Avoidance	-
Institutional Ownership and Tax Avoidance	+
Audit Quality and Tax Avoidance	-
CEO Duality and Tax Avoidance	-

Source: Made by authors.

Methodology

Data Collection

This research focuses on examining the relationship between Corporate Governance and Tax Avoidance revolving around the Vietnamese companies listed in the Stock Market in Vietnam, which consists of 47 accepted companies listed in the Ho Chi Minh Stock Exchange (HOSE) with data extracted from the basket of HSX100 for 100 biggest companies in HOSE from 2017 to 2022, with a total of 282 observations. The data is collected and aggregated based on the firm's annual consolidated financial statements and annual reports. To select the samples, companies were subjected to certain conditions, and those that possessed all the following conditions were chosen:

- Firstly, the company should have been listed on the Ho Chi Minh Stock Exchange before 2017.
- Secondly, the research focuses on examining the big companies as it is considered to tend to conduct informal financial activities, namely Tax Avoidance.
- Thirdly, the research is conducted with non-financial companies to ensure transparency, homogeneity, and feasibility in terms of data between different non-financial companies.

Fourthly, the selected company should maintain consistent operations and activities throughout the specified period, without any significant changes in its yearly activities or business operations.

Variables

Corporate governance, in this research, will be separated into key variables such as Ownership concentrations, Board Size, Executive Compensation, Institutional Ownership, Audit Quality, and CEO Duality. These elements serve as independent variables in this study, aiming to explore their impact on informal tax aggressiveness. Besides, Tax avoidance is regarded as the dependent variable in this study, while company size, financial leverage, and ROA are considered as control variables.

Measurement

Table 2 presents the variables and how to measure these variables in this research.

Table 2. Variable Measurement

Variables	Measurement
Dependent Variable	
Tax Avoidance (TA)	Cash ETR = Tax Expense/ Pretax Income
Independent Variables	
CEO Duality (CD)	The Dummy Variable which will score 1 if BOD's chairman is also CEO, and 0 if BOD's chairman does not relate to the CEO role.
Board Size (BS)	The number of Board Members in the Board of Directors (BOD)
Ownership Concentration (OC)	The sum of the Squared value of the three biggest Shareholder's ownership in one company.
Executive Compensation (EC)	The Natural Logarithm of Total Compensation of Members in Board of Executives
Institutional Ownership (IO)	The percentage of the number of shares owned by institutional shareholders compared to the total number of outstanding shares of one company

Table 2 (cont.)

Audit Quality (AQ)	Dummy Variable which will score 1 on firm with Big 4 Auditing Firm Audit, and 0 for non-Big 4 Auditing firm Audit.
Control Variables	
Firm size (SIZE)	The Natural Logarithm of Total Assets
Financial leverage (LEV)	The Ratio of Total Debt to Total Assets
Firm performance (ROA)	The Ratio of EBIT to Total Assets

Source: Made by authors.

Research Method

In investigating the correlation between Corporate Governance and Tax Avoidance within the Vietnamese stock market context, we employ quantitative methodologies to gather and analyze data, ensuring precise testing of our hypotheses. Our primary objective is to scrutinize the relationship between Corporate Governance and Tax Avoidance among businesses listed on the Vietnamese stock exchange.

Following data collection, we meticulously identify pertinent variables and adopt suitable measurement techniques. To validate our approach, we initiate with descriptive analysis, elucidating fundamental data characteristics such as mean values, standard deviations, and the range of variables under examination.

Subsequently, leveraging Pearson Correlation, we delve into understanding the interrelationships between Corporate Governance and Tax Avoidance, facilitating a comprehensive comprehension of their association. Moreover, to ascertain the independence of our independent variables, we subject them to the Multicollinearity Test.

Additionally, we conduct the White Test of Heteroscedasticity to assess the presence of heteroscedasticity among sample groups. Upon confirming the appropriateness of our model, we proceed with regression analysis. Utilizing Ordinary Least Squares (OLS) in Regression Analysis, we estimate regression coefficients and ascertain their statistical significance in order to test the hypotheses formulated in our study.

Research Model

$$TA_{i,t} = \alpha + \beta_1 OC_{i,t} + +\beta_2 CD_{i,t} + +\beta_3 BS_{i,t} + +\beta_4 EC_{i,t} + +\beta_5 IO_{i,t} + +\beta_6 AQ_{i,t} + +\beta_7 SIZE_{i,t} + +\beta_8 LEV_{i,t} + +\beta_9 ROA_{i,t} + \varepsilon \quad (1)$$

Where: Firm i, year t; α: Constant, β: Coefficients, TA: Tax Avoidance, OC: Ownership Concentration, CD: CEO Duality, BS: Board Size, EC: Executive Compensation, IO: Institutional Ownership, AQ: Audit Quality, SIZE: Firm Size, LEV: Financial leverage, ROA: Firm performance (Return on Asset), ε: Residual of Errors.

Research Results

Data Description

Table 3 focuses on the Descriptives Analysis subject to certify the Mean, Standard deviation, Min, and Max of Variables in the research. Specifically, the Cash ETR has a mean value of 0.176 with Standard Deviation staying at 0.160 alongside the min and max value of -0.76 and 1.28 respectively. Besides that, the Ceo Duality (CD)'s mean value is 0.237 with a Standard deviation value of 0.426 a min value of 0, and a max value of 1. The Board Size (BS) has a

mean value of 6.55 with a standard deviation of 1.573 a min value of 3 and a max value of 11. Accordingly, the Ownership Concentration (OC) owns the mean value equivalent to 0.169 alongside the standard deviation value of 0.184 and min and max values approximately staying at 0.0007 and 0.703 respectively.

Table 3. Descriptive Analysis

Variable	Obs	Mean	Std. Dev.	Min	Max
ETR	282	.1763	.1603	-.76	1.28
CD	282	.2375	.4263	0	1
BS	282	6.5531	1.5757	3	11
OC	282	.1697	.1847	.0007	.7037
EC	282	22.5492	.8985	19.7172	24.9471
IO	282	.5127	.2725	.01	1
AQ	282	.7517	.4327	0	1
SIZE	282	29.8978	.9894	27.51	32.81
LEV	282	.5225	.3562	.03	5.67
ROA	282	.0877	.0846	-.05	.51

Source: Authors' Calculation.

Moreover, the Executive Compensation (EC)'s mean value stays at 22.54 with a Standard Deviation of 0.898 alongside the min and max values of 19.71 and 24.94 respectively. Besides, Institutional Ownership (IO) has the mean value and Standard Deviation lying at 0.512 and 0.272 respectively along with a min value of 0.01 and max value of 1. The Audit Quality (AQ) mean value sticks around 0.751 with a Standard Deviation of 0.432 with min and max values of 0 and 1. The Mean value of SIZE stays at 29.89 with a Standard Deviation of 0.98 and has min and max values of 27.51 and 32.81 respectively. LEV mean value, indeed, stays at 0.522 alongside the Standard Deviation of 0.356 with a min value of 0.03 and max value equal to 5.67. Lastly, the ROA mean value is 0.087 with a Standard Deviation of 0.846 with a min of -0.05 and a max of 0.51.

Besides the Descriptive Analysis, Pearson Correlation also shows results that are radically and beneficial in interpreting the relationship between independent variables and Dependent Variables. Table 4 shows the correlation coefficients between different variables employed in the study, in which Tax Avoidance has a positive correlation with most variables in the study except for CD, OC, and ROA when the results in the table show a negative relationship between these variables with Tax Avoidance

Table 4. Pearson's Correlation

	ETR	Cd	BS	OC	EC	IO	AQ	SIZE	LEV	ROA
ETR	1.0000									
CD	-0.1377	1								
BS	0.1276	-0.0586	1							
OC	-0.0012	0.0166	-0.1238	1						
EC	0.0203	-0.0307	0.2203	-0.2776	1					
IO	0.0584	-0.2037	-0.0358	0.3741	-0.0376	1				
AQ	0.1459	-0.1228	-0.0797	0.0991	0.1319	0.2812	1			
SIZE	0.0234	-0.2031	0.0441	-0.0909	0.3526	-0.0938	0.3568	1		
LEV	0.1627	-0.0256	0.0447	-0.0948	0.0951	-0.1177	0.0263	0.0731	1	
ROA	-0.1632	0.0365	-0.0427	0.0513	-0.1043	0.1862	-0.1590	-0.3885	-0.3059	1

Source: Authors' Calculation.

Table 5 focuses on examining the Multicollinearity of different variables within the research, the below results radically and transparently indicate that there is no multicollinearity between variables when the VIF (Variance Inflation Factor) value of all variables has a value lower than 2.

Table 5. Multicollinearity Test

Variable	VIF	1/VIF
SIZE	1.58	0.6326
IO	1.44	0.6957
ROA	1.34	0.7466
AQ	1.32	0.7580
EC	1.31	0.7639
OC	1.29	0.7752
LEV	1.12	0.8890
CD	1.12	0.8906
BS	1.07	0.9306
Mean VIF	1.29	

Source: Authors' Calculation.

Table 6 revolves around examining the White test of Heteroscedasticity, in which the results below show that Heteroscedasticity has a p-value of 0.2401, which is higher than 0.05 ($p > 0.05$) which means there does not exist Heteroscedasticity. When there is no heteroscedasticity within the data, hence, the OLS (Ordinary Least Square) Regression Model is a suitable model for testing the relationship between the independent variables and dependent variables.

Table 6. White Test of Heteroscedasticity

Source	Chi2	Df	P
Heteroskedasticity	58.82	52	0.2401
Skewness	6.67	9	0.6711
Kurtosis	4.00	1	0.0456
Total	69.48	62	0.2400

Source: Authors' Calculation.

Table 7 shows the Regression Analysis using Ordinary Least Squared (OLS) results between Independent, Control Variables and Tax Avoidance, in which CEO duality (CD), Board Size (BS), AQ (Audit Quality), and ROA show the p-value of lower than 0.05 ($p < 0.05$), which indeed indicate the relationship between these variables with Tax Avoidance is significant while other variables such as OC, EC, IO, Size and LEV have the p-value bigger 0.05 ($p > 0.05$), which then illustrate the hypothesis between these variables with Tax Avoidance is unsuitable and their relationship is uncertified.

Table 7. Regression Analysis

ETR	Coef.	Std. Dev	t	P>t	[95% Conf.	Interval]
CD	-.0459	.0229	-2.00	0.046	-.0911	-.0007
BS	.0132	.0060	2.19	0.030	.0013	.0252
OC	-.0042	.0567	-0.08	0.940	-.1160	.1075
EC	-.0031	.0117	-0.26	0.792	-.0262	.0200
IO	.0154	.0406	0.38	0.704	-.0645	.0954
AQ	.0565	.0245	2.31	0.022	.0083	.1048
SIZE	-.0192	.0117	-1.64	0.103	-.0423	.0038
LEV	.0532	.0275	1.94	0.054	-.0009	.1073
ROA	-.2751	.1263	-2.18	0.030	-.5239	-.0264

Source: Authors' Calculation.

Discussion

Through the analysis, there are a variety of results revolving around the relationships between independent variables and dependent variables, ranging from the results of positive correlation, and negative correlations, to non-line to no correlation between the variables within the research.

Regarding the impact of corporate governance on tax avoidance, firstly subject to the relationship between the CEO duality and Tax Avoidance, the OLS regression results have radically illustrated that there is a negative correlation between them. It implies that with the duality of both BoD's chairman and CEO, an executive tends to inflict his/her structural control over tax aggressiveness, and tax avoidance, which then reduces its corporate informal phenomenon. Besides that, the Board Size, through the analysis indicates a positive correlation between Board Size and Tax Avoidance, which goes against the initial hypothesis of a negative correlation, in which the larger the number of board members, the higher the tendency for conducting tax avoidance following the results. Moreover, the relationship between Audit Quality and Tax Avoidance is also certified as a positive correlation, which means the higher quality of audit results in a higher degree of tax avoidance. It is quite incomprehensible as the higher audit quality tends to reduce the informal act of tax avoidance as most studies prove such as the study of Lestari & Nedya (2019). Indeed, Richardson et al.., (2013) indicate that if the firm is audited by external auditors with a low proportion of non-auditing services within their range of services, these auditors have less tendency to be aggressive in examining tax avoidance, which might in hand inflate the informal act of tax avoidance. For other latent variables of corporate governance, namely Ownership Concentration, Executive Compensation, and Institutional Ownership, all of these variables follow the results, which shows that there is no correlation between these variables with Tax Avoidance. It hence does not support the hypotheses of these variables which explicitly implies that the variance of these independent variables has no impact on the degree of tax avoidance within the companies.

In terms of control variables integrated within this research to fortify the internal validity and feasibility of the study. There are 3 main control variables within the study, namely Company Size, Leverage, and ROA, in which ROA or the performance of the company affect negatively and significantly Tax Avoidance, in which companies with lower ROA tend to conduct Tax Avoidance. Two other control variables, on the other hand, do not show any sign of significant correlation with Tax Avoidance, in they do not have any influences on the informal act of Tax Avoidance.

Conclusions and Recommendations

From the analysis results, as well as the discussion revolving around the impact of corporate governance on informal tax avoidance, it is obvious in indicating the relationship between different acts of corporate governance has different impacts on the act of tax avoidance. Indeed, the studies related to corporate governance have been skyrocketing through times parallel with the unprecedentedly increased corporate activities, which is especially marked by accounting scandals, and other informal financial activities. These informal acts are considered explicitly deriving from the lack of control and supervision over corporate governance, which is then called for by the regulations aiming to reduce these informal activities (Le et al, 2014). There are still loopholes that are beneficial for companies' informal activities, namely tax avoidance when, according to OECD (2015), the loss of tax revenue resulting from tax avoidance amounts to the range of 100 to 240 billion USD on the global scale. Specifically, In Vietnam, tax avoidance has been a notorious phenomenon in the business world, notably from 2013 to 2017 (VEPR, 2020), the total tax loss of corporate tax revenue accounted for 6.4% to 9.9% of total corporate tax revenue despite supervision related to informal tax management.

Hence, throughout the research, it is needed to give suitable, and sensible recommendations in the efforts to enhance the transparency of corporate governance toward tax management within the corporate world given the scenario of lacking research on tax avoidance in Vietnam. First, the state must stimulate accountable and responsible tax management activities through further promoting corporate social responsibility (CSR) planning. Specifically, it is needed to incorporate tax management and consideration in the ESG initiatives toward the board members, which indeed aims to fortify the board oversight through aligning their performance toward responsible tax management practices, that reduce the possible informal practices subject to tax management. Besides that, through striking up the Double Tax Agreement (DTA) alongside the participation in the Automation Exchange of Information (AEoI), Vietnam still faces tax loss given the informal tax management of multinational companies. As a result, it is necessary for the authority, not only to set stricter subjects for internal oversight but also should focus on striking up systems for evaluating the efficiency of tax management activities of firms, which allows the tax authority to ensure transparency and effectiveness in controlling the tax documents, data that is beneficial in gathering tax, hence, reduce informal tax aggressiveness.

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