

Original Research Article

Corporate Governance Mechanisms and Tax Sheltering; Evidence from Quoted Tax Aggressive Firms in Nigeria

Abstract

This study empirically examined the relationship between corporate governance mechanisms and tax sheltering of publicly traded tax aggressive companies in Nigeria. To determine the relationship between corporate governance mechanisms and tax sheltering, corporate governance mechanisms were measured with CEO share ownership, directors' remuneration, board independence and board diligence, while tax sheltering was proxy using effective tax rate. The hypotheses formulated to guide the study and the statistical testing of the parameter estimates were performed using the OLS regression model run on STATA V.15. The ex post facto design was adopted and the data for the study was sourced from the published annual financial reports of all tax aggressive companies classified under ICT Sector, Health Care Sector and Oil & Gas Sector of the Nigerian Exchange Limited (NGL) covering from 2013-2021. The results of the study generally indicate that corporate governance mechanisms have a significant and positive association with tax sheltering of listed tax aggressive companies in Nigeria at a significant level of 5%. Therefore, the study concludes that corporate governance mechanisms ensure tax sheltering for tax aggressive companies in Nigeria. The study however suggests that firms' board should consider the percentage and proportion of CEO share ownership concentration, pay high remuneration to the board, increase the number of independent directors in their board and also consider in composition of the board of directors, their level of expertness, expertise, intelligence and proficiency as these led to tax sheltering among the quoted firms in Nigeria.

Keywords: Corporate Governance Mechanism, Tax Sheltering, Board Independence, Board Diligence.

1.0 Introduction

Today's dynamic business environment is characterized by the emergence of increasingly knowledge-based economies, encouraging both global competition and innovative business practices; which is now at the core of any competitive advantage (Lawson & Samson, 2011). According to Garengo, Biazzo and Bititci (2015), companies strive to satisfy their customers, who are central to the organization and nowadays demand high quality products and services from the organization in a professional manner. Consequently, an appropriate governance

mechanism needs to be incorporated to ensure that the organization functions well with due regard to the needs of its various stakeholders. The Board's main contribution to corporate organizations includes: formulation of corporate strategy, establishment of corporate governance mechanism ranging from CEO Share Ownership (CSO), Directors Remuneration (DR), Board Independence (BI), Female Directorship Presence (FDP) to Board Diligence (BD) and also exercise appropriate oversight throughout the process of company operations (Zinkin, 2010). Independent directors provide independent views and actively participate in board discussions and also represent shareholders on the company's board. The independent directors also ensure that their attendance and performance are free from any insider or management influence. The company appoints independent directors to oversee the performance of directors and senior management. Therefore, they pursue the interests of shareholders by maximizing shareholder value.

One of the most important lessons to emerge from the a priori expectations is that there are different ways in which corporate governance mechanisms (board due diligence, board independence, CEO ownership, female board positions and board compensation) affect company performance. This implies the possibility that this debate on corporate governance mechanisms is unlikely to end. However, no study is known that has examined the influence of corporate governance mechanisms on the tax sheltering of aggressive listed companies in Nigeria. Meanwhile, the study chooses to validate the relationship between corporate governance mechanisms and tax sheltering for aggressive listed companies in Nigeria.

Most studies on corporate governance mechanisms have been limited to company's performance. For example; in the industrialized world, the following attempts were made, Heenmalin and Wallace (2017); Forde (2016); Conyon (2015); Doucouliagos, Haman and Askary (2007); Krishnan and Daewoo (2015); Francoeur, Labelle and Sinclair-Desgagne (2018); Coles, McWilliams and Sen (2017); Berger, Ofek and Yermack (2017); Westpal (2012); Harford (2012); Alzoubi and Selamat (2012); examined the relationship that existed between corporate governance mechanisms (board compensation, board due diligence, board independence, female board members and CEO ownership) and firm performance.

On the other hand, attempts have been made in developing countries, such as Ilaboya and Obaretin (2015); Abdullah (2016); Brown (2016); Lau and Tong (2018); Darmadi (2010), Dezso and Ross (2012); Nwaobia, Kwarbai and Ogundajo (2016) etc on the relationship between corporate governance mechanisms (board compensation, board due diligence, board independence, female board members and CEO shareholdings) and corporate performance. None of the studies as shown above in both developed and developing nations related the corporate governance mechanism to tax sheltering of aggressive public companies. More importantly, there is no known study that has examined the relationship which existed between corporate governance mechanisms and tax sheltering of aggressive companies quoted under information and communications technology (ICT) sector, healthcare sector, and oil and gas sector of Nigerian Exchange Limited based on available literature.

Against this background, the present study attempts to examine the influences of the corporate governance mechanisms on the tax sheltering of aggressive companies listed in the Information and Communication Technology (ICT), Health Care and Oil & Gas sectors of the Nigerian Exchange Limited (NEL).

To this effect, the present study adapted and modified the model of Uniamikogbo, Bennee and Adeusi (2019) with reference to Nigeria-listed tax aggressive companies. This is to capture the influences of these corporate governance mechanisms (CSO, DR, BI & BD) on tax sheltering of aggressive firms in Nigeria

To achieve this purpose, the following hypotheses were formulated:

H₀₁: CEO Share Ownership does not have significant relationship with Tax Sheltering of Quoted Tax Aggressive Firms in Nigeria.

H₀₂: There is no significant relationship between Directors Remuneration and Tax Sheltering of Quoted Tax Aggressive Firms in Nigeria.

H₀₃: Board Independence does not have significant relationship with Tax Sheltering of Quoted Tax Aggressive Firms in Nigeria

H₀₄: Board Diligence has no significant relationship with Tax Sheltering of Quoted Tax Aggressive Firms in Nigeria

2.0 Review of Related Literature

2.1 Conceptual Frame work

2.1.1 Corporate Governance Mechanisms

In the recent time, companies strive to meet their customers' expectations who are central to the organization and who nowadays demand high quality products and services from the organization in a professional manner. Consequently, an appropriate governance mechanism needs to be incorporated to ensure that the organization functions well with due regard to the needs of its various stakeholders.

Harford (2012) noted that the board of directors play a central role in corporate governance and is appointed by the shareholders to lead the company. Therefore, the corporate governance mechanism is seen as a delegated responsibility of the board of directors in running the organization and has also the responsibility to ensure that those who invest in the company are able to generate a return on their investments. In this regard, the Board of Directors has a statutory mandate to protect the rights of investors and their shareholders.

The study by Lau and Tong (2018) measured the corporate governance mechanism using Directors Remuneration (DR), Krishnan and Daewoo (2015) also measured the corporate governance mechanism using Female Directorship Presence (FDP). Board independence has also been used as a proxy for the corporate governance mechanism by Bhagat and Black (2012), Foo and Zain (2010) presented the corporate governance mechanism using board diligence, Coles, McWilliams and Sen (2017) measured the corporate governance mechanism using CEO Share Ownership (CSO).

For the purposes of this investigation, the present study has developed a model fit on corporate governance mechanisms using the following indices; CEO Share Ownership (CSO), Directors Remuneration (DR), Board Independence (BI) and Board Diligence (BD).

2.1.2 Tax Sheltering

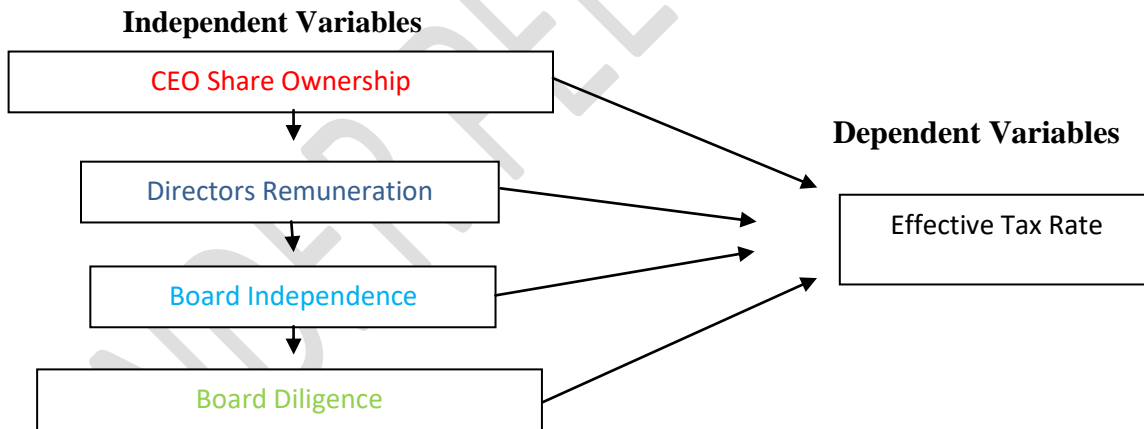
Tax sheltering, also known as tax aggressiveness or tax planning, has been defined differently by scholars. Hoffman (1961) viewed it as the taxpayer’s ability to organize his financial dealings in such a way that he suffers a minimum tax liability. Tax protection is generally defined as the process of managing one’s affairs in order to defer, reduce or even eliminate taxes payable to the government (Pniowsky, 2010). The recent study by Uniamikogbo, Bennee and Adeusi (2019), Nwaobia, Kwarbai and Ogundajo (2016) proxy tax sheltering using the effective tax rate.

For the purposes of this study, the effective tax rate was used as a proxy for tax sheltering, which is consistent with the a priori expectations. This is represented as follows:

$$ETR = \frac{\text{Current Reporting Tax}}{\text{Pre Tax Profit}} \times 100$$

2.1.3 The Diagram of Conceptual Framework

Figure 1 : Conceptual Framework



Source: Researcher’s Concept (2022)

2.2 Theoretical Framework

2.2.1 Agency Theory

Agency theory was proposed by Jensen and Meckling in 1976. Agency theory has been widely used by empirical researchers to explain the relationship between corporate governance mechanism and financial performance. According to Jensen and Murphy (1990), the principal-agent theory can be used to justify the positive correlation between corporate governance mechanisms and corporate tax sheltering. The link between corporate governance mechanism and tax sheltering should provide an attractive incentive for companies to thrive, as tax shelter gives the taxpayer the opportunity to organize their financial dealings in such a way that they suffer a minimum tax liability.

According to Desai and Dharmapala (2009), tax sheltering is a form of tax avoidance that integrates more aspects of agency conflicts between managers and investors. From the agency's tax point of view, management skirting is the main problem to be solved by investors. Management opportunism, or resource diversion, is another form of agency issues considered under avoidance. According to Jensen and Meckling (1976), managers who are agents of clients (shareholders) are hired to work to maximize returns for shareholders. Managers of organizations are agents of the shareholders. Therefore, in order to maximize shareholder wealth, they would need to reduce their operating expenses. One of these ways to reduce operating expenses is to use tax protection measures (sheltering) to reduce their tax liability. However, in order to reduce the tax burden on companies, tax protection must take place within the legal framework. The main reason managers of organizations engage in tax sheltering is because of the benefits they derive from an increase in after-tax returns.

Similarly, agency theory and tax sheltering definitions have clearly demonstrated that post-tax returns can be disinterestedly influenced by tax minimization, while tax minimization could be viewed as tax aggressive. Therefore, the study is anchored on this theory.

2.3 Empirical Review

Nwaobia, Kwarbai and Ogundajo (2016) examined the impact of tax planning on company value in Nigeria using 50 observations of firm for the period 2010-2014. Data was collected from the financial reports of the sampled companies and analyzed both descriptive and inferential statistics within a specified panel regression framework. A significant joint effect on goodwill was observed for all tax planning variables considered. A positive and significant effect was observed for effective tax rate (ETR), firm age (FAG) and dividend (DIV), while capital intensity and leverage had a significantly negative effect on goodwill. They recommend a comprehensive approach to tax planning to improve enterprise value.

Richardson, Wang and Zhang (2016) examined the influence of ownership structure on corporate tax avoidance in selected Chinese listed private companies. The analysis was done using regression models which shows a significant non-linear relationship between property concentration and tax avoidance. At the grassroots level, it was found that increased concentration of ownership as a result of entrenchment has a positive impact on tax planning. However, voting-induced concentrated ownership beyond the minimum required for effective control has a negative impact on tax planning due to the alignment effect. Another notable finding was the significant positive association observed as a result of the entrenchment effect between pyramidal ownership structure and tax planning.

Jaewoo, Philip and Ryan (2016) examine the impact of managerial ownership on tax planning. Using a differential design for 3,321 firm years in the United States and a regression model, their study found that increased manager ownership is associated with a lower effective tax rate (ETR), which was used to measure tax planning practices. The result confirms the improvement in incentive alignment between managers and shareholders, leading to tax planning.

Lanis, McClure and Zirnsak (2017) analyzed the tax aggressiveness of large alcohol and bottling companies operating in Australia. Both Australian and foreign companies are included in the analysis. A total of 13 companies were analyzed and the sample split between winning and losing companies in accordance with the scientific literature. Five companies were classified as a loss, seven as a gain and one as neither. Effective tax rates and accounting tax gaps were analyzed in relation to the sample. Using tax data from the Australian Taxation Office (ATO), six companies paid tax at or near the statutory rate of 30 per cent in financial years 2013-2014 and 2014-2015, two paid a tax rate below 20 per cent (Asahi Holdings and Lion), and the other five paid nothing. Taken together, the major alcohol companies in Australia pay far less tax than would be expected if the 30 per cent corporate tax rate were applied. Analysis revealed that the wine industry made small tax contributions to the Australian community over time.

Abdullah (2016) examined the extent to which corporate performance, board structure and ownership drive executive pay in Malaysia among distressed companies. The study uses publicly available data from a sample of 86 distressed companies and a corresponding 86 non-distressed companies. This research found that there is a negative association between company performance and directors' compensation. The results showed that directors' compensation was unrelated to the company's profitability as measured by ROA. In terms of corporate governance, the independence of the board and the extent of the interests of non-executive directors have a negative impact on directors' remuneration. In addition, the results also show that directors' compensation is positively associated with company growth and size.

Uniamkogbo, Bennee, and Adeusi (2019) examined the effect of corporate governance on tax aggressiveness in Nigeria. Four variables in particular; Gender diversity, board size, CEO duality, and ownership structure were used as proxies for corporate governance, while effective tax rate was used to represent tax aggressiveness in Nigeria's oil and gas marketing firms. The study population consists of all oil and gas marketing firms listed on the Nigerian Stock Exchange as of December 31, 2017. The entire population was accepted as a study sample using the census sampling approach. The secondary data collection method was used in generating data from the annual reports and accounts of the selected companies for the period 2013-2017. The data generated were analyzed using descriptive statistics and ordinary least squares (OLS) regression. The results of the study showed that there is a positive and significant association between gender diversity, board size and tax aggressiveness, while there is a negative but significant association between CEO duality and tax aggressiveness. There is a negative and insignificant relationship between ownership structure and the tax aggressiveness of Nigerian oil and gas marketing firms. We therefore recommend that the audit committee of companies with the obligation to assess tax assessments and tax returns should be supported in order to avoid any form of illicit strategic tax behavior by management.

3.0 Methodology

An ex post facto design was used for the present study. The use of the ex post facto design was based on the fact that our data is secondary in nature that has existed and cannot be manipulated. The study population consists of all 26 companies listed firms according to their annual accounts in the healthcare sector, the information communication technology (ICT) sector and the oil & gas sector from 2013 to 2021. Out of 26 companies making up the study population, 14 companies were tax aggressive, 8 were tax conservative, while the remaining 4 companies had blank financial information for the period (MTN Nigeria Comm Plc, Airtel Africa Plc, Omatek Ventures Plc and Briclinks Plc), and were removed. On this basis, a total of 14 tax aggressive companies made up our sample size with 126 observations. These firms include (Fidson Plc, Morrison Plc, Pharma Deko Plc, Ekocorp Plc, Neimeth Plc, Chams Plc, NCr Nig Plc, Etransact Intl Plc, Ardova Plc, Japaul Oil Plc, Capital Oil Plc, Conoil Plc, Oando Plc and Seplat Plc).

3.1 Operationalization and Measurement of Variables

3.1.1 Dependent Variable

The dependent variable in this study is tax sheltering and it was measured using the effective tax rate. This is consistent with the work of Ogbeide and Obaretin (2018). This is represented as follows:

$$ETR = \frac{\text{Current Reporting Tax}}{\text{Pre Tax Profit}} \times 100$$

3.1.1 Independent Variable

The independent variable in this study is corporate governance mechanism and it was proxy and using CEO Share Ownership, Board Independence, Directors' Remuneration and Board Diligence. This is shown on Table 1 below as thus;

Table 1: Variables Measurement

Variables	Measurement
Dependent Variable	
Tax Sheltering	ETR: {Current Reporting Tax/Pre Tax Profit} X 100
Independent Variable	
CEO Share Ownership	Percentage of direct and indirect shareholdings to total equity of the firm
Directors Remuneration	Log of Directors remuneration for the yr
Board Independence	Number of independent director on the board
Board Diligence	Number of board meetings

Source: Empirical Survey (2022)

3.2 Model Specification and Justification

The study adapted and modified the model of Uniamikogbo, Bennee and Adeusi (2019), in examining the relationship which exists between corporate tax mechanisms and tax sheltering in Nigeria as shown below;

$$\text{Uniamikogbo, Bennee and Adeusi (2019), } ETR = \beta_0 + \beta_1BS + \beta_2CD + \beta_3GD + \beta_4OS + \varepsilon$$

The modified model for the study is shown as thus

$$ETR_{it} = \beta_0 + \beta_1CSO_{it} + \beta_2DR_{it} + \beta_3BI_{it} + \beta_4BD_{it} + \varepsilon$$

Where:

- ETR = Effective Tax Rate
- CSO = CEO Share Ownership
- DR = Directors' Remuneration
- BI = Board Independence
- BD = Board Diligence

ε = error term

Decision Rule: accept H_0 if P-value > 5% significant level otherwise reject H_0

4.0: Data Analysis and Results

Table 2: Descriptive Statistics

STATS	ETR	CSO	DR	BI	BD
Mean	4.21754	2.684127	2.079524	1.897936	1.735714
Std. Dev.	10.3531	.6605952	.5716472	.4508327	1.011016
Maximum	30.0000	0.8654	3.9784	3.0000	7.0000
Minimum	8.0000	0.0050	0.0685	0.0000	2.0000
Observations	126	126	126	126	126

Source: Researcher's Computation (2022).

Table 2 above shows that Nigeria's listed Healthcare, Oil & Gas & ICT Companies over a 9-year period (2013-2021) are characterized by a positive effective tax rate (ETR) value of 4.21754. This is an indication that the selected companies in Nigeria have a positive effective tax rate value with a standard deviation value of 10.3531. Thus, the maximum value of ETR was 30.0000 while the minimum value was 8.0000. This implies that firms with ETR value of 4.21754 and above are tax sheltering firms, while firms with an ETR below 4.21754 are not tax sheltering firms.

The mean value of CEO Share Ownership (CSO) for the sampled firms was 2.684127. This means that firms with CSO values of 2.684127 and above are firms with high CEO share ownership concentration, while firms with CSO value below 2.684127 are firms with non or low CEO ownership concentration. There is a high variation in maximum and minimum value for the study which stood at 0.8654 and 0.0050 respectively. This high variation in maximum and minimum CSO values between the sampled companies justifies the need for this study, as we

assume that companies with higher CSO value are tax sheltering companies than companies with low CSO values with a high risk of 6.6%.

The average directors' remuneration (DR) for the sampled firms was 2.079524. This means that companies with DR values of 2.079524 and above are firms that pay higher remuneration to their directors, while firms with DR values below 2.079524 are firms that pay lower remuneration to their directors. There is also a large variation in the maximum and minimum values of DR, which was 3.9784 and 0.06852 respectively. This large variation in DR values between sampled companies justifies the need for this study as we assume that companies with higher DR values are tax sheltering firms than those firms with low DR value.

The average Board Independence (BI) for the sampled companies was 1.897936. This means that companies with BI values of 1.897936 and above are companies that have independent directors in the boards, while companies with values below 1.897936 are companies without independent directors in the boards. There is also a high variation in maximum and minimum values of BI which stood at 3.0000 and 0.0000 respectively. This wide variation in BI values among the sampled firms justifies the need for this study as we assume that firms with higher BI values are tax sheltering firms than companies with low BI values.

The average board diligence (BD) for the sampled firms was 1.735714. This implies that firms with BD values of 1.735714 and above are firms with conscientious, diligent and competent members in the board, while firms with BD values below 1.735714 are firms with non or less conscientious, diligent and competent members in the board. There is also a large variation in the maximum and minimum values of BD which were 7.0000 and 2.0000 respectively. This large variation in BD values between the sampled firms justifies the need for this study as we assume that firms with higher BD values are tax sheltering firms than companies with low BD values.

4.1 Test of Hypotheses

Table 3: Result on the relationship between Corporate Governance Mechanisms and Tax Sheltering of Quoted Tax Aggressive Firms in Nigeria.

Source	SS	df	MS	Number of obs = 126		
-----+-----				F (1, 110) = 2.66		
Model	1083.427664	270	856916	Prob > F = 0.0359		
Residual	12314.9014	121	101.776045	R-squared = 0.5476		
-----+-----				Adj R-squared = 0.5109		
Total	13398.3291	125	107.186632	Root MSE = 1.0088		

ETR	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
-----+-----						
CSO	1.478699	1.592891	0.93	0.355	1.674848	4.632246
DR	3.332722	2.132388	1.56	0.012	7.554347	.8889036
BI	2.500470	2.465417	1.01	0.031	7.381412	2.380473

BD	1.991526	.9032438	2.20	0.029	.2033163	3.779735
_cons	8.468011	4.766027	1.78	0.007	.9675962	17.90362

Source: Result output from STATA 15.

4.2: Discussion of Findings

The result of the analysis of the study using OLS Model is expressed as follows:

H₀₁: CEO Share Ownership does not have significant relationship with Tax Sheltering of Quoted Tax Aggressive Firms in Nigeria.

This hypothesis was tested and the result of the regression model, as shown in Table 3, shows that the relationship between CEO ownership and effective tax rate is positive but insignificant. With a P-value (significance) of 0.355 for the model, the test at the 5% level is considered statistically insignificant. However, the result of the positive coefficient of 1.48 shows that an increase in firms' CEO share ownership increases the firms' effective tax rate (tax sheltering) by 1.48%. We consequently rejected the alternative hypothesis and accepted the null hypothesis, which asserts that CEO share ownership has no significant relationship with tax sheltering of quoted tax aggressive firms in Nigeria.

The result is consistent and agrees with the results of Richardson, Wang and Zhang (2016) who observed a significant and positive correlation between CEO shareholdings and the performance of China-listed companies. Jaewoo, Philip and Ryan (2016) also found that managerial ownership is associated with a lower effective tax rate (ETR). This is also consistent with the study by Cui and Mak (2012) who found a significant and positive association between CEO ownership and firm performance.

H₀₂: There is no significant relationship between Directors Remuneration and Tax Sheltering of Quoted Tax Aggressive Firms in Nigeria.

This hypothesis was tested and the result of the regression model, as shown in Table 3, shows that the relationship between directors' remuneration (DR) and the effective tax rate (ETR) is positive and significant, with a P-value (significance) of 0.012 for the model, which is less than the 5% level of significance adopted. Likewise, the result of the positive coefficient of 3.33 for the model proves that an increase in the board's remuneration ensures ETR by 3.33%. This implies that companies that pay directors higher fees enjoy tax breaks. We therefore rejected the null hypothesis and accepted the alternative hypothesis stating that there is a significant relationship between directors' remuneration and the tax sheltering of listed tax aggressive firms in Nigeria. In other words, companies that wish to enjoy tax sheltering are expected to pay high compensation to the board of directors.

This observation is consistent with the a priori expectations of Hermalin and Wallace (2017), Lau and Tong (2018), Doucouliagos, Haman and Askary (2007), Conyon (2017), who found a significant and positive association between directors' compensation and company performance. However, the results do not agree with the study by Tosi (2010), Firth (2016), Veliyath (2019) who found a negative and insignificant association between executive compensation and company performance.

H₀₃: Board Independence does not have significant relationship with Tax Sheltering of Quoted Tax Aggressive Firms in Nigeria

This hypothesis was tested and the result of the regression model, as shown in Table 3, shows that the relationship between director independence (BI) and effective tax rate (ETR) is positive and significant, with a P-value (significance) of 0.031, which is lower than the assumed significance level of 5%. Likewise, the result of the positive coefficient of 2.5 for the model proves that an increase in the number of independent directors in the company's board ensures a ETR by 2.5%. This implies that companies should increase the number of independent directors in their board to enjoy the tax benefit. We consequently rejected the null hypothesis and accepted the alternative hypothesis stating that board independence is significantly related to tax sheltering of quoted tax aggressive firms in Nigeria. Hence, firms should increase the number of independent directors in their boards to enjoy the tax shelter.

This tends to agree with Baysinger and Bulter (2015), Foo and Zain (2010), Abdullahi (2014) who found significant and positive relationship between board independence and firms performance. however, the findings is not in consonance with the observations of Bhagat and Black (2012) who found a significant and negative association between board independence and organizational performance.

H₀₄: Board Diligence has no significant relationship with Tax Sheltering of Quoted Tax Aggressive Firms in Nigeria

This hypothesis was tested and the result of the regression model, as shown in Table 3, shows that the relationship between board diligence (BD) and effective tax rate (ETR) is positive and significant, with a P-value (significance) of 0.029, which is less than the assumed 5% significant level. Likewise, the result of the positive coefficient of 1.99 for the model proves that firms with diligent and competent directors on the board enjoy a 1.99% tax break. We therefore rejected the null hypothesis and accepted the alternative hypothesis stating that board diligence has a significant relationship with tax sheltering of quoted tax aggressive firms in Nigeria. In other words, the shareholders should consider in the composition of the board, their level of expertness, expertise, intelligence and proficiency as this has led to tax sheltering among the quoted firms in Nigeria.

This agrees with the a priori expectations of Marrakchi Chtourou, Bedard, and Courteau (2011), Alzoubi and Selamat (2012), Conger and Ready (2014), who found that board diligence influences firm performance. This is not consistent with the a priori expectations of Johl, Kaur and Cooper (2013), Lipton and Lorsch (2012), who found an insignificant and negative association between board diligence and company performance.

5.1 Conclusion

Based on the findings of the study, it was concluded that corporate governance mechanisms have significant and positive effect on tax sheltering of listed tax aggressive firms in Nigeria. The implication of this is that corporate governance mechanism of a firm determines its tax shelter.

5.2 Recommendations

1. Since the study found insignificant and positive association between the CEO Share Ownership and Tax Sheltering of aggressive quoted firms in Nigeria, the study recommended that firms' board should not consider the percentage and proportion of CEO Share Ownership Concentration as CEO Share Ownership concentration does not provide tax sheltering to corporate organizations.
2. The study also recommended that firms should pay high remuneration to the board since directors remuneration ensures tax sheltering among the quoted firms in Nigeria.
3. Firms should increase the number of independent directors in their board in order to enjoy the tax sheltering.
5. Shareholders should also consider in the composition of the board of directors, their level of expertness, expertise, intelligence and proficiency as these led to tax sheltering among the quoted firms in Nigeria

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S/N	SECTORS	QUOTED FIRMS IN NIGERIA	TOTAL COYS USED	% SAMPLE OF POPULATION (26)	TOTAL COYS EXCLUDED	% SAMPLE OF POPULATION EXCLUDED (12)	EFFECTIVE TAX RATE	REMARK
1	HEALTH CARE	Fidson Plc	1				29	ETR ≤ 30%

UNDER PEER REVIEW

Appendix 1
The List of Companies Quoted under 3 Sectors of NSE

2		Morrison Plc	1				25	ETR ≤ 30%
3		Neimeth Plc	1				14	ETR ≤ 30%
4		Pharma Deko Plc	1				15	ETR ≤ 30%
5		Ekocorp Plc	1				19	ETR < 30%
6		Glaxosmithline Plc			1		37	ETR > 30%
7		May & Baker Plc			1		42	ETR > 30%
		TOTAL NO OF COYS UNDER HEALTH CARE	5	71.4%	2	28.6%		
	ICT SECTOR							
1		Chams Plc	1				11	ETR ≤ 30%
2		NCr Nig Plc	1				30	ETR ≤ 30%
3		Etransact Intl Plc	1				30	ETR ≤ 30%
4		Courteville Plc			1		47	ETR > 30%
5		CWG Plc			1		32	ETR > 30%
6		MTN Nigeria Comm Plc			1			NO INFO
7		Airtel Africa Plc			1			NO INFO
8		Omatek Ventures Plc			1			NO INFO
9		Briclinks Africa Plc			1			NO INFO
		TOTAL NO OF COYS UNDER ICT SECTOR	3	33.3%	6	66.7%		
	OIL AND GAS							
1		Arдова Plc	1				26	ETR ≤ 30%
2		Capital Oil Plc	1				15	ETR ≤ 30%
3		Japaul Oil Plc	1				8	ETR ≤ 30%
4		Conoil Plc	1				24	ETR ≤ 30%
5		Oando Plc	1				27	ETR ≤ 30%
6		Seplat Oil Plc	1				29	ETR ≤ 30%
7		Mrs Oil			1		56	ETR > 30%
8		Total Nig Plc			1		45	ETR > 30%
9		Rak Unity Pet Plc			1		31	ETR > 30%
10		Eternal Plc			1		35	ETR > 30%
26		TOTAL NO OF COYS UNDER OIL & GAS SECTOR	6	60.0%	4	40.0%		
		GRAND TOTAL	14	53.9%	12	46.1%		

Source: Compiled from NSE Factbook & Author's Conception (2022).

Note: Firms with *ETR* > 30% are considered as Tax Conservative Firms while firms with *ETR* ≤ 30% are considered as Tax Aggressive Firms which the present study concentrated on. Hence Tax Conservative Firms were excluded from the study.