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CORPORATE TAX AVOIDANCE AND THE ROLES OF THE RISK MANAGEMENT COMMITTEE: A MALAYSIAN PERSPECTIVE

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CONCOMPANYATION BY PANEL OF EXAMINERS

I certify that a Panel of Examiners has met on 13 February 2026 to conduct the final examination of Corporate Tax Avoidance And The Roles of The Risk Management Committee: A Malaysian Perspective on her Master of Science thesis entitled "Corporate Tax Avoidance and The Roles of the Risk Management Committee: A Malaysian Perspective" in accordance with Universiti Teknologi MARA Act 1976 (Akta 173). The Panel of Examiner recommends that the student be awarded the relevant degree. The Panel of Examiners was as follows:

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ABSTRACT

Taxation plays a critical role in the economic development of developing countries such as Malaysia, as it constitutes the primary source of government revenue used to finance public services and national development. Nevertheless, the effectiveness of the taxation system may be undermined by corporate tax avoidance (CTA), which refers to the strategic use of legal tax planning practices by corporations to minimise their tax liabilities. Although tax avoidance is generally considered legal, excessive avoidance activities can reduce government revenue and weaken the efficiency of the taxation system, thereby raising concerns regarding transparency, accountability, and corporate governance among publicly listed companies. Within this context, this study examines the level of corporate tax avoidance among 124 Malaysian listed companies by employing the Current Effective Tax Rate (CETR) as a proxy measure. Specifically, the study investigates the relationship between corporate tax avoidance within a corporate governance framework by focusing on the effectiveness of the Risk Management Committee (RMC). Specifically, this study also further explores key RMC attributes, namely independence, size, knowledge and experience, gender diversity, and meeting frequency, to determine their influence on CTA. Furthermore, the moderating role of audit quality as an external governance mechanism is examined to assess whether it strengthens the relationship between RMC effectiveness and CTA. The findings indicate that CTA among Malaysian listed companies is at a moderate level. Among the RMC attributes examined, knowledge and experience, as well as meeting frequency, are found to play a significant role in mitigating CTA compared to other attributes. Furthermore, the study investigates the moderating effect of audit quality on the relationship between RMC effectiveness and CTA. The findings suggest that neither RMC effectiveness nor audit quality alone is sufficient to yield a statistically significant reduction in CTA. However, the results imply that the simultaneous presence of both internal governance mechanisms, such as RMC effectiveness and external oversight through audit quality, may collectively enhance corporate oversight. Thus, these findings highlight the complexity of CTA and suggest that improving both the internal corporate governance structures and external audit processes may contribute to more effective mitigation of CTA in Malaysia's listed companies.

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Abbreviations

BEPS	Base Erosion and Profit Shifting
BOD	Board of Directors
CETR	Current Effective Tax Rates
CTA	Corporate Tax Avoidance
DGIR	Director General of IRBM
ETR	Effective Tax Rates
FE	Fixed Effects
GAAR	General Anti-Avoidance Rule
IRBM	The Inland Revenue Board Malaysia
ITA	Income Tax Act
LM	Lagrangian Multiplier
MCCG	Malaysian Code on Corporate Governance
OECD	Organisation for Economic Co-operation and Development
OLS	Ordinary Least Squares
PCA	Principal Component Analysis
PN17	Practice Note 17/2005
Q-Q	Quantile–Quantile
RBT	Resource-Based Theory
RE	Random Effects
REIT	Real Estate Investment Trust
RMC	Risk Management Committee
ROA	Return on Assets
SMEs	Small and Medium-sized Enterprises

SPACs	Special Purpose Acquisition Companies
VIF	Variance Inflation Factor

CHAPTER 1
INTRODUCTION

1.1 Introduction

This chapter begins with Section 1.2, which outlines the research background of the study. Section 1.3 follows with the problem statement and justification for the research. The primary objectives of the study are introduced in Section 1.4 while Section 1.5 presents the research questions. Then, Section 1.6 details the key research questions addressed within the scope of the study. Section 1.7 discusses the significance of the study and final Section 1.8 provides a summary of this chapter.

1.2 Background of Study

Taxation serves as the primary source of revenue for most governments globally since it serves various functions including positively impacting a country's investment and economic development (Osho et al., 2020; Ya'u & Saad, 2021). In developing countries, tax revenue is particularly critical for sustaining fiscal stability and supporting long-term national development strategies (Gnangnon, 2021). Within this context, corporate taxation forms a significant component of national tax systems, as companies contribute substantially to government revenue through corporate income taxes imposed by national tax authorities. Hence, effective taxation systems are essential to ensure that corporations contribute fairly to national economic development while maintaining a stable fiscal environment. In recent years, the study of tax avoidance has become increasingly relevant due to the rapid globalization of business operations, the digitalization of the economy, and the growing complexity of multinational corporate structure (Hak et al., 2025). These developments have expanded opportunities for entities to strategically minimize tax liabilities through sophisticated tax planning mechanisms. Despite ongoing regulatory reforms and international initiatives such as the OECD Base Erosion and Profit Shifting (BEPS) framework, tax avoidance continues to represent a persistent global concern (Iqbal et al., 2025). In addition, the increasing complexity of global markets and cross-border transactions has contributed to the proliferation of tax avoidance as a common corporate strategy.

Tax avoidance refers to the range of legal and permissible strategies undertaken by entities to minimise tax liabilities within the boundaries of existing tax laws (Hanlon & Heitzman, 2022; Payne & Raiborn, 2015). In contrast, tax evasion involves illegal practices such as deliberate misrepresentation, concealment of income, or falsification of financial information to reduce tax obligations (Alstadsaeter et al., 2021; Katiyar & Kumar Singh, 2025). While tax evasion is clearly unlawful and subject to penalties, tax avoidance operates within legal frameworks but may undermine the spirit of taxation and reduce government revenue. This distinction is particularly important in corporate governance research because governance mechanisms primarily influence managerial decisions related to legal tax planning activities rather than illegal tax evasion, which is addressed through regulatory enforcement and criminal investigation. Particularly, corporate tax avoidance (CTA) refers to aggressive tax planning practices in which companies structure their financial and operational activities strategically to reduce their overall tax burden (Duhoon & Singh, 2023; Kovermann & Velte, 2019). Empirical evidence indicates that approximately two-thirds of global tax revenue losses attributable to tax avoidance stem from corporate entities in developing countries, amounting to approximately USD 311 billion annually (Tax Justice Network, 2023). This substantial loss of revenue poses serious challenges to fiscal sustainability, especially in lower-income and emerging economies that depend heavily on corporate taxation (Jacob et al., 2021; Yee et al., 2018). Developing countries require stable and sufficient tax revenues to ensure sustainable economic performance at both national and sub-national levels (Koay & Sapiei, 2025; Gnangnon, 2021).

Across many developing jurisdictions, CTA is frequently facilitated by regulatory loopholes, weak enforcement capacity, limited administrative resources, and complex multinational corporate structures that enable profit shifting and base erosion (Iqbal et al., 2025). These structural vulnerabilities make developing countries disproportionately exposed to aggressive tax planning strategies compared to developed economies. Nevertheless, ASEAN and other developing countries continue to face significant exposure to CTA due to regulatory gaps, enforcement limitations, and increasing multinational corporate activities (BDO ASEAN, 2023). For example, Singapore enforces Anti-Avoidance Rules under Section 33 of the Income Tax Act (ITA) to address abusive tax arrangements. Vietnam has introduced frameworks focusing on Corporate Tax Risk Management and Tax Control Governance. Thailand provides tax and non-tax incentives while strengthening corporate income tax measures.

Similarly, Malaysia promotes social justice and revenue protection through legislative reforms and governance enhancements. Despite these initiatives, CTA remains a concern due to its significant impact on national revenue and fiscal objectives (Abdul Khalid et al., 2021). In Malaysia, enforcement efforts are undertaken by the Inland Revenue Board of Malaysia (IRBM), particularly through the Civil Investigation Division (Marimuthu & Lee, 2022). Section 140 of the Income Tax Act 1967 (ITA 1967), known as the General Anti-Avoidance Rule (GAAR), empowers the Director General of Inland Revenue (DGIR) to disregard or vary arrangements deemed to have been made primarily for tax avoidance purposes. The Port Dickson Power case in 2012 illustrates the application of Section 140, where judicial review proceedings challenged the tax authority's assessment under the anti-avoidance provision (The Chartered Tax Institute of Malaysia, 2016). Nevertheless, CTA cases continue to arise, suggesting that regulatory enforcement alone may be insufficient without strong internal corporate governance mechanisms (Ngah et al., 2021; Yee et al., 2018).

Internal corporate governance mechanisms play a critical role in safeguarding shareholders' interests and mitigating opportunistic managerial behaviour, including aggressive tax avoidance practices (Koay & Sapiei, 2025; Kovermann & Velte, 2019). Corporate governance encompasses the processes and structures designed to direct and control corporate entities in a manner that enhances accountability and transparency (Dakhli, 2022). From an agency theory perspective, managers may prioritise personal incentives over shareholders' long-term interests, particularly when compensation structures reward short-term financial performance (Putra et al., 2019). This may motivate management to engage in aggressive tax planning strategies to increase reported earnings or cash flows (Bauer et al., 2018). Furthermore, financial statement manipulation may occur to obscure the extent of tax-related strategies (Bakri, 2021). These concerns underscore the importance of robust governance mechanisms to monitor tax-related decisions effectively.

The Malaysian Code on Corporate Governance (MCCG) 2012 requires public listed companies to establish sound risk management and internal control systems. The revised MCCG 2017 further emphasises the establishment of a Risk Management Committee (RMC), primarily composed of independent directors, to oversee enterprise-wide risk management processes. MCCG 2021 reinforces board accountability, transparency, and proper allocation of responsibilities among corporate participants. For Main Market listed companies, the establishment of a risk management framework is mandatory under Bursa Malaysia Listing Requirements, although the structure may vary depending on company size and complexity. The RMC is responsible for identifying, assessing, and monitoring various risks, including financial, operational, strategic, and compliance risks. Tax-related risk, often referred to as tax risk management, forms part of this broader risk oversight function (IRBM, 2022). Within the context of corporate governance, the RMC plays an important role in ensuring that risk management processes are effectively implemented across the organisation, including monitoring risks associated with corporate tax planning and regulatory compliance.

An effective RMC can enhance monitoring of tax planning activities, ensuring that tax strategies align with regulatory requirements and ethical standards. Therefore, strengthening RMC effectiveness may reduce excessive or aggressive tax avoidance practices that expose firms to regulatory and reputational risks. The role of the RMCs in Malaysia is critical in strengthening corporate governance, particularly in ensuring compliance with tax legislation and addressing the expectations of investors and other stakeholders concerning sound tax practices (Elhaj et al., 2022). Robust internal corporate governance mechanisms, which include an effective RMC, are vital for fostering investor confidence and enhancing transparency in tax-related matters. Investors and stakeholders increasingly seek assurances regarding how corporate companies manage their tax obligations, as any deficiencies in tax compliance can result in reputational risks and significant financial penalties. In this regard, this study focuses specifically on CTA rather than tax evasion, as CTA involves legally permissible tax planning strategies that fall within managerial discretion and corporate governance oversight. In contrast, tax evasion constitutes illegal conduct subject to criminal enforcement and forensic investigation, which lies beyond the scope of governance-based empirical analysis. Moreover, CTA provides a more appropriate and measurable context for examining the effectiveness of internal governance mechanisms. As such, fortifying the role of the RMC in this context in addressing tax-related issues more effectively while ensuring regulatory compliance and mitigating the risks associated with aggressive tax planning practices. This strategy ensures financial stability while also reassuring stakeholders of the company's commitment to ethical tax behaviour. As a result, it contributes to the company's long-term growth and sustainability within society (Saragih, 2024).

Furthermore, the RMC supports the board's oversight functions by relieving the audit committee of certain responsibilities, particularly those related to enterprise-wide risk management and compliance oversight. The primary role of the RMC is to oversee enterprise risk management by identifying, assessing, monitoring, and reporting significant risks that may affect the organisation's strategic objectives, including financial, operational, compliance, and reputational risks (Elhaj et al., 2022). Tax-related risk forms part of this broader risk oversight framework, as aggressive tax planning may expose firms to regulatory scrutiny, financial penalties, and reputational damage. RMC evaluates whether corporate tax strategies align with the company's risk appetite, regulatory requirements, and long-term sustainability objectives. However, it is crucial to preserve the independence of the audit committee from the RMC to maintain the integrity of financial reporting and prevent potential conflicts of interest that could lead to unethical tax practices. While the MCCG 2021 strongly encourages the establishment of a dedicated RMC as a best governance practice and it is not strictly mandatory for all companies. The Bursa Malaysia Listing Requirements mandate that listed companies implement a sound risk management and internal control framework. However, companies retain flexibility in structuring this oversight either through a standalone RMC or by assigning risk responsibilities to the audit committee, depending on their size and complexity. Therefore, while the RMC function is compulsory for listed companies, the establishment of a separate RMC may vary across firms.

In this context, the quality of audits plays a pivotal role in ensuring the transparency of financial statements, particularly concerning CTA activities. High-quality audits improve the clarity and transparency of financial statements, thereby reducing the likelihood of involvement in aggressive tax avoidance practices (Darmawan, 2023). This study conceptualised audit quality as a moderating variable that strengthens the relationship between RMC effectiveness and CTA. While the RMC represents an internal governance mechanism responsible for overseeing tax-related risk, its effectiveness may be enhanced when complemented by strong external audit oversight. From an agency theory perspective, high-quality audits reduce information asymmetry, constrain managerial opportunism, and reinforce the monitoring function of the RMC (Bakri, 2021). Consequently, companies with higher audit quality, the negative relationship between RMC effectiveness and CTA is expected to be stronger, as external auditors provide an additional layer of scrutiny over tax disclosures and financial reporting practices. Conversely, where audit quality is lower, the effectiveness of the RMC in mitigating aggressive tax avoidance may be weakened due to limited external monitoring. Given these considerations, further research is warranted within the Malaysian context to assess the effectiveness of the RMC and the moderating role of audit quality in mitigating tax avoidance. Conclusively, the Malaysian government needs to ensure that corporate companies adhere to internal corporate governance mechanisms which emphasise the effectiveness of the RMC alongside audit quality, because CTA activities may become more prevalent without strong monitoring and governance oversight.

1.3 Problem Statement

Corporate tax avoidance (CTA) has garnered increasing attention from policymakers and academics around the world because taxes constitute a significant portion of government revenue (Jacob et al., 2021; Yee et al., 2018). Tax avoidance activities could lead to the government's revenue loss, which has detrimental impacts on the overall economy of several countries. The Organisation for Economic Co-operation and Development (OECD) reports that tax avoidance activities result in an annual global loss of nearly $240 billion. The issue has become more prominent in the post-COVID-19 period when many governments faced economic challenges and fiscal pressures. This is supported by the decline in the growth rate of government income among ASEAN countries, from 5.6% in 2022 to 4.7% in 2023 due to tightening economic conditions (Asian Development Bank, 2023). In Malaysia, though tax revenue performance has been influenced by multiple macroeconomic factors including post-pandemic recovery conditions and broader tax compliance challenges, Malaysia's tax-to-GDP ratio stood at a mere 11.8% in 2021 (Ariff et al., 2023). It is comparatively lower than several ASEAN countries like Singapore at 12.6% and Thailand at 16.4% as illustrated in Figure 1.1. This issue may be contributed to CTA which remains a policy concern as this represents one dimension of broader tax non-compliance and revenue administration challenges (Abdul Khalid et al., 2021). Considering these fiscal concerns, it is important to investigate the level of CTA in Malaysian Listed Companies to understand the magnitude of the problem.

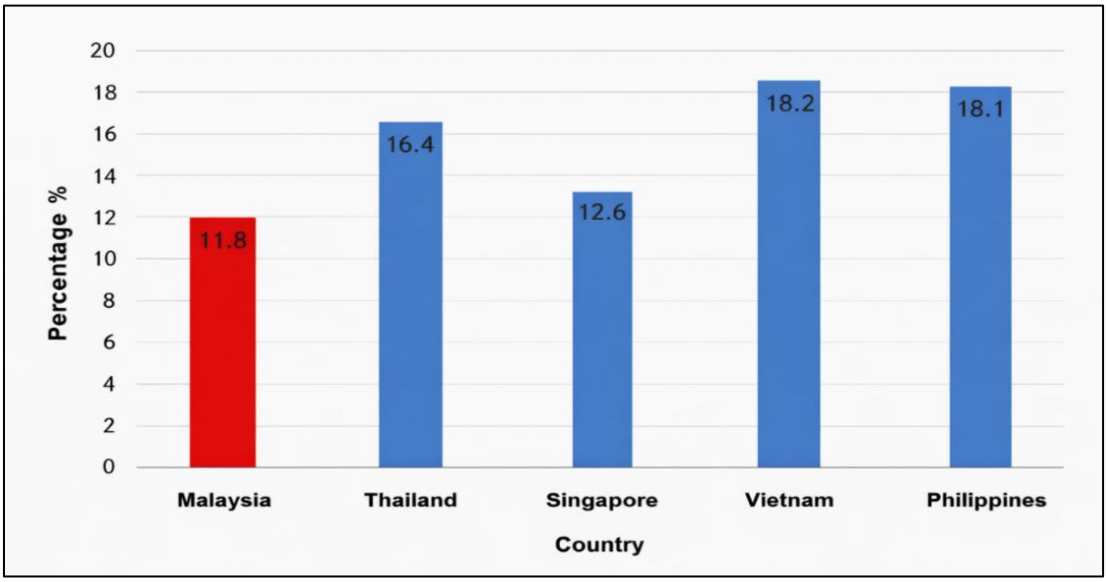

Figure 1.1 Tax-to-GDP in selected ASEAN countries (BDO ASEAN, 2023)

Given the fiscal implications of CTA, numerous past studies have sought to identify and explain the underlying reasons why many corporate organisations are prone to engaging in tax avoidance activities (Jacob et al., 2021; Jiang et al., 2021; Mappadang, 2021; Abdul Rahman et al., 2018). Various factors have been identified as influencing tax avoidance across different countries. Among the key factors associated with tax avoidance activities are ownership structure, societal trust, and corporate social responsibility (Dakhli, 2022; Whait et al., 2018; Kanagaretnam et al., 2016), corporate risk, profitability, capital intensity, leverage (Apriatna, 2022; Widyastuti S.M. et al., 2022; Listyaningsih & Tanjung, 2019). Among these determinants, weak enforcement of corporate governance mechanisms has frequently been identified as a key factor contributing to tax avoidance practices (Chytis et al., 2019; Kovermann & Velte, 2019; Bayar et al., 2018). Recent studies continue to highlight the importance of governance structures in constraining opportunistic managerial behaviour related to taxation (Adnan et al., 2025; Saragih, 2024; Chytis et al., 2019).

The relationship between corporate governance and tax avoidance is commonly explained through agency theory, which suggests that the separation of ownership and control within companies may create conflicts of interest between principals and managers. A recent study by Amri et al. (2023), in Tunisia, which examined a sample of 52 listed companies on the Tunis Stock Exchange, found strong evidence supporting this argument. Their findings indicated that internal corporate governance mechanisms significantly affect CTA activities, echoing similar results found in studies conducted by Tania (2020) in Indonesia and Egbunike et al. (2021) in Nigeria. Specifically, elements such as audit committee independence, CEO duality, and audit committee diligence were found to have a significant influence on the level of tax avoidance within organizations. Specifically, elements such as audit committee independence, CEO duality, and audit committee diligence were found to have a significant influence on the level of tax avoidance within organisations. These studies further underline the critical role that robust corporate governance mechanisms play in curbing tax avoidance, reinforcing the need for effective governance to mitigate unethical tax practices. In the Malaysian context, past research also tried to evidence the effectiveness of corporate governance mechanisms such as managerial ownership, incentive compensation, board independence and audit committee size on tax avoidance activities (Rahman et al., 2023; Mgammal et al., 2018). Despite the growing body of literature on corporate governance and tax avoidance, a significant research gap remains regarding the effectiveness of internal corporate governance mechanisms in mitigating CTA activities. In particular, limited empirical attention has been given to the role of the Risk Management Committee (RMC) in overseeing tax-related risks within companies. Although internal governance structures are generally expected to enhance monitoring and reduce opportunistic managerial behaviour, the practical role of the RMC in monitoring tax-related risks within companies remains relatively unclear. Consequently, there is need to examine the relationship between RMC effectiveness and CTA practice among Malaysian Listed Companies.

In practice, tax risk management is often embedded within broader financial reporting or compliance functions rather than being explicitly overseen at the board committee level. Consequently, the extent to which the RMC actively monitors aggressive tax planning strategies or constrains managerial discretion in tax-related decisions remains uncertain. The revision of the Malaysian Code on Corporate Governance (MCCG) 2021, which emphasises stronger risk oversight and encourages the establishment of an RMC, provides an important regulatory context for further investigation. However, a gap exists in understanding how specific RMC attributes collectively influence CTA activities. Several previous studies in Malaysia have examined individual RMC attributes separately in relation to corporate financial performance, hedge accounting, political connections, and real earnings management rather than explicitly assessing its role in mitigating tax avoidance (Boudiab et al., 2021; Aldhamari et al., 2020; Ramlee & Ahmad, 2020; Abdullah & Ku Ismail, 2016). However, these studies have not explicitly examined the role of the RMC in mitigating

CTA. Consequently, the extent to which the RMC contributes to monitoring tax-related risks and constraining aggressive tax planning practices remains unclear. While internal governance mechanisms such as the RMC are expected to strengthen organisational oversight, their effectiveness may also depend on the presence of complementary external monitoring mechanisms, particularly audit quality.

Prior studies suggest that high-quality external audits enhance the credibility and effectiveness of corporate governance practices. For instance, Bakri (2021) found that audit quality moderates the relationship between dividend policy and firm value in Malaysia. While Yopie & Elivia (2022) found that audit quality significantly moderates the relationship between corporate social responsibility and tax avoidance. These findings indicate that audit quality can strengthen existing governance mechanisms by improving accountability and the reliability of financial reporting. Nevertheless, empirical studies integrating internal governance mechanisms, particularly RMC, with external monitoring mechanisms such as audit quality in explaining CTA remain relatively underexplored.This highlights a need to examine the moderating effect of audit quality on the relationship between RMC effectiveness and CTA. In the context of this study, audit quality is conceptualised as a moderating variable that influences the strength of the relationship between RMC effectiveness and CTA. It is believed that fulfilling the gap in investigating the role of RMC effectiveness towards CTA with audit quality as moderating effect on public listed companies will provide deeper insights into the existing literature, as there is still a paucity of empirical evidence in this area. Therefore, to address the identified research gaps and to provide empirical evidence, this study establishes several research objectives and research questions as outlined in the following section.

1.4 Research Objectives

The research objectives outline the specific goals that this study seeks to achieve. The following are the objectives to be addressed in this study:

1. To investigate the level of corporate tax avoidance among Malaysian Listed Companies.
2. To examine the relationship between RMC effectiveness and corporate tax avoidance practice among Malaysian Listed Companies.
3. To examine the relationship between RMC attributes (RMC Independence, RMC Size, RMC Knowledge and Experience, RMC Gender Diversity, RMC Meeting and corporate tax avoidance practice among Malaysian Listed Companies.
4. To examine the moderating effect of audit quality on the relationship between RMC Effectiveness and corporate tax avoidance practice among Malaysian Listed Companies.

1.5 Research Questions

This study formulated four research questions to address the research objectives. Accordingly, each research question is directly linked to the corresponding research objective outlined previously.

1. What is the level of corporate tax avoidance among Malaysian Listed Companies?
2. What is the relationship between RMC effectiveness and corporate tax avoidance practice among Malaysian Listed Companies?
3. Do the RMC attributes effect corporate tax avoidance practice among Malaysian Listed Companies?
4. Does audit quality moderate the relationship between RMC and corporate tax avoidance practice among Malaysian Listed Companies?

1.6 Scope of the Study

This research explores the relationship between the effectiveness of RMC and corporate tax avoidance (CTA) within public listed companies in Malaysia. Additionally, it will analyse various RMC attributes, including independence, size, knowledge and experience, gender diversity, and meeting frequency, in relation to tax avoidance activities. The study also investigates the moderating effect of audit quality on the relationship between RMC effectiveness and tax avoidance. Secondary data will be collected from the corporate annual reports available on the Bursa Malaysia website. This study will examine 372 of observations between 2021 and 2023, a span of three years. The period was observed to assess the efficacy of RMC in relation to tax risk within the most recent and revised corporate governance practice. Nonetheless, it includes a minor effect following the COVID-19 pandemic, which may affect the accessibility of the data sample. The companies were also selected as it given the compelling interest for investors and the inclusion of such discussions in the board, which are the listed issuers at Bursa Malaysia.

Besides, this study investigates the effectiveness of RMC in companies that have a standalone RMC, as it is more effective in managing financial risks, particularly those related to tax issues. A separate RMC from the Audit Committee enables directors to focus and specialise on risk management initiatives, which can allow them to dedicate more time and attention to enhancing risk monitoring. The presence of a distinct RMC that is separate from the Audit Committee can also serve as an effective tool for fostering independent risk oversight aimed at mitigating tax avoidance within the Malaysian corporate sector. This is because proper RMC effectiveness enables companies to make educated judgments about the level of tax risk which they wish to accept in accordance with Malaysian Code on Corporate Governance (MCCG) 2021. In Malaysia, all finance companies are required to form an RMC as a board committee. However, the practice of RMC in non-finance companies in Malaysia is still voluntary.

Finally, this study formulates six hypotheses grounded in the principles of agency theory and resource-based theory. According to agency theory, managers often have opportunities to act in their own interest, which can lead to behaviours that affect corporate governance, such as tax avoidance. This theoretical framework supports the development of hypotheses related to RMC effectiveness and the attributes of the RMC in their relationship with CTA. From the perspective of resource-based theory, internal corporate governance mechanisms are viewed as organisational resources and capabilities that can enhance the effectiveness of risk management initiatives and mitigate tax avoidance. Therefore, both agency theory and resource-based theory provides a comprehensive framework for analysing the internal corporate governance mechanisms and their relationship to RMC effectiveness and CTA in the Malaysian context.

1.7 Significance of the Study

This study has both practical and academic significant contributions, especially for developing countries such as Malaysia. In terms of practical contribution, firstly, the study would provide some new insights to the policymaker. For example, Bursa Malaysia can provide a proper corporate governance guideline that will identify the right roles of RMC for its effectiveness. The significance of RMC effectiveness in internal corporate governance mechanisms will prevent unnecessary conflicts that will lead to tax avoidance activities. This is because RMC effectiveness can reduce risks related to tax issues and mitigate threats of tax avoidance. Moreover, it is the responsibility of RMC to establish appropriate internal corporate governance mechanisms and ensure that these systems are operating efficiently. Consequently, this study can motivate corporate companies in Malaysia by reducing tax avoidance activities to improve the business environment according to good corporate governance frameworks.

The second practical contribution of this study for the management of companies in Malaysia is by present evidence of RMC effectiveness as a good corporate governance structure. This finding would be useful for companies to mitigate the risk associated with tax avoidance. The stakeholders can perhaps use this evidence to view a good internal corporate governance mechanism towards the needs of the RMC establishment. The existence of RMC can be perceived as one of the mechanisms to prevent future tax avoidance issues caused by excessive risk-taking behaviour. Finally, evidence of RMC effectiveness towards tax avoidance may also contribute to the investor's decision. The existence of RMC as a good corporate governance mechanism may portray the balancing need of their investment in a company. This is because the transparency of tax concerns can be focused on investors based on corporate governance information, especially RMC. An effective RMC information disclosed in the annual report can build up investor confidence to invest in Malaysian companies.

For academicians, this study provides a new perspective on how companies view tax issues of tax avoidance by proposing an alternative logical reasoning of the conflict between principal and agent. A conflict between executives, shareholders, as well as other stakeholders regarding the tax avoidance activities of corporate companies is the only aspect of the agency theory that is explicable. As postulated by the resource-based theory, corporate decisions on tax avoidance reflect the company's unique resources and capabilities that can be leveraged to gain a competitive advantage. Consequently, it would promote public consciousness and educate the populace regarding the consequences of tax avoidance can significantly contribute to public awareness. Hence, this study discusses the topic of RMC, corporate tax avoidance (CTA), and audit quality based on the agency theory and resource-based theory.

In Malaysia, the corporate governance structure is not solely focused on benefiting investors but also aims to address the broader needs of society. This study is significant because it emphasises the importance of transparency in tax-related concerns, particularly in how corporate governance information is disclosed to the public. Such transparency is essential in reducing tax avoidance practices within the country. By highlighting these advantages, this study advocates for a more cautious approach from all stakeholders which including society and the global financial community, to prevent future tax avoidance issues stemming from excessive risk-taking behaviour. Consequently, CTA in Malaysia can be mitigated through a comprehensive strategy that aligns governance objectives with the practical realities of Malaysia's dynamic and interconnected economy.

1.8 Summary and Thesis Outline

This thesis is organised into five chapters that collectively provide a comprehensive examination of corporate tax avoidance (CTA) from Malaysian perspectives. Chapter 1 introduces the study by outlining the background, problem statement, research objectives, research questions, and the significance, scope, and limitations of the study. This study establishes the foundation for understanding the importance of analysing CTA within Malaysia's corporate sector. Building upon this introduction, Chapter 2 presents a detailed review of relevant theories, concepts, and empirical literature concerning tax avoidance. It identifies existing research gaps and develops the theoretical and conceptual framework that underpins the study. This framework serves as the basis for Chapter 3, which elaborates on the research methodology, including research design, data collection procedures, sampling methods, and analytical techniques used to test the hypotheses.

Following the methodological foundation, Chapter 4 presents and discusses the results of the data analysis, focusing on CTA practices among Malaysian listed companies as measured by the Current Effective Tax Rate (CETR). The findings are interpreted in relation to the research questions and compared with previous studies to provide meaningful insights into the extent and nature of corporate tax behaviour in Malaysia. Finally, Chapter 5 concludes the thesis by discussing the practical and academic implications of the findings. It also highlights the limitations of the study and provides recommendations for future research.

CHAPTER 2
LITERATURE REVIEW

2.1 Introduction

Section 2.2 defines corporate tax avoidance within the specific context of this study, which establishes the conceptual foundation for the research. Following this, Sections 2.3 and 2.4 examine the role of corporate governance mechanisms in corporate tax avoidance with a particular focus on the RMC. Section 2.5 offers an in-depth discussion of the theoretical frameworks that underpin the study by providing a theoretical basis for exploring the relationship between tax avoidance and all relevant variables. In Section 2.6, these theoretical perspectives are employed to develop the research hypotheses that align with the research questions. Finally, Section 2.7 presents a research framework that visually illustrates the proposed relationships between the variables, and Section 2.8 concludes with a summary of the chapter.

2.2 Corporate Tax Avoidance Definition

Tax avoidance has become a significant concern in many countries due to its implications for government revenue, fiscal sustainability, and the effectiveness of tax administration systems (Duhoon & Singh, 2023; Wang et al., 2020). Empirical evidence suggests that tax avoidance practices are prevalent across both developed and developing economies, where multinational corporations often utilise complex financial arrangements and regulatory loopholes to minimise their tax liabilities (Koay & Sapiei, 2025; Gnangnon, 2021) .These challenges are particularly pronounced in developing countries and emerging economies, where institutional limitations and enforcement constraints may create greater opportunities for aggressive tax planning practices (Sekianti & Nuraini, 2025). Consequently, governments and regulatory authorities worldwide have increasingly strengthened tax compliance measures and governance mechanisms to mitigate tax avoidance activities and safeguard national tax revenues (Athira & Vishnu, 2023). Within this broader global context, understanding how tax systems operate and how compliance is enforced becomes essential in explaining corporate tax behaviour (Cobham & Janský, 2018). In Malaysia, the corporate tax system is administered by the IRBM, which is responsible for monitoring corporate tax reporting and ensuring compliance with the ITA 1967 through various regulatory frameworks and enforcement mechanisms (IRBM, 2022). These institutional arrangements aim to enhance transparency and accountability in corporate taxation while discouraging opportunistic tax planning practices.

According to Hanlon & Heitzman (2010), different researchers have defined tax avoidance differently and have described tax avoidance as the broad reduction of direct taxes. This definition aligns with Dyreng et al. (2010), defining tax avoidance as consisting of all transactions that impact corporate companies' tax liability, and tax avoidance does not differentiate between tax-favoured real activities but aims at minimising taxes through lobbying activities. Traditional theory indicates that engaging in tax avoidance practices decreases tax liabilities and enhances shareholder value (Mangoting et al., 2020; Boussaidi & Hamed, 2015). Notably, tax avoidance does not differentiate between tax-favoured legitimate activities and activities such as lobbying, which may aim to influence the broader tax environment (Rachmad & Yusmita, 2023). In this context, the concept of tax avoidance provides an important foundation for understanding how corporations strategically manage their tax liabilities within the boundaries of existing tax regulations (Adnan et al., 2025). In this study, corporate tax avoidance (CTA) refers to the practice of retaining funds within an organisation that would otherwise be remitted to the government as tax obligations. Moreover, this term has been widely employed in prior academic literature (Ali et al., 2024; Choi & Park, 2022; Wang et al., 2020). Nevertheless, the strategies implemented to achieve tax avoidance may involve aggressive tax planning practices, which have the potential to escalate into unlawful tax evasion (Katiyar & Singh, 2025). Therefore, it is important to clearly distinguish tax avoidance from other related tax behaviours, particularly tax planning and tax evasion, in order to position tax avoidance within the broader framework of corporate tax behaviour.

Tax evasion refers to the intentional breach of tax laws and regulations to avoid tax liabilities, and is thus classified as illegal, subject to penalties and legal repercussions (Wahyudi et al., 2025; Alstadsaeter et al., 2021; Ngah et al., 2021). This form of non-compliance involves actions such as underreporting income, inflating deductions, or hiding assets, all of which are prohibited by law and considered criminal offences. In contrast, tax planning is a legitimate practice which involves the strategic arrangement of financial activities to minimise tax obligations within the framework of legal provisions (Alstadsaeter et al., 2021; Sá & Alves, 2018). Moreover, tax planning is widely regarded as a proactive approach, designed to efficiently manage tax responsibilities while adhering to the stipulations of tax laws. Within taxation literature, tax planning, tax avoidance, and tax evasion are frequently conceptualised along a spectrum of corporate tax behaviour that ranges from fully compliant practices to unlawful activities (Katiyar & Singh, 2025; Duhoon & Singh, 2023; Wang et al., 2020) At one end of this spectrum, tax planning reflects legitimate and compliant efforts by companies to structure financial transactions in a tax-efficient manner while adhering to both the spirit and letter of tax regulations. However, tax avoidance occupies an intermediate position within this spectrum, as it involves the utilisation of legal strategies to reduce tax liabilities, although such practices may exploit existing loopholes or ambiguities within tax legislation.

Tax avoidance occupies an intermediate position within this spectrum, as it involves the utilisation of legal strategies to reduce tax liabilities, although such practices may exploit loopholes or ambiguities within tax legislation (Ma & Park, 2021) Although tax avoidance is generally considered legal, the use of aggressive tax planning strategies may increase the likelihood of tax audits due to concerns regarding potential non-compliance with tax regulations (Alstadsaeter et al., 2021; Deslandes et al., 2020; Guenther et al. 2017). Katiyar and Singh (2025) distinguish between tax aggressiveness and tax avoidance, emphasising that while tax avoidance remains within the bounds of legal tax legislation, it often exploits existing loopholes in the system. However, tax aggressiveness typically involves practices that, while still legal which fail to comply with the spirit of tax laws and can lead to audits by tax authorities (Prastiwi & Mariana, 2023; Rudyanto et al., 2022). Building upon this distinction, tax avoidance can be understood as the strategic use of aggressive tax planning by corporations to reduce their tax liabilities, often by taking advantage of weaknesses within the tax system. This can include utilising legitimate deduction practices embedded within tax regulations but exploiting gaps or ambiguities within the regulatory framework. Liyundira et al. (2023) suggested that corporate governance structures could play an essential role in overseeing and regulating tax avoidance practices in ensuring that they remain compliant with established tax laws and align with broader organisational objectives. Such governance mechanisms are crucial in mitigating the risks of excessive or opportunistic tax avoidance to ensure that tax activities are conducted responsibly and do not undermine the integrity of the tax system.

2.3 Corporate Governance Mechanism on Corporate Tax Avoidance

Previous studies have consistently shown that inadequate corporate governance mechanisms can contribute to increased corporate tax rates, which may ultimately reduce a company's revenue and profitability (Desai & Dharmapala, 2007). Bayar et al. (2018) explored the impact of corporate governance systems on tax avoidance, specifically examining how companies adopt various tax avoidance strategies in response to financial difficulties and the quality of their governance frameworks. Their study highlights the correlation between weak governance structures and the likelihood of engaging in corporate tax avoidance (CTA), indicating that companies with poorly developed governance systems are more prone to exploit legal loopholes and adopt aggressive tax avoidance measures. This reinforces the idea that strong governance mechanisms are essential in mitigating the risk of tax avoidance, as they foster greater accountability and ethical behaviour in corporate decision-making. Particularly, the Board of Directors (BOD) plays a central role in overseeing managerial decisions, including tax-related strategies and financial reporting practices (Alnabsha et al., 2018; García Martín & Herrero, 2018). The BOD is responsible for ensuring that corporate tax planning activities remain consistent with regulatory requirements and align with the long-term interests of shareholders. Through effective monitoring and oversight, the board can influence the extent to which firms engage in aggressive tax avoidance practices.

Furthermore, Chytis et al. (2019) emphasised the importance of corporate governance features in understanding the dynamics of tax avoidance. The study suggests that companies with robust governance structures are better positioned to make decisions that align with both the letter and the spirit of tax laws, thereby reducing the incentive for aggressive tax avoidance. In contrast, companies with inadequate governance frameworks may face higher levels of tax evasion due to insufficient oversight and accountability (Mappadang, 2019). This relationship indicates that weak corporate governance may create opportunities for both aggressive tax avoidance and tax evasion, as ineffective monitoring mechanisms allow managers to pursue opportunistic tax strategies (Ma & Park, 2021). Conversely, effective governance structures strengthen internal control systems and reduce the likelihood of tax evasion by ensuring compliance with tax regulations and ethical corporate conduct (Alstadsaeter et al., 2021). These findings illustrate the critical role that corporate governance plays in managing tax-related risks and emphasise the need for companies to strengthen internal controls and risk management strategies to prevent unethical tax practices. Hence, effective corporate governance not only ensures compliance with legal standards but also promotes a culture of transparency and integrity in corporate tax practices.

Recently, a few studies have been carried out on the corporate governance mechanisms, which are institutional ownership, company size, board commissioners, and leverage that gives effect to tax avoidance (Damayanty & Putri, 2021; Sunarto et al., 2021; Listyaningsih & Tanjung, 2019). In addition to the BOD, various board committees to assist the board in overseeing specific aspects of corporate governance, including financial reporting, internal control, and risk oversight .These committees play an important role in monitoring tax-related decisions and ensuring that corporate tax strategies remain within acceptable regulatory and ethical boundaries. In the Malaysian context, one study examined the specific effects of internal corporate governance mechanisms on tax disclosure and specifically looked at the influence of management ownership and incentive pay proxies (Mgammal et al., 2018). Another research primarily examined the significance of corporate governance which specifically the influence of the RMC on a corporate company's financial performance and profitability (Aldhamari et al., 2020; Ames et al., 2018). Nevertheless, there is an ambiguity that persists regarding the relationship between corporate governance mechanisms and tax avoidance, primarily due to the limited focus on internal corporate governance structures that influence CTA activities, particularly within the context of Malaysia. While much of the existing literature addresses external governance factors, there is a significant gap in understanding how internal governance mechanisms operate. This lack of attention to the internal aspects of governance leaves crucial questions unanswered, particularly regarding how these internal controls can effectively mitigate or exacerbate the propensity for tax avoidance in Malaysian companies. Therefore, examining the role of specific board committees is important in understanding how internal governance mechanisms influence CTA behaviour.

2.4 Risk Management Committee (RMC)

The Risk Management Committee (RMC) of the board plays a pivotal role in the internal corporate governance framework, serving as a key mechanism for overseeing internal controls and managing the various risks encountered by corporate companies (Bayar et al., 2018; Yatim, 2010). By providing independent oversight, the RMC ensures that the company's risk management strategies are both effective and aligned with the organisation's objectives, safeguarding against financial, operational, and regulatory risks. In this regard, tax-related risks, including risks arising from tax planning and tax avoidance may also fall within the broader risk management responsibilities of the RMC, as such activities could expose companies to regulatory scrutiny and reputational damage. According to Bayar et al. (2018), the functions of RMC as a governance system are designed to supervise and manage the financial risks encountered in the organisation (Bensaid et al., 2021). Traditionally, the responsibility for supervising the internal control of a company's risk and recognising potential incidents lies with the audit committee and board of directors, which are important in avoiding any possible misinterpretation (Hines & Peters, 2015). Nevertheless, the audit committee bears significant responsibility but lacks the necessary time and expertise to effectively oversee risk management and identify a separate RMC (Aldhamari et al., 2020). As a result, RMC is designated as a separate entity from the audit committee, and its purpose is to oversee and supervise organisational risks, as well as develop management plans (Aronmwan & Ogbaisi, 2022; Nasution, 2019). While the RMC does not directly monitor tax evasion activities which fall under regulatory enforcement by tax authorities, its oversight role may contribute to preventing excessive tax avoidance practices by ensuring that corporate tax strategies remain aligned with governance policies and regulatory requirements.

Within the Malaysian context, the notion of risk management has been emphasised since the implementation of the Malaysian Corporate Code Governance (MCCG) in 2000, which highlights the need to maintain effective internal control over risks. Consequently, MCCG 2007 has experienced a significant change in internal corporate governance norms, moving from a voluntary to a mandatory structure. The decision to make this move was motivated by the growing intricacy of the financial market. MCCG 2012 is established with eight overarching concepts, and RMC comes under the sixth principle. Then, the introduction of MCCG 2017 by the Securities

Commission aims to enhance the regular improvement of risk management practices in Malaysia, which all companies are required to publish in their annual reports. The latest version of MCCG 2021 explicitly specifies that the creation of an RMC shall be reported as an RMC entity, highlighting its role in ensuring effective risk management in Malaysia. However, the establishment of a standalone RMC remains largely voluntary among Malaysian listed companies, particularly among larger companies that possess greater governance capacity and more complex risk management requirements. In comparison, several ASEAN countries have institutionalised similar governance structures through board-level risk committees or integrated governance frameworks. For instance, in Thailand, listed companies are encouraged by the Securities and Exchange Commission to establish risk management committees to oversee enterprise-wide risks, including compliance and financial reporting risks (Sithipolvanichgul, 2021). Similarly, in Indonesia, corporate governance guidelines promote the establishment of risk oversight functions at the board level, particularly within large and publicly listed companies. These governance structures play a critical role in strengthening corporate governance across ASEAN countries by monitoring organisational risk exposure and ensuring compliance with regulatory requirements (Moridu, 2023).

Although the role of the RMC has gained increasing attention as a critical oversight body, much of the existing research primarily focuses on factors that influence the establishment of an RMC and its impact on a company's performance (Elhaj et al., 2022; Kallamu, 2015; Mappadang, 2019; Ramlee & Ahmad, 2020 Kallamu, 2015;). These studies predominantly examine how the presence of an RMC affects financial outcomes, operational efficiency, and overall corporate success. Additionally, another stream of research has explored the relationship between the various attributes of the RMC, such as its composition, independence, and expertise, and broader corporate governance practices (Jia & Bradbury, 2020; Nasution, 2019; Yatim, 2010). However, there is limited research that directly investigates the specific role of the RMC in managing tax-related risks or how it influences tax avoidance practices within corporate governance. Therefore, this gap highlights the need for further exploration into the impact of the RMC's oversight on mitigating unethical tax practices and ensuring compliance with tax regulations, which remains a crucial area for future investigation.

2.5 Underpinning Theory of Corporate Tax Avoidance

2.5.1 Agency Theory

Agency theory explores the conflict that arises when a contract is established between the principal and the agent, who is entrusted with managing the company's operations and is authorised to make decisions that align with the best interests of the organisation (Jensen & Meckling, 1976). According to Ivastya and Fanani (2020), agency theory also elucidates the relationship between shareholders, as the principals and the management of a corporate company, which acts as the agent appointed to execute decisions on behalf of the principal (Putra et al., 2019). In practice, while the management is provided with both the authority and responsibility to run the company, this role is exercised under the control and oversight of the shareholders. A key tension in this relationship arises from differing interests: principals generally prefer full compliance with tax obligations, while management seeks to minimise tax expenditures to enhance profitability, a strategy that may lead to tax avoidance (Hoseini et al., 2019). This conflict has led to calls for further research on the relationship between agency theory and tax avoidance, as several studies suggest that agency conflicts are a significant factor in shaping corporate tax behaviour (Zhang et al., 2022; Lanis & Richardson, 2011; Desai & Dharmapala, 2007). Agency conflict theory is integral to understanding the dynamics of tax avoidance, as it underscores the disparity between the interests of the agent and the principal. This provides a theoretical framework for analysing how such conflicts influence corporate decisions related to tax practices (Aronmwan & Ogbaisi, 2022). Within this context, corporate governance mechanisms such as the RMC serve as an important monitoring mechanism to reduce agency conflicts by overseeing managerial decisions, including those related to tax strategies and risk management practices (Rahman et al., 2023). Thus, RMC may limit managerial opportunistic behaviour associated with aggressive tax avoidance and ensure that corporate tax decisions remain aligned with shareholders' interests and regulatory requirements through effective oversight.

According to Sá and Alves (2018), the structure of corporate governance mechanisms influences tax avoidance activities as reflected by agency theory, which examines the relationship between principals and agents within companies. The complexity of tax avoidance schemes often enables managers to extract personal benefits without oversight and governance because tax-saving strategies are among the critical decisions made by managers (Kovermann & Velte, 2019; Yee et al., 2018). From this perspective, numerous studies demonstrate that corporate governance mechanisms are crucial, as they play a key role in monitoring various actors and managing the planning processes for tax avoidance activities (Yee et al., 2018; Lanis & Richardson, 2011; Hanlon & Heitzman, 2010; Desai & Dharmapala, 2007). Among these mechanisms, board-level committees such as the RMC can strengthen governance oversight by monitoring organisational risks, including financial and regulatory risks associated with tax avoidance (Alduneibat, 2023; Masri et al., 2019). Furthermore, corporate governance is particularly crucial in developing countries, where investor protection is often weak and agency problems are more pronounced (Mosuin et al., 2024; Plečnik & Wang 2020; Alnabsha et al., 2018). In such contexts, effective corporate governance mechanisms can play a pivotal role in mitigating these challenges, ensuring greater transparency, and reducing the likelihood of unethical practices such as tax avoidance. Past research on the determinants of tax avoidance in corporate companies further supports this view, which aligns with the agency theory perspective and highlights the influence of various corporate governance mechanisms (Damayanty & Putri, 2021; Putra et al., 2018). These studies emphasise the importance of strong governance structures in mitigating tax avoidance. By reconciling the conflicting interests between principals and agents, these structures promote more ethical financial practices and improve compliance with tax regulations.

2.5.2 Resource-Based Theory

Resource-Based Theory (RBT) views corporate companies as entities composed of diverse productive resources, capabilities, and attributes, all of which influence their overall performance (Barney et al., 2021; Peteraf, 2016; Phelan & Lewin, 2000). This theory suggests that corporate companies can leverage their internal resources and capabilities to gain a competitive advantage, provided these resources are valuable, rare, inimitable, and non-substitutable (James & Joseph, 2015; Kabue & Kilika, 2016). In this context, the company's success depends on its ability to effectively utilise and manage its resources, which can include physical assets, human capital, and organisational capabilities. Moreover, the theory asserts that different combinations of resources can enhance decision-making processes within the company, allowing for more strategic choices that contribute to sustained competitive advantages (Barney et al., 2021; Frączkiewicz-Wronka & Szymaniec, 2012). Corporate companies with unique or superior resources, such as highly skilled managerial teams or advanced organisational strategies, are better positioned to achieve sustainable organisational performance and effective governance outcomes.

Besides, RBT suggests that corporate companies with strong human resources, such as high levels of managerial expertise and superior organisational strategies, are better able to enhance board effectiveness and achieve superior organisational goals (Mishra & Kapil, 2018; Clarkson et al., 2011). Boards of directors with high intrapersonal functional diversity and significant experience are more capable of Boards of directors with high intrapersonal functional diversity and significant experience are more capable of sharing information, resolving complex issues, and addressing cross-departmental challenges, including those related to tax avoidance (Plečnik & Wang 2020). In this framework, the corporate governance structure itself can be viewed as an organisational resource and capability that strengthens the relationship between internal governance mechanisms and corporate tax avoidance (CTA). By enhancing the effectiveness of internal controls, such as RMCs or audit functions, corporate companies can reduce the likelihood of engaging in aggressive tax avoidance practices, thereby ensuring better compliance with tax regulations and promoting long-term sustainability.

Furthermore, internal mechanisms of corporate governance are considered among the valuable resources influencing corporate companies' performance and outcomes from the perspective of RBT (Chatterjee et al., 2024; Mishra & Kapil, 2018). This aligns with the concept of board capability; wherein effective corporate governance practices play a crucial role in enhancing corporate performance. Specifically, the strength of internal governance mechanisms such as RMC is vital in fostering a connection between high-quality internal controls and the mitigation of tax avoidance (Saragih, 2024). By enhancing the quality of corporate governance, companies are better equipped to implement robust internal control systems, which in turn strengthen their ability to address tax avoidance practices. Although other theoretical perspectives such as stakeholder theory or institutional theory may also provide insights into corporate governance and tax behaviour, this study adopts Agency Theory and Resource-Based Theory because they directly explain the monitoring role of governance mechanisms and the organisational capabilities required to manage tax-related risks. This argument is corroborated by Koay & Sapiei (2025) that enhancements to corporate governance elements can directly and indirectly affect CTA. Building on these arguments, this study centres on the internal corporate governance mechanisms of RMC resources in mitigating tax avoidance issues. Therefore, this study provides theoretical contributions by employing agency and resource-based theories to elucidate the effectiveness of RMC in addressing tax avoidance in Malaysia.

2.6 Hypothesis development

2.6.1 RMC Effectiveness and Corporate Tax Avoidance

In the context of agency and resource-based theories, the mere existence of RMC attributes may not be sufficient to ensure its effectiveness in addressing corporate challenges, including tax avoidance (Elhaj et al., 2022). This view is supported by several studies that have explored the relationship between RMC attributes and financial risks related to tax avoidance (Bensaid et al., 2021; Borhan et al., 2021). These studies suggest that the effectiveness of the RMC depends not only on the presence of its attributes but also on how these attributes are implemented and integrated within the organisational structure. Specifically, attributes such as the committee's diligence, independence, frequency of meetings, and its size are key determinants in its ability to effectively mitigate risks, including tax avoidance.

Ika and Ghazali (2012) examined seven RMC attributes to assess their effectiveness, employing the audit effectiveness framework developed by Dezoort et al. (2002). According to (Dezoort et al., 2002), RMC effectiveness is contingent upon four critical elements: composition, authority, diligence, and resources. They argued that RMC that fulfils these four elements is more likely to achieve its intended effectiveness. This framework highlights the need for RMCs to have not only the right mix of expertise and independence but also the necessary authority and resources to exercise their duties effectively. Therefore, the effectiveness of RMC in mitigating tax avoidance is not solely reliant on its attributes, but rather on how these attributes align with the broader governance structures and organisational objectives.

Tax planning plays a pivotal role in influencing profit fluctuations, tax liabilities, investor decisions, and anticipated returns. Consequently, the presence of independent members within RMC, who possess both expertise and diligence, is essential for effectively detecting and mitigating tax avoidance activities (Yu, 2020; Larasati et al., 2019; Kommunuri et al., 2014). The independence and specialised knowledge of RMC members enable the committee to scrutinise tax-related strategies and identify potential risks associated with tax avoidance. Furthermore, the size of the RMC and its ability to fulfil its responsibilities and exercise authority are critical factors that contribute to the committee's effectiveness in minimising tax avoidance (Prastiwi & Mariana, 2023; Elhaj et al., 2022). A well-equipped RMC, with the right resources and empowered to act decisively, is better positioned to oversee risk management processes that directly impact corporate tax behaviours. In this context, the study posits that the relationship between RMC effectiveness and tax avoidance hinges on the assumption that an effective RMC can influence and potentially reduce tax avoidance activities. The performance of the RMC in overseeing risk management strategies, particularly those related to tax planning and compliance, plays a crucial role in shaping the company's approach to tax avoidance. As such, the hypothesis of this study is articulated as follows:

H_1: There is a negative relationship between RMC effectiveness and CTA.

2.6.2 RMC Attributes and Corporate Tax Avoidance

The effectiveness of RMC is largely influenced by its attributes or characteristics, which play a critical role in shaping its impact within an organisation (Kallamu, 2015) . Aldhamari et al. (2020) assert that evaluating RMC effectiveness requires considering multiple attributes rather than focusing on a single characteristic. This is because the various attributes of the RMC are interdependent, and assessing only one aspect does not provide a complete understanding of its overall effectiveness. If any one of these attributes is neglected, the RMC may fail to fully discharge its responsibilities, thereby impairing its ability to contribute to effective risk management (Lechner & Gatzert, 2018; Bhatt & Bhatt, 2017) Thus, the RMC needs to possess a balanced and complementary set of attributes to perform its duties effectively and achieve its governance objectives. In addition, the characteristics of the RMC are expected to have a significant influence on tax avoidance, as these attributes are integral to the management hierarchy of the organisation (Jia & Bradbury, 2020).

Past research has conducted comprehensive analyses of the various aspects of RMCs, demonstrating how each attribute significantly impacts the risks and challenges faced by corporate companies, including those related to tax avoidance (Gouiaa, 2018). This aligns with the principles of agency theory, which posits that the establishment of an RMC functions as a governance mechanism that monitors agents (such as management) and addresses key issues, including tax avoidance. According to this perspective, an effective RMC, through its diverse and complementary attributes, plays a crucial role in enhancing corporate governance and mitigating the risks associated with aggressive tax practices (Bensaid et al., 2021).

Based on RBT, RMC attributes are crucial resources as it is a special committee focused on coordinating and supervising the ongoing risk management process within the companies, including tax avoidance issues (Harymawan & Rahmawati, 2022) Consequently, the RMC responsible for setting up and evaluating the risk, which underlines the relevance of the RMC attributes significantly and impacts companies dealing with tax avoidance (Amri et al., 2023) This is because RMC can have a significant effect on businesses since the efficacy of risk management can substantially impact tax risk and investor welfare (Choi & Park, 2022). RMC is expected to protect all the useful information and withstand corporate companies' risks associated with tax avoidance activities. However, several RMC attributes have been identified in the previous research that focus primarily only on their impact on different corporate company's value and real earnings management (Elhaj et al., 2022; Abubakar et al., 2018; Kallamu, 2015). Hence, this study assessed the direct impact of corporate tax avoidance (CTA), implying that the influence of RMC attributes on CTA, such as RMC Independence, RMC Size, RMC Knowledge and Experience, RMC Gender diversity and RMC Meeting, will be analysed.

2.6.2.1 RMC Independence and Corporate Tax Avoidance

RMC independence refers to the proportion of independent non-executive directors on the RMC, whose primary role is to mitigate corporate risks and safeguard essential information within the company (Yeh et al., 2011). The presence of a significant number of non-executive directors is considered a key indicator of the board's independence from the management, reinforcing its ability to act in the best interests of stakeholders (Abubakar et al., 2018). This is because external members bring both competence and objectivity to the committee, ensuring that the RMC can perform its duties without undue influence from management (Gabrielle et al., 2020). Independent directors are essential in providing impartial oversight, which is crucial in managing risks effectively and ensuring the integrity of corporate decisions.

Furthermore, MCCG 2021 underscores the importance of the RMC's objectivity, noting that its effectiveness is significantly enhanced by the inclusion of independent directors. The MCCG recommends that at least half of the RMC members should be independent directors to ensure balanced oversight. According to agency theory, the independence of directors is critical in enabling them to effectively fulfil their oversight role, as it allows them to monitor management activities without being unduly influenced by management's interests (Ajube & Jeroh, 2023) This aligns with the agency theory's premise that independent directors can help supervise and mitigate potential conflicts of interest arising from management activities, thus reducing agency costs and enhancing corporate governance (Bensaid et al., 2021). In this way, the independence of RMC members plays a vital role in strengthening the governance framework of corporate companies and reducing risks such as tax avoidance.

According to Faleye et al. (2011), RMC independence on the board can also serve as an additional information resource to gain a better understanding of organisational risk relating to RBT. Moreover, the impact of independent directors on corporate tax risk and long-run tax avoidance has been noted in previous studies to improve the effectiveness of RMC 's functions (Saragih & Ali, 2023; Chou & Buchdadi, 2017). This understanding is compatible with the argument that an RMC independence can identify risk for corporate companies at a reasonable pace (Elamer et al., 2018). As a result, the independence of the RMC can decrease the probability of engaging in tax avoidance activities due to the board's effectiveness and minimising tax-related behaviours (Fali et al., 2020; Zaqeeba & Iskandar, 2020). This is further supported by previous research indicating that the independence of the RMC on the board is negatively correlated with tax avoidance (Choi & Park, 2022; Abubakar et al., 2018). Thus, the following hypothesis is developed:

H_{2a}: There is a negative relationship between RMC independence and CTA.

2.6.2.2 RMC Size and Corporate Tax Avoidance

The presence of a RMC is often linked to its size, with a larger committee size providing more opportunities to recruit directors possessing the necessary expertise to form an effective RMC within an organisation (Abubakar et al., 2018). According to Kolev et al. (2019), a larger committee size facilitates greater diversity and expertise, which enhances the RMC's ability to provide more effective recommendations to the board. This view aligns with the RBT, which suggests that a larger committee can access a broader range of resources, enabling it to better address complex issues such as tax avoidance (Al-Hadi et al., 2016). The theory posits that the availability of diverse resources and expertise within a larger committee strengthens its capacity to navigate challenges and mitigate potential risks, thereby enhancing its role in corporate governance. Additionally, the agency theory supports the idea that an increase in the size of the RMC may improve the availability of information and expertise, thereby reducing agency conflicts (Elhaj et al., 2022).

By incorporating a wider pool of knowledge and skills, larger RMCs are better equipped to oversee management activities and address issues related to tax avoidance. This enhanced capacity for oversight helps mitigate the negative risks associated with tax avoidance and strengthens corporate governance practices. As a result, the establishment of a larger RMC in corporate companies plays a significant role in reducing the likelihood of tax avoidance and promoting more responsible financial management (Nguyen, 2022; Aebi et al., 2012). A recent study also found that the size of RMC can have a significant impact on the effectiveness and functions of RMC, which can influence financial risk performance associated with tax avoidance activities (Marzuki et al., 2024). Moreover, the size of the RMC is viewed as a sign of companies to enhance the committee's strength to manage financial risk and tax concerns (Fali et al., 2020)

RMC size is essential since it is likely to attract diverse members, which attracts many qualified members, and committees can reduce tax activities (Boudiab et al., 2021). This is due to the possibility that the committee's substantial size could leverage diverse members, thereby facilitating thorough monitoring of management decisions and constraining tax avoidance activities (Lawati & Hussainey, 2021). Prior researchers also suggested a negative link between RMC size and tax risk management and difficulties (Amri et al., 2023) These arguments align with other research that has discovered a beneficial negative relationship between the size of the RMC and tax avoidance (García-Meca et al., 2021; Tandean, 2016). The probable negative impact on the relationship between committee size and tax avoidance is suggested by the study from Fali et al. (2020), which generates the following hypotheses:

H_{2b}: There is a negative relationship between RMC size and CTA.

2.6.2.3 RMC Knowledge and Experience, and Corporate Tax Avoidance

RMC attributes of knowledge and experience are also crucial to ensure that the RMC and its subcommittees function efficiently (Elhaj et al., 2022). Given that the RMC operates as a board-level committee rather than an individual decision-maker, the knowledge and experience of the RMC are reflected through the collective expertise of its member(Abubakar et al., 2018). In this study, RMC knowledge and experience refer to the collective expertise of committee members rather than a single individual, and it is measured based on the proportion of RMC members who possess accounting, finance, or business-related qualifications and professional experience. The RBT is associated with the ability of organisations to manage their resource capabilities efficiently to achieve certain results (Peteraf, 2016). This is because the board requires the presence of an RMC with financial knowledge and experience to optimise financially and manage the company's taxes, which can be used in business competition based on the theory (Gabrielle et al., 2020). This is also linked to prior research indicating that directors possessing extensive knowledge and experience resources, which are characterised by heightened data-processing capabilities, are better equipped to identify risks associated with various tax strategies and planning (Arifin et al., 2016). According to the agency theory, competence in accounting and financial matters gained through RMC experience may enhance the quality of corporate organisations by improving their ability to identify agency conflicts to minimise tax avoidance activities (Hanlon & Heitzman, 2022). In addition, RMCs with a background in accounting and business knowledge who possess the qualification are crucial candidates for appointment as board members because their presence will greatly contribute to the organisation’s decision-making processes (Hanlon & Heitzman, 2022).

Furthermore, an RMC with members who possess accounting and financial expertise is better positioned to oversee and guide the company’s tax planning activities, helping to identify risks associated with these activities (Tania, 2020). Previous studies have demonstrated that RMC members with specialised financial knowledge and experience can significantly enhance the committee's credibility and competence in understanding and managing tax risks, including (Elhaj et al., 2022; Jia & Bradbury, 2020)(Elhaj et al., 2022; Jia & Bradbury, 2020). Such expertise allows the RMC to evaluate the company's tax planning strategies more effectively, ensuring that potential risks are addressed in a timely manner. In contrast, some studies have indicated that directors with extensive knowledge and expertise may inadvertently contribute to tax avoidance activities, as their understanding of financial strategies may enable them to exploit tax loopholes (Fali et al., 2020; Huang & Zhang, 2020). However, other research has found a negative relationship between RMC competence and tax avoidance, suggesting that RMCs with knowledgeable and experienced members may be more effective in mitigating tax avoidance risks (Chen et al., 2020; García Martín & Herrero, 2018; Bernile et al., 2016). These opposing findings indicate the complexity of the relationship between RMC knowledge and tax avoidance, necessitating further investigation. The following hypothesis is proposed based on the arguments:

$H_{2c:}$ There is a negative relationship between RMC knowledge and experience on CTA.

2.6.2.4 RMC Gender Diversity and Corporate Tax Avoidance

Gender diversity within the board of directors is increasingly recognised as a crucial factor in ensuring effective oversight and monitoring, with the presence of women playing a significant role in promoting regulatory compliance and enhancing board dynamics (Boussaidi & Hamed-Sidhom, 2021). Research suggests that gender differences between men and women can influence individual personality traits and decision-making behaviours, which in turn affect organisational outcomes (Novita, 2016). The diversity of perspectives brought by gender-diverse boards is essential for better decision-making, as it introduces a broader range of viewpoints and problem-solving strategies. According to RBT, corporate companies rely on diverse resources such as a variety of expertise and perspectives to make optimal organisational decisions (Alvarez, 2017). This theory aligns with previous literature indicating that gender diversity on boards enhances the collective problem-solving capacity of the board, ultimately contributing governance (Rao & Tilt, 2016). From the perspective of agency theory, gender diversity is seen as a mechanism that improves managerial monitoring and decision-making, thereby mitigating agency problems (Ain et al., 2020). A gender-diverse board is better equipped to monitor and challenge management, reducing the risk of conflicts of interest between managers and shareholders. This helps address issues related to tax avoidance, as gender-diverse boards are more likely to prioritise ethical decision-making and regulatory compliance (Boussaidi & Hamed, 2015).

By fostering a more inclusive and balanced governance structure, gender diversity on the board can play a pivotal role in ensuring that corporate companies engage in responsible tax planning, reduce the likelihood of aggressive tax avoidance practices, and align their operations with both legal and ethical standards. García-Meca et al. (2021) provide evidence that female directors on boards tend to show greater sensitivity to tax avoidance and are more proactive in monitoring management's activities, particularly in curbing narcissistic tendencies that may lead to aggressive tax avoidance. Female board members are often more cautious in their approach to tax planning and are less inclined to engage in high-risk tax strategies (Rhee et al., 2020). Previous research also suggested that gender diversity on boards significantly influences tax avoidance practices, with women on boards being more likely to adopt strategies that mitigate the risks of aggressive tax avoidance (Rakia et al., 2024). Additionally, female members of RMC are noted for their careful approach to tax avoidance, often steering the company away from risky ventures (Budiana & Kusuma, 2022). This perspective is further supported by studies that have found a positive correlation between gender diversity and reduced levels of tax avoidance, attributing this relationship to the typically lower risk-taking behaviour and more ethical decision-making associated with feminine traits (Hoseini et al., 2019; Lanis et al., 2017). The role of gender diversity in corporate governance is also emphasised by research indicating a negative relationship between the presence of female directors and the extent of tax avoidance within companies (Rhee et al., 2020; Boussaidi & Hamed, 2015). Based on these findings, the following hypothesis is proposed:

H_{2d}: There is a negative relationship between the RMC gender diversity and CTA.

2.6.2.5 RMC Meeting Frequency and Corporate Tax Avoidance

The frequency of RMC meetings is a key determinant of its effectiveness in overseeing and mitigating risks within an organisation (Kakanda et al., 2018). From the perspective of agency theory, increasing the frequency of RMC meetings is viewed to enhance the quality of corporate governance, particularly in terms of the commissioner's role in monitoring managerial actions (Lin et al., 2014). Agency theory suggests that regular meetings between RMC members can help bridge the gap between principals and agents so that management's decisions align with the interests of shareholders. This is because frequent RMC sessions provide a platform for more regular scrutiny of management activities, fostering greater transparency and accountability (Barros & Sarmento, 2020). As a result, the increased frequency of meetings can improve oversight, reducing the risk of management pursuing strategies that may be detrimental to shareholders, such as tax avoidance.

Furthermore, the frequency of RMC meetings is directly correlated with improved communication and efficacy among board members (Elhaj et al., 2022). Regular meetings allow board members to engage in active discussions, share critical information, and provide continuous feedback on the company's risk management strategies. Fajembola et al. (2018) argued that the primary focus of the RMC in these regular sessions is to foster greater board member participation and facilitate the exchange of valuable insights, which ultimately strengthens the governance process. This perspective aligns with RBT, which posits that the availability of quality resources, such as time, expertise, and collaboration that enhances organisational performance. In the case of the RMC, more frequent meetings ensure more effective risk management and greater efficiency in resource utilisation, particularly in the monitoring and oversight functions related to critical corporate activities such as tax planning and avoidance (Nguyen, 2021).

A study found that when there is an inactive RMC, it might impair the company's tax management risk procedure (Malik et al., 2021). Consequently, the prior literature discusses the frequency of RMC meetings and their impact on tax-related actions within organisations and sheds light on the probable link between the frequency of RMC meetings and tax avoidance activities ((Md. Nazrul & Hashim, 2023; Jia & Bradbury, 2020). On the contrary, Puni & Anlesinya (2020) stated that the frequency of meeting arrangements had a positive and significant impact on company tax avoidance activities.

Nonetheless, past research claimed that higher meeting frequencies provide for greater control over management actions, which can raise prospective opportunities to show the negative impact of tax avoidance (Jia et al., 2019; Kovermann & Velte, 2019). This argument relates to research conducted by Amah & Ekwe (2021), which studied the impact of corporate governance. Accordingly, the subsequent hypothesis was proposed:

$H_{2e.}$ There is a negative relationship between RMC meetings frequency and CTA.

2.6.3 Moderating Role of Audit quality

Audit quality plays a pivotal role in corporate governance that acting as a critical mechanism to mitigate conflicts between management and shareholders while discouraging managers from engaging in fraudulent or manipulative accounting practices (Abdel-Wanis, 2021). In the context of this study, the focus is on examining the moderating effect of audit quality on the relationship between the effectiveness of the RMC and tax avoidance. Drawing on agency theory, this study posits that audit quality significantly influences the relationship between management and shareholders by reducing conflicts of interest. High-quality audits enhance transparency, accountability, and the reliability of financial reporting, ensuring that management's decisions align with the interests of shareholders and adhere to regulatory requirements (Riguen et al., 2018).

A high-quality audit will adhere to superior standards and can provide an unbiased assessment of the company's financial statements to determine if it is engaging in tax avoidance practices (Gaaya et al., 2017; Kanagaretnam et al., 2016). Previous researchers have also examined how audit quality is delivered by the Big Four audit companies on tax avoidance by considering factors such as auditors' opinions, corporate businesses' performance, and the audit tenure indicator (Jain & Agarwalla, 2023; Abid et al., 2018). Wong et al. (2020) examined the role of audit quality as a moderating effect that has strengthened the correlation between corporate governance mechanisms and business performance risk associated with CTA activities. More recently, Qawqzeh (2023) showed that a high level of audit quality influences the connection between internal control mechanisms and tax avoidance, with audit quality serving as a moderating variable among corporate companies in Jordan.

Based on the RBT, this study perceives that a team of external auditors with high expertise from the Big Four can enhance the efficacy of corporate organisations in avoiding taxes by providing additional resources and informing effective tactics for RMC effectiveness. A few studies can be used to support this notion that demonstrate a clear and substantial correlation between audit quality and business risk, such as tax avoidance in corporate companies (Yendrawati et al., 2023; Cavaliere et al., 2021; Alfraih, 2016). Moreover, a study conducted by Deslandes et al. (2020) also revealed that audit quality has strengthened the impacts on CTA activities by using 289 Canadian listed companies as a sample. Based on the evidence above, this study believes that audit quality can serve as a moderating factor by enhancing the effectiveness of RMC in managing CTA activities. Therefore, considering the importance of high audit quality in reducing CTA, this study presents the following hypothesis:

H_3: The relationship between RMC effectiveness and CTA is stronger for companies with good audit quality.

2.7 Research Framework

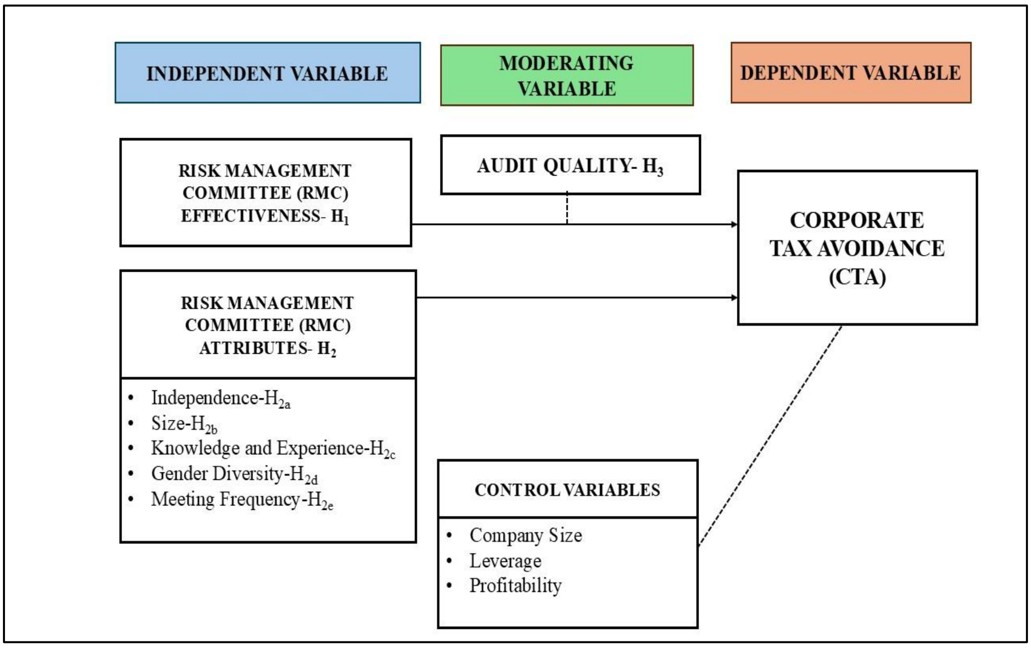

Figure 2.1 Research Framework

This study aims to explore the level of corporate tax avoidance (CTA), the factors that influence CTA within public listed companies in Malaysia. Specifically, it focuses on the RMC's effectiveness and its attributes as shown in Figure 2.1. The study hypothesises that the effectiveness of the RMC plays a key role in mitigating CTA behaviours. This framework further considers the attributes of the RMC as independent variables. These include the independence, size, knowledge and experience, gender diversity, and meeting frequency of RMC members. All attributes are crucial in determining the ability of the RMC to oversee and influence corporate tax strategies. Moreover, the moderating role of Audit Quality is another essential component of the framework. Audit quality is expected to strengthen the relationship between RMC effectiveness and CTA. Finally, the framework incorporates several control variables to account for external factors that may influence CTA. These control variables include company size, leverage, and profitability. By controlling for these variables, the study ensures a comprehensive understanding of how the RMC's effectiveness, audit quality, and company-specific factors collectively influence CTA behaviours. Thus, this research will provide valuable insights into the role of governance structures in reducing CTA and enhancing overall corporate accountability.

2.8 Summary

Chapter 2 of this study delved into the internal control mechanisms of corporate governance, specifically focusing on the effectiveness of RMC. It examined the role of the RMC in managing and mitigating risks, including tax-related risks, within Malaysian corporate companies. This chapter also reviewed the establishment of RMCs in Malaysia, highlighting the evolution of their structure and function in response to the increasing demand for stronger corporate governance. Furthermore, it situated the discussion within the theoretical frameworks of agency theory and resource-based theory. The chapter then outlined the development of the study's hypotheses, focusing on how RMC effectiveness and its specific attributes, such as independence, size, knowledge, gender diversity, and meeting frequency, can influence CTA. It provided a clear rationale for each hypothesis and situates them within the broader context of corporate governance. The research framework introduced in this chapter visually represented the relationships between these variables, supporting the hypothesis development and guiding the methodology. This framework forms the basis for Chapter 3, which outlines the research methodology, including data collection methods, sampling techniques, and analytical processes used to test the proposed hypothesis.

CHAPTER 3
RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, Section 3.2 and Section 3.3 provide an overview of the data sample and the data collection process. The data management procedures are outlined in Section 3.4. Section 3.5 presents a detailed explanation of the measurement of all variables. Subsequently, Section 3.6 introduces the research instrument, which is utilised throughout the data management, development, and testing processes. Finally, a summary of the chapter is provided in Section 3.7 to conclude this section of the study.

3.2 Data Sample Selection

In this study, the sample was selected from the data population of 763 companies listed on the Main Market of Bursa Malaysia (Bursa Malaysia, 2023). The main market was selected because it is occupied by well-established companies whose market capitalisation serves as an indicator of their size and profitability. The three-year observation period from 2021 to 2023 allows for a comprehensive examination of corporate tax avoidance (CTA) trends, as it represents the period following the implementation of the MCCG 2021, which emphasises stronger corporate governance practices. Furthermore, the introduction of MCCG 2021 reinforces the role of board committees, including the RMC, in overseeing organisational risks and governance practices. Therefore, the selection of this period enables the study to assess the effectiveness of RMC attributes in mitigating CTA within the latest corporate governance framework in Malaysia.

This study excluded companies in the financial sector, such as those involved in finance, banking, and special purpose acquisition companies (SPACs), as these companies are subject to additional regulatory requirements (Haniffa & Cooke, 2002). Additionally, companies from the Real Estate Investment Trusts (REITs) sector were excluded due to their minimal Earnings Tax Rates (ETRs) (N. X. Chen et al., 2018). Companies categorised under Practice Note 17/2005 (PN17), which indicates financial distress, were also excluded. Simultaneously, companies with negative pre-tax income or incomplete data were removed to maintain the integrity of the dataset and prevent any inaccurate conclusions from missing data. From the remaining data population, only companies with a standalone RMC were selected to assess the effectiveness of the RMC in mitigating CTA. This is because having a separate RMC which distinct from the Audit Committee will allow directors to focus more effectively on risk management activities to mitigate CTA. Table 3.1 summarises the sample selection process, presenting the final sample of 124 companies.

Table 3.1
Sampling Procedure

Sampling procedure	
Companies listed in Main Market	763
Less: companies in financial Industry	31
Less: companies from REITs sector	19
Less: companies of PN17	23
Less: negative pre-tax income (filtering)	87
Data population	603
Sample (Companies with standalone RMC)	**124**

The sample was intentionally stratified across various industries, as recognising avoidance is a particularly sensitive matter within the selected sectors (Mahmud et al., 2022), as in Table 3.1. This approach was further justified by the assertion that accounting practices and corporate tax incentives in capital market transactions are distinct from those in other industries (Nasir et al., 2025). Consequently, separate analyses were performed for each industry to mitigate any potential bias that might arise from the selection of specific industries. Table 3.2 further presents the distribution of the 124 sample companies across eight sectors and the corresponding number of observations. Since the study covers a three-year period (2021–2023), the total number of observations is calculated as 372 observations (124 companies × 3 years).

Table 3.2
Data Sample Distribution by Sector (2021-2023)

Sector	Number of companies	Number of Observations
Agriculture	8	24
Consumer Products	31	93
Construction and Property	29	87
Energy and Utilities	10	30
Health Care	5	15
Industrial Products	27	81
Technology and Telecommunication	10	30
Transportation and Logistic	4	12
Total Number of Companies and Observations	124	372

3.3 Data Collection

The data collection process for this study was systematically designed to ensure a comprehensive examination of distinct sections within the datasets. Each dataset utilised in this study was carefully and methodically gathered with the specific aim of estimating the variables central to the investigation of corporate tax avoidance (CTA) practices among companies listed in Malaysia. The data for this study were meticulously extracted from the annual reports of the selected companies, ensuring that all relevant financial and non-financial information was accounted for. These annual reports were downloaded in PDF format and then processed using data collection techniques tailored to extract specific information relevant to the research objectives. The primary dataset focused on gathering financial information that is directly linked to the financial elements involved in CTA for the companies under examination. Specifically, key financial data points such as pre-income tax and current income tax expenses were collected to provide insight into the tax planning strategies employed by these companies. In addition to these core variables, the dataset also included financial data for control variables, such as Return on Assets (ROA), total assets, and leverage, which are considered important for understanding the financial health and risk profile of the companies in question. These variables are critical for establishing the context in which CTA was analysed to ensure the robustness of the statistical models employed in this study.

In addition to financial data, information regarding RMCs was collected by analysing the profiles of the Board of Directors (BOD) and the 'Corporate Governance Report' sections of the annual reports. Particularly, the identification of companies with a standalone RMC was conducted through a detailed review of the corporate governance disclosures in the annual reports to determine whether the company established a separate RMC that operates independently from the Audit Committee. This verification process involved examining the committee structure, committee composition, and governance statements reported by each company. The analysis of RMCs was essential as it provides insight into the governance structures that influence tax planning practices. This procedure is particularly important because the establishment of a standalone RMC remains voluntary among Malaysian listed companies under the MCCG and some companies integrate risk management responsibilities within the Audit Committee. Hence, only companies that explicitly disclosed the presence of a separate and independent RMC structure were classified as having a standalone RMC and included in the final sample of this study.

The final dataset also used to assess the CTA, also included audit quality data, which was extracted from relevant sections of the annual reports. Audit quality is a crucial variable in tax planning research, as it can significantly impact the accuracy and transparency of financial reporting, including tax-related disclosures. This study justifies the exclusive use of annual reports as a reliable data source, as it is recognised that annual reports are not the only source of corporate reporting. This approach does not compromise the quality of the information obtained, as annual reports are widely regarded as a vital source of corporate information, providing a standardised and comprehensive view of a company's financial performance and governance structure (Lev, 2018; Abraham & Shrives, 2014). Furthermore, the information related to CTA and RMCs in the annual reports is audited and presented in accordance with the regulations set forth by Bursa Malaysia and the Malaysian Companies Act of 1965, ensuring the accuracy and reliability of the data.

The data collection was facilitated using the ‘word search’ function in Adobe Reader, a tool that allowed for efficient extraction of specific terms and phrases from the PDF documents. The keywords used for this search were selected based on their relevance to the research questions and the variables being investigated. A list of these keywords, along with the rationale for their selection, is provided in Table 3.4. The ‘word search’ function was employed to scan all 11 keywords across each annual report, ensuring that no relevant data points were overlooked. When a keyword was located, the corresponding paragraph was read carefully, and a judgment was made regarding its relevance to the study.

All pertinent data were then compiled into a structured worksheet, where key data points for CTA measurement were extracted and organised. To further enhance the validity of the data collection process and ensure the consistency of the findings, an independent expert with specialised knowledge in accounting was consulted. The expert reviewed the data and provided feedback to verify the accuracy and reliability of the collected data and measurements. This external validation was crucial for ensuring the integrity of the research process and for mitigating potential biases in the data collection and analysis (Dewi 2021; Kihn & Ihantola, 2015).

3.4 Data Management Process

This section provides a detailed explanation of the data management process undertaken throughout the research activities. In the context of research, an effective data management process is essential, as any inaccuracies or errors in handling the data can substantially undermine the validity and reliability of the study's findings. The approach to data management in this study is structured into three key stages: 1) data filtering; 2) data re-coding; and 3) data cleaning. Each of these stages plays a crucial role in ensuring the integrity of the data and minimising the risk of omitting critical information that could influence the analysis. The completion of this process is necessary to safeguard against potential gaps or inaccuracies in the dataset, which could lead to flawed conclusions or biased interpretations.

The first stage of the data management process involves checking and filtering the datasets to ensure the sample consists of relevant and consistent data. In this study, data were collected from Bursa Malaysia. It was necessary to filter the data to ensure that the selected companies were present for every year under observation. The rationale behind this filtering step is to maintain consistency throughout the study period. Companies that were not consistently listed on the stock exchange during the entire observation period were excluded from the sample, as their inclusion could skew the results. This step ensures that only those companies that meet the criteria of being listed for the entire duration of the study are included, which is crucial for the integrity of the data analysis.

Once the data have been filtered, the second stage of the process, data re-coding, begins. In this stage, certain companies are excluded based on specific criteria. The primary focus of this phase is to remove companies with negative pre-tax income, as these companies do not contribute to corporate tax avoidance (CTA) strategies in a meaningful way. A company with negative pre-tax income would be considered to have zero CTA because it does not generate taxable income, as mentioned in Table 3.1. This is because including these companies would not align with assessing CTA. Additionally, companies with CTA values greater than 100% are also excluded because these values indicate discrepancies that are not typical in the context of tax strategies. By re-coding the data, it will ensure that only those companies actively engaged in CTA are retained for further analysis and a more accurate dataset.

The final stage of the data management process is data cleaning, where the dataset is meticulously reviewed and refined to eliminate inconsistencies and prepare it for data analysis. A key component of data cleaning is the handling of outliers, which are extreme values that deviate significantly from the rest of the data. Outliers can skew the results of statistical analyses that potentially leading to erroneous conclusions. In this study, the winsorisation method is employed to address outliers. This technique involves replacing extreme values with more generalised estimates based on predefined data boundaries, specifically the 1st and 99th percentiles in this case. Winsorisation retains all data points while minimising the influence of extreme values. This summarisation of data management process, as stated in Figure 3.1, will ensure the quality and robustness of the data without compromising the sample size, which ultimately improves the reliability of the study's conclusions.

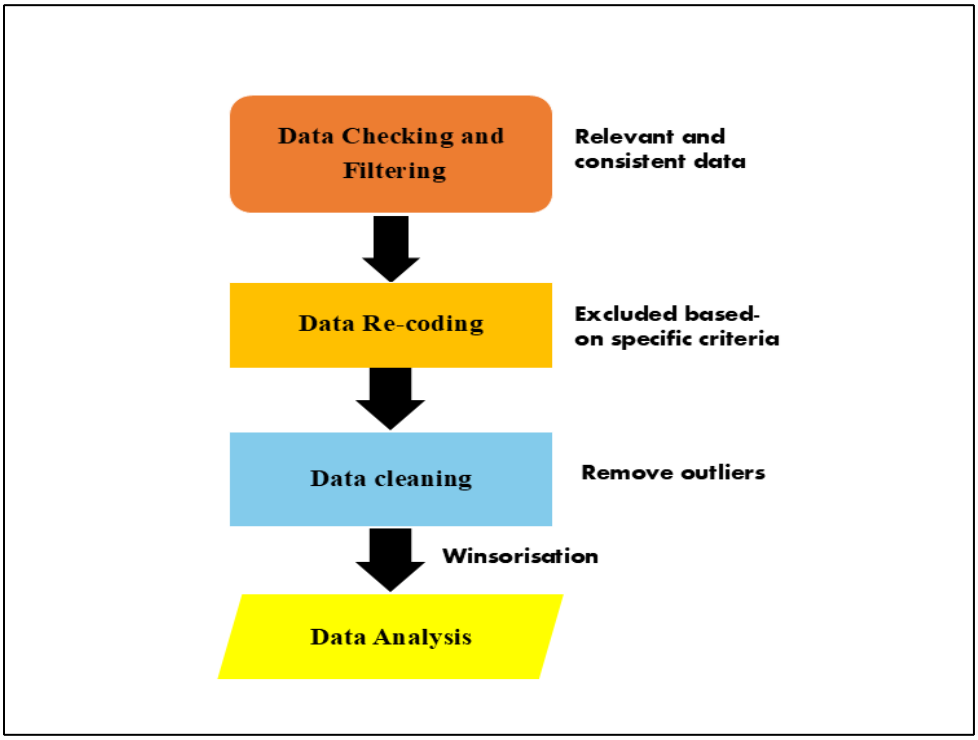

Figure 3.1 Data Management Process

3.5 Variable Measurement

This study examined the variables for investigating the effectiveness of RMC using five attributes on corporate CTA in Malaysia, together with audit quality as the moderator, using the measurement below:

3.5.1 Measure of Corporate Tax Avoidance

Previous research has highlighted the distinctiveness of the cash tax paid to the operating cash flow measure compared to other commonly used measures of CTA. However, it is noted that the tax expense to operating cash flow measure closely aligns with the proposed measure of CTA, exhibiting similarities in the way it reflects CTA activities (Gebhart, 2017; Salihu et al., 2013). This alignment can be explained by the fact that the tax expense to operating cash flow measure closely resembles both the accounting and effective tax rates (ETR), particularly when examining dependent variables related to tax behaviours (Salihu et al., 2013). These measures all focus on capturing the relationship between taxes and cash flow, offering a more accurate representation of a company's tax-related decisions and behaviours. ETR is considered a robust measure because it can detect varying levels of CTA by reflecting the effectiveness of different tax strategies employed by companies. These strategies may include aggressive tax planning or the use of tax shelters, and the ETR is sensitive enough to reveal subtle differences in corporate tax behaviours across companies (Shi et al., 2020).

The growing adoption of ETR as a proxy for CTA stems from its ability to offer insights into how companies manage their tax obligations in relation to their overall financial performance, thus providing researchers with a useful tool for analysing the complexities of CTA. Moreover, its widespread use underscores the importance of examining the relationship between accounting practices, cash flow, and tax strategies, as it allows for a more nuanced understanding of CTA behaviours across different industries and regions. Other recent research also supports the use of ETR in measuring CTA (Ling Ing et al., 2025). ETR is widely utilised in the literature as it captures a company's ability to reduce its tax liability relative to pre-tax income, reflecting the company's actual tax burden. A lower ETR suggests a higher likelihood of CTA, particularly in cases where the ETR is below Malaysia's statutory tax rate of 24%. Furthermore, variations in pre-tax income are the primary reason why the current effective tax rate (CETR) can detect fluctuations over time among companies (Alexander et al., 2021). CETR, which focuses on current tax expenses, may more accurately reflect the actual taxes a company is obligated to pay in a specific period and can indicate CTA strategies that involve tax deferrals (Hanlon & Heitzman, 2022). Based on these considerations, this study employed CETR as the measurement for CTA is calculated as the ratio of current income tax expense to pre-tax income.

3.5.2 Measure of RMC Effectiveness and RMC Attributes

The measurement of RMC effectiveness in relation to CTA is examined based on the attributes of RMC identified in prior corporate governance literature and regulatory guidelines (Elhaj et al., 2022). In this study, the measurement of RMC effectiveness follows are aligned with the recommendations of the MCCG and the approach adopted in prior governance studies. Each attribute is assigned a binary score, whereby '1' is coded if the company fulfils the specified proxy and '0' otherwise. The overall RMC Effectiveness (RMCEFFE) is then calculated as a percentage by dividing the total score obtained from the RMC attributes by the total possible attribute score, based on the components of the RMC Effectiveness Score presented in in Table 3.3.

Table 3.3
Component of RMC Effectiveness Score

Attribute	Code	Proxy	Source	Score
RMC Independence	RMC IND	RMC consists at least half of independence directors	Boudiab et al., 2021	1,0
RMC Size	RMC SIZE	RMC has more than 3 members	Malahim, 2023	1,0
RMC Knowledge	RMC KNOW	At least one member has knowledge	Bourib & Boudiab, 2021	1,0
RMC Gender Diversity	RMC DIV	At least 30% women directors	Bensaid et al., 2021	1,0
RMC Meeting Frequency	RMC MEET	At least 3 meetings per year	Alduneibat, 2023	1,0

Next, this study evaluated five distinct RMC attributes: independence, size, knowledge and experience, gender diversity, and frequency of meetings as outlined in Table 3.4. The first attribute, RMC independence (RMC IND), is quantified by the proportion of independent directors to the total number of RMC members on the board, as proposed by Elamer and Benyazid (2018). RMC size (RMC SIZE) is measured by the total number of members in the committee for a given financial year, as outlined by Al-Matari and Mgammal (2019). The third variable, RMC knowledge (RMC KNOW), is determined by the percentage of RMC members who possess relevant knowledge and expertise in accounting, taxation, or finance, as suggested by Malik et al. (2021).

RMC gender diversity (RMC DIV) is the fourth variable, measured by the percentage of women on the board, in line with previous studies that highlight the positive impact of female directors on enhancing board effectiveness, particularly in risk management (Addae et al., 2023). Lastly, RMC meeting frequency (RMC MEET) is the fifth independent variable, which is determined by the number of RMC meetings held within a particular financial year, following the average frequency of meetings as outlined by Elhaj et al. (2022). These five attributes collectively contribute to the understanding of RMC effectiveness in the context of corporate risk management and CTA, offering a comprehensive framework for assessing the relationship between governance mechanisms and corporate tax behaviour.

3.5.3 Measure of Control Variables

Control variables are important elements in a study that are specifically accounted for to isolate the effect of the primary variables under investigation. These variables are controlled because they have the potential to influence the outcome of the study, and by doing so, they help enhance the internal validity of the research. Internal validity refers to the degree to which the results of the study can be attributed to the relationships between the variables being studied, rather than to other extraneous factors. By incorporating control variables, researchers can ensure that their findings are not confounded by other influences, thus providing a more accurate understanding of the true relationships at play. In the context of this study, the inclusion of control variables is necessary to ensure that the relationship between RMC EFFE and corporate tax avoidance (CTA) is not influenced by other company-specific characteristics. This study uses control variables such as company size, profitability, and leverage were included due to their potential to distort the results if left uncontrolled. Each of these factors can independently affect the association between RMC attributes and CTA, which is the primary focus of the study. By incorporating these control variables, the study aims to present a clearer, more precise understanding of the relationship between RMC attributes and CTA (Apriatna, 2022). Therefore, controlling for these variables allows the study to better isolate the effect of RMC attributes on CTA and produce more reliable regression results

Firstly, company size is considered an important control variable in this study. Company size is typically measured by the natural logarithm of total assets, a common method used in previous research to account for the size of companies (Sriyono & Andesto, 2022). Larger companies often have more resources and a greater capacity to engage in tax planning strategies, which can influence their CTA behaviour. By controlling for company size, the study ensured that the observed relationship between RMC attributes and CTA is not driven by the sheer size of the company, which could independently affect tax-related decisions. Secondly, leverage was included as a control variable, defined as the ratio of long-term debt to total assets. Leverage represents the degree to which a company relies on debt financing to fund its operations. This variable is particularly important because a company’s capital structure can have a significant impact on its financial decision-making, including tax avoidance strategies (Sari et al., 2019). Companies with higher leverage may be more inclined to engage in CTA to optimise their debt servicing costs and improve their financial standing. By controlling for leverage, the study could more accurately assess the influence of RMC attributes on CTA, without the confounding effects of the company's financing decisions

Lastly, profitability is another key control variable. Profitability is commonly measured using the ratio of earnings after tax to total assets, as it indicates how efficiently a company is generating profit from its assets. Previous research has demonstrated a positive relationship between profitability and CTA, as more profitable companies have greater incentives and opportunities to employ tax planning strategies (Monica et al., 2023). By controlling for profitability, the study ensured that any observed effect of RMC attributes on CTA is not simply a reflection of the company's overall financial performance. The inclusion of these control variables, namely company size, leverage, and profitability, helped to ensure that the study's findings regarding the relationship between RMC attributes and CTA are not skewed by other underlying factors. This approach strengthened the internal validity of the study, allowing for a more accurate and reliable analysis of how RMC characteristics influence CTA behaviour.

3.5.4 Measure of Audit Quality

Auditors play an essential role in providing external stakeholders with assurance regarding the accuracy and reliability of the financial statements prepared by organisations. This assurance is crucial for users such as investors, creditors, and regulatory bodies, who depend on audited financial reports to make informed decisions. However, the concept of audit quality is complex and difficult to assess objectively, as the audit service is conducted by professionals or a team of professionals, whose work can be influenced by various factors, including their competence, independence, and the company's resources (Jain & Agarwalla, 2023; Riguen et al., 2018). A widely used proxy for measuring audit quality is the reputation of the audit company with the Big 4 accounting companies, which are Deloitte, PwC, Ernst & Young, and KPMG, that often regarded as the benchmark for high-quality audits. These companies are perceived to possess significant expertise, vast resources, and a strong reputation for meticulousness, which influences the perceived reliability of their audits. Consequently, audits conducted by the Big 4 companies are frequently associated with higher audit quality compared to those performed by smaller or less established companies, due to their global presence, advanced technological investments, and adherence to rigorous internal quality control frameworks. Furthermore, the scale of these companies provides access to a broader pool of highly qualified auditors, which enhances the overall quality of the audit process. Nevertheless, it is important to recognise that recent incidents of audit failures and misconduct involving large audit companies have raised concerns regarding the consistency of audit quality, even among the Big 4 companies. Despite these concerns, recent study continue to employ Big 4 auditors as a proxy for higher audit quality, as these companies generally possess stronger reputation incentives, are subject to stricter regulatory scrutiny, and maintain more robust internal quality control systems compared to non-Big 4 audit companies (Awolola et al., 2024).

In this study, the proxy for audit quality is treated as a moderating variable. Specifically, the variable is coded "1" if the audit is performed by a Big 4 company, and coded "0" if conducted by a non-Big 4 company. This binary coding allows for a clear distinction between the audit quality associated with the Big 4 companies and other audit companies, facilitating an analysis of the moderating role that the reputation and resources of the Big 4 play in influencing the overall quality of the audit. Utilising the Big 4 as a measure of audit quality provides a valuable perspective, not only considering the technical proficiency of the auditors but also accounting for the organisational processes, technological tools, and historical performance of the company. While other indicators of audit quality exist, the prominence of the Big 4 in the auditing industry continues to position them as a key factor in shaping the prevailing perception of audit quality in both academic discourse and practical application. Therefore, despite certain criticisms and isolated misconduct cases, the Big 4 proxy remains widely adopted in accounting and corporate governance research as a practical and comparable measure of audit quality across companies.

Table 3.4
Variable Operationalism

Operationalism	Symbols	Variable Measurement	Reference
Curent ETR (CETR)	CTA	(Current income tax paid/pre-tax income)	Edwards et al., 2021 Ling Ing et al., 2025
RMC Effectiveness	RMCEFFE	(Sum of attribute score / total score)	Elhaj et al., 2022
RMC Attributes			
RMC Independence	RMC IND	The proportion of independent directors to the total number of RMC members	Elamer & Benyazid, 2018 Islam & Hashim, 2023
RMC Size	RMC SIZE	The total number of RMC	Al-Matari & Mgammal, 2019 Apriatna, 2022
RMC Knowledge	RMC KNOW	The proportion of RMC members who possess relevant knowledge and expertise in accounting, taxation, or finance	Malik et al., 2021
RMC Gender Diversity	RMC DIV	The proportion of women members on the RMC.	Addae et al., 2023
RMC Meeting	RMC MEET	The number of RMC meetings held within a particular financial year	Elhaj et al., 2022
Audit Quality	AQ	Big 4 Companies	Jain & Agarwalla, 2023
Company size	SIZE	Natural logarithm of total assets	Andesto, 2022
Leverage	LEV	Long term debt /total assets	Sari et al., 2019 Apriatna, 2022
Profitability	ROA	Earnings after tax/total assets	Monica et al., 2023

3.6 Research Instrument

The research instrument used in this study involved the collection of data from publicly listed companies in Malaysia, focusing on key indicators related to corporate tax avoidance (CTA). The raw data was gathered from reliable sources, ensuring the validity and reliability of the information used for analysis. This data was then imported into a suitable tool, such as Microsoft Excel, to facilitate the cleaning process. Cleaning the data is an essential step in ensuring its accuracy and consistency, thereby safeguarding the quality of the data used in the study. Once cleaned, the data were prepared for further analysis, with descriptive statistics used to summarise and describe the key variables relevant to CTA levels among the sample companies. Following this, a panel data analysis was conducted using Stata Version 17 software to examine the relationship between independent variables and dependent variables.

3.6.1 Empirical Model Development

This study employs three empirical models to address the research objectives. Model 1 corresponds to Research Objective 2, which examines the relationship between RMC effectiveness and corporate tax avoidance (CTA). Equation (3.1) is estimated, where the dependent variable is CTA, proxied by CETR. The explanatory variable is RMC Effectiveness (β1RMCEFFE i,t). The model also includes control variables, namely company size (β2SIZE i,t), leverage (β3CLEV i,t), and profitability (β4ROA i,t). The error term is represented by εi,t .

$$CTA,t = \beta 1RMCEFFEi,t + \beta 2SIZEi,t + \beta 3LEVi,t + \beta 4ROAi,t + \varepsilon i,t \tag{3.1}$$

Model 2 addresses Research Objective 3, which examines the relationship of individual RMC attributes and CTA in Equation (3.2). In this specification, CTA,t is level of CTA of companies, measured using CETR. The explanatory variables consist of five attributes, namely RMC independence (β1RMC INDi,t), RMC Size (β2RMC SIZEi,t), RMC Knowledge (β3RMC KNOWi,t), RMC Gender Diversity (β4RMC DIVi,t), and RMC Meeting Frequency (β5RMC MEETi,t) which collectively serve as indicators of RMC effectiveness. Control variables are also incorporated, including of company size (β6CSIZE i,t), leverage (β7LEV i,t), and profitability (β8ROA i,t). The error term is denoted by εi,t .

$$CTA,t = \beta 1RMCINDi,t + \beta 2RMCSIZEi,t + \beta 3RMCKNOWi,t + \beta 4RMCDIVi,t + \beta 5RMCMEETi,t + \beta 6SIZEi,t + \beta 7LEVi,t + \beta 8ROAi,t + \varepsilon i,t \tag{3.2}$$

Finally, Model 3 corresponds to Research Objective 4, which examines whether audit quality moderates the relationship between RMC effectiveness and CTA in Equation (3.3) . In this specification, CTA,t is the level of CTA of companies with RMC effectiveness (β1RMCEFFE i,t), while (β2AQ i,t) captures audit quality as a moderating role. The model further incorporates several control variables which consist of company size (β4SIZE i,t), leverage (β5LEV i,t), and profitability (β6ROA i,t). The error term is represented by εi, t.

$$CTA,t = \beta 1RMCEFFEi,t + \beta 2AQi,t + \beta 3RMCEFFE * AQi,t + \beta 4SIZEi,t + \beta 5LEVi,t + \beta 6ROAi,t + \varepsilon i,t \tag{3.3}$$

3.6.2 Testing Process

The testing process in this study began with a series of diagnostic tests aimed at ensuring the data meet the assumptions required for the subsequent analysis. Initially, a normality test will be conducted to evaluate whether the data follows a normal distribution, which is a fundamental assumption in many parametric statistical techniques. Non-normality can lead to biased results, and thus, if the data is found to deviate significantly from normality, corrective measures such as transformation or the use of non-parametric alternatives will be considered. Following this, a multicollinearity test will be performed to identify any strong correlations among the independent variables in all models. Multicollinearity can distort regression estimates and inflate standard errors, making it difficult to ascertain the individual effect of each predictor variable. By addressing multicollinearity, the study aims to ensure the accuracy and reliability of the regression analysis.

The Hausman test was used to guide the selection between a fixed effects model (FE) and a random effects model (RE) in the panel data. This test evaluates the consistency of the estimators and helps determine whether the fixed or random effects model is more appropriate for the data. If the Hausman test indicates that the fixed effects model is more suitable, it will be adopted for its ability to control for unobserved heterogeneity, assuming that the individual-specific effects are correlated with the independent variables. Alternatively, if the random effects model is more appropriate, it will be selected due to its efficiency in estimating coefficients when individual-specific effects are uncorrelated with the predictors.

The Breusch-Pagan Lagrangian Multiplier (LM) test was also employed to further refine the analysis. This test is designed to compare the random effects model with the pooled Ordinary Least Squares (OLS) model, assessing whether the random effects model provides a better fit to the data than a simple pooled OLS approach. If the LM test suggests that the random effects model is more appropriate, it will be chosen, as it accounts for unobserved heterogeneity across entities while remaining more efficient than fixed effects models when applicable. The results of the LM test will guide the decision on whether to proceed with a random effects model or consider pooled OLS for the analysis.

The final step in the testing process involved conducting a multivariate regression analysis to examine the relationships between the dependent and independent variables. Specifically, the multivariate regression was used to test the seven hypotheses proposed in the study, focusing on how various predictors affect the outcome variable across the different models. Each model assessed a distinct set of variables and their interactions, providing a comprehensive understanding of the factors influencing the dependent variable. The multivariate approach allows for the simultaneous inclusion of multiple independent variables, providing a more holistic view of their collective impact. By conducting these regression tests, the study aims to generate robust results that not only address the specific hypotheses but also offer valuable insights into the underlying relationships between the key variables.

3.7 Summary

Chapter 3 introduced the research methodology of this study. The first part presented a research design that uses descriptive analysis and then explains the sampling, type of data, and data collection. The next part described the data management process and the measurement of all variables for the study. The research instrument and data analysis procedure in empirical data development were exhibited to analyse the data. The last part was the testing process, which explained all types of tests to run the model in this study. The second part of Chapter 3 focused on the data management process and the measurement of all key variables involved in the study. It outlined how the data will be organised, processed, and prepared for analysis, ensuring its accuracy and integrity throughout the research process.

Furthermore, this section discussed the research instruments, providing clarity on how each variable will be measured and operationalised. In addition, the chapter presented the empirical data development procedure and the data analysis techniques to be employed, which were critical for interpreting the results. The final part of the chapter elaborated on the testing process, detailing the various statistical tests used to evaluate the validity of the models used in this study and assess the relationships between the variables. The subsequent chapter presents the results of the data analysis and provides a comprehensive discussion of the findings.

CHAPTER 4
RESULT AND DISCUSSION

4.1 Introduction

This chapter presents and discusses the findings of the study with a data analytical approach. The sample selection overview was discussed in Section 4.2. Next, the dataset underwent comprehensive diagnostic analysis and multicollinearity assessment to ensure the accuracy and reliability of the findings in Section 4.3. The analytical approach is tailored to address the research objectives outlined in the study. Research objective one, which explores the trend of corporate tax avoidance across different years and sectors, was analysed using descriptive statistics. The panel data analysis performed in this study is detailed in Section 4.4. For the remaining objectives, which examine the relationship between RMC effectiveness and corporate tax avoidance for research objective two, exploring the impact of specific RMC attributes on corporate tax avoidance for research objective three, and assessing the moderating role of audit quality for research objective four explained in Section 4.5. The findings from each model are presented with careful interpretation supported by relevant past findings and compared with theoretical expectations.

4.2 Sample Selection Overview

In this study, the initial sample was drawn from public listed companies in the Main Market of the Malaysian Stock Exchange. The period under observation spans from 2021 to 2023, which provided a comprehensive framework for examining corporate tax avoidance (CTA) activities. This three-year timeframe was particularly relevant as it allows for an in-depth analysis of the evolution of CTA strategies, which have likely developed in response to the updates in corporate governance introduced by the MCCG 2021. The dynamic nature of corporate CTA necessitated a longitudinal perspective to capture the shifts in strategies over time. Next, the sample selection process was thoroughly explained by outlining the population size and the criteria for selecting the sample (refer to Table 3.1). This step is crucial for ensuring transparency as it delineates the scope of the study and clarifies the key variables being examined.

The main variables under investigation in this study are CTA, the effectiveness RMC, RMC attributes, and audit quality. These variables are central to understanding the determinants of CTA activities in Malaysian companies.

Furthermore, the inclusion and exclusion criteria for sample selection are explicitly outlined. Notably, the study justifies the exclusion of companies reporting negative income tax expenses. This decision is pivotal as it ensures the focus remains on CTA activities that align with the study's objectives. Excluding companies with negative income tax expenses helps to avoid skewed data and ensures that the analysis reflects genuine CTA strategies rather than anomalies or irregular financial occurrences. Moreover, this exclusion criterion plays a vital role in maintaining the integrity and accuracy of the research. The sample was intentionally stratified across different sectors which resulted in a final sample size of 372 observations derived from 124 companies observed over three years from 2021 until 2023 (Refer Table 3.2). This will ensure a representative and comprehensive analysis of corporate CTA practices across year and various industries that contribute to the robustness of the study’s findings.

4.3 Diagnostic Analysis

The Statistical software of STATA version 17 was applied to run the statistical analysis in balanced panel data to measure the effects exerted by the independent variables upon the dependent variables. The analysis process of this study began with an initial set of diagnostic analyses performed on the selected data. These preliminary analyses were crucial instruments to ensure the robustness of the specification research (Norouzirad & Arashi, 2019). Moreover, it also served as a vital prelude to more detailed specifications to shape the subsequent research findings. The diagnostic test analysis in this study consisted of three distinct components, which are 1) normality assessment, 2) multicollinearity assessment, and 3) descriptive analysis.

Normality and multicollinearity assessments were particularly critical in this study because both are fundamental assumptions in regression models. Normality assessments ensure that the data follows a normal distribution, which is crucial for the reliability of statistical inference and the validity of hypothesis testing. On the other hand, multicollinearity evaluates the degree of correlation between independent variables. High multicollinearity can distort the regression coefficients which making it challenging to accurately determine the individual effect of each predictor. By addressing these issues, the results produced have been more robust, consistent, and stable to make generalisations about the population to be more representative and meaningful. The following sub-sections provide a detailed explanation of these tests.

4.3.1 Normality Assessment

The purpose of conducting the normality assessment for the new dataset was to verify if the new dataset was normally distributed, as it is an essential prerequisite in applying a parametric statistical technique for regression (Khatun, 2021; Mishra et al., 2019). Additionally, it ensures that the data meets the assumption of normality, which underpins the accuracy of the statistical results. In this study, the normality of the dependent variable of corporate tax avoidance (CTA) was evaluated using both visual and statistical methods, including a Quantile–Quantile (Q–Q) plot. In addition, the numerical test of Skewness and Kurtosis and the Shapiro-Wilk Test were also carried out to determine the company data's normality.

4.3.1.1 Visual Inspection Using Q–Q Plot

The Q–Q plot, as shown in Figure 4.1, is a valuable diagnostic tool in assessing the normality of a dataset. In this case, the plot compares the observed values of the CTA variable against the theoretical quantiles of a normal distribution. The points in the plot closely follow the diagonal reference line, which suggests a high level of agreement between the observed data and a normal distribution. This is a strong indicator of normality, as the alignment of the data points with the reference line implies that the dataset does not deviate substantially from the theoretical distribution. Although minor deviations from the reference line were observed at both the left and right tails of the distribution, such variations are common in real-world data and typically do not point to serious departures from normality.

These slight differences at the tails are expected and do not typically undermine the assumption of normality unless they are pronounced or systematic across the entire range of data. To further substantiate the assumption of normality, the skewness and kurtosis of the dataset were evaluated. The skewness value falls within the generally accepted range of ±1, indicating that the data is not significantly skewed. Similarly, the kurtosis value is within the range of ±3, supporting the idea that the distribution does not exhibit excessive peakiness or fat tails that would challenge the normality assumption. In conclusion, the strong linearity observed in the Q–Q plot, along with the supporting evidence from the skewness and kurtosis measures, provides robust support for the assumption that the CTA distribution is approximately normal. Thus, the data meet the normality assumption required for further parametric analysis.

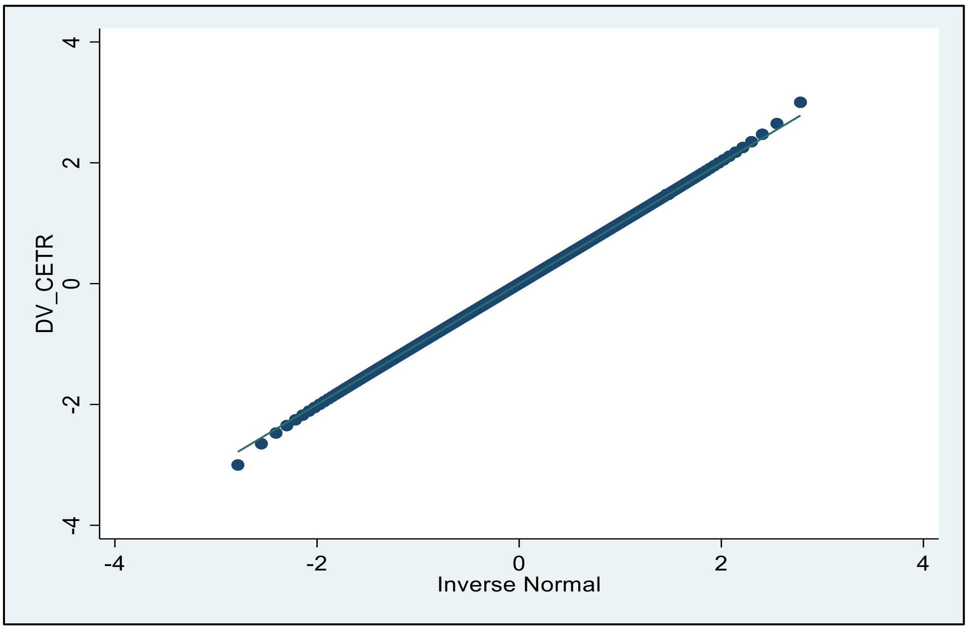

Figure 4.1 Q-Q Plot of CTA

4.3.1.2 Skewness and Kurtosis Analysis

Numerical measures of skewness and kurtosis were computed for CTA. The skewness coefficient was estimated at -3.71e-06, indicating a highly symmetric distribution. The kurtosis value was 2.9387, which is marginally below the benchmark value of 3, suggesting a distribution with slightly thinner tails compared to the standard normal curve. Descriptive percentiles, including the 1st, 25th, 75th, and 99th percentiles, further demonstrate a balanced and centred distribution around the mean. A summary of these descriptive statistics is provided in Table 4.1.

Table 4.1
Skewness and Kurtosis Statistic

Skewness	**Kurtosis**	**Mean**	**Standard Deviation**	**1st Percentile**	**99th Percentile**	**25th Percentile**	**75th Percentile**
-3.71e-06	2.9387	-3.91e-07	0.9996	-2.3491	2.3491	-0.6745	0.6745

4.3.1.3 Shapiro–Wilk Test

The Shapiro–Wilk test was conducted to formally test the null hypothesis of normality. The results yielded a W statistic of 0.99987 and a p-value of 1.00000. Given that the p-value exceeds the conventional threshold of 0.05, there is insufficient evidence to reject the null hypothesis. These results suggest that CTA does not significantly deviate from normality in statistical terms. Overall, the evidence from both visual and statistical approaches pointed out that CTA follows an approximately normal distribution. These findings justify the application of parametric analyses in the subsequent stages of the research.

Table 4.2
Shapiro- Wilk Test

Variables	Obs	w	V	z	p-value
CTA	372	0.99987	0.034	-8.050	1.00000

4.3.2 Multicollinearity Assessment

Multicollinearity arises when two or more independent variables are highly linearly correlated (Norouzirad & Arashi, 2019). This condition can inflate the standard errors of the estimated coefficients, reduce statistical power, and complicate the interpretation of individual variable effects. Variance Inflation Factor (VIF) was computed for each explanatory variable to assess the presence and severity of multicollinearity in the current model.

Hair et al. (2021) suggest that VIF values of 5 or above indicate potential collinearity issues, which implies that one or more independent variables are highly correlated with others. As VIF values increase, the severity of multicollinearity also increases. Specifically, values between 5 and 10 suggest moderate multicollinearity, which may warrant further scrutiny and potential corrective actions. Values below 5, and particularly those close to 1, are typically considered acceptable. These guidelines help in ensuring the validity of regression results and the interpretation of individual variable effects.

In this study, all VIF values were well below the commonly accepted threshold. As presented in Table 4.3, the VIF scores ranged from 1.04 to 1.33, with a mean VIF of 1.17. These results provide strong evidence that the independent variables included in the model are not highly correlated with each other. Consequently, it can be concluded that multicollinearity is not a concern in this regression model, and the estimated coefficients can be interpreted as statistically reliable.

Table 4.3
Variance Inflation Factor of Independent Variables

Variable	VIF	1/VIF
RMCEFFE	1.33	0.7518
IRMCDIV	1.32	0.7593
RMCIND	1.27	0.7878
RMCSIZE	1.16	0.8598
RMCKNOW	1.14	0.8776
SIZE	1.17	0.8562
LEV	1.07	0.9325
ROA	1.05	0.9529
AQ	1.04	0.9640
Mean VIF	1.17	

4.3.3 Descriptive Analysis

4.3.3.1 Descriptive Results for Level of Corporate Tax Avoidance in Malaysia

This section provides the results of a descriptive analysis on corporate tax avoidance (CTA) levels from 2021 to 2023 and is segmented by sector among Malaysian publicly listed companies. The analysis employed the CETR as a method for measuring CTA, which is consistent with prior empirical research. Lower CTA values typically indicate greater use of CTA strategies, while higher values suggest closer alignment with statutory tax obligations. CTA values were categorised into three groups of high, medium, and low CTA to interpret the variation in CTA. These categories were established using a statistical method based on the mean and standard deviation of CETR in each year. Specifically, companies falling one standard deviation below the mean were classified as exhibiting high CTA, those around the mean were grouped as moderate, and those more than one standard deviation above the mean were considered to have low CTA. Table 4.4 presents descriptive results of the level of CTA among Malaysian companies over the period from 2021 to 2023.

Table 4.4
Descriptive Results of Level Corporate Tax Avoidance (2021-2023)

Year	Mean CETR (%)	Standard Deviation	High	Moderate	Low
2021	31.84	37.24	<5.40	5.41–69.08	>69.09
2022	27.83	23.84	<4.00	4.01–51.60	>51.61
2023	22.11	13.08	<9.06	9.07-35.22	>35.23

The mean and standard deviation approach provides a clear and flexible method for analysing variations in CTA levels compared to quantiles and cluster analysis techniques (Martinez et al., 2025). In this study, the levels of CTA are categorised into high, moderate, and low groups based on the CETR thresholds derived from the mean and standard deviation values presented in Table 4.4. Lower CETR values indicate higher CTA behaviour, while higher CETR values indicate lower CTA. These classification thresholds are subsequently used to group companies into low, moderate, and high CTA categories for the sectoral analysis presented in Table 4.5.

In 2021, the mean CTA was 31.84 %, accompanied by a standard deviation of 37.24% indicating a moderate level of variability. The combination of these two measures suggests that the average company paid approximately 31.84% of its profits in taxes. However, there was considerable variability in tax rates, with some companies paying significantly lower taxes and others paying more. The threshold for high CTA was identified as CETR values below 5.40%, while moderate CTA ranged from 5.41% to 69.08%, and low CTA exceeded 69.09%. The substantial standard deviation of 37.04% reflects substantial variation of tax strategies across companies. This shows considerable diversity in CTA activities among companies in 2021.

By 2022, the mean CETR slightly decreased to 23.84%, and the standard deviation reduced to 23.84%, suggesting a narrowing of the spread of tax behaviours. The classification thresholds became more compressed, with high CTA defined as CETR values below 4.00%, moderate CTA ranging from 4.01% to 51.06%, and low CTA set at values above 51.61%. These narrower thresholds indicate a shift towards more centralised and consistent tax strategies. It is possible that companies responded to external pressures such as regulatory enforcement or shareholder expectations. As a result, they could have aligned their tax positions more closely with industry norms.

In 2023, both the mean and the standard deviation continued to decline, reaching 22.11% and 13.08%, respectively. This decrease indicates that companies were paying a lower percentage of their profits in taxes compared to previous years, and the variation in tax rates across companies also reduced significantly. The classification thresholds for CTA were adjusted, with the boundary for high CTA raised to CETR values below 9.06%. Moderate CTA was defined as CETR values between 9.07% and 35.52%, while low CTA was classified as CETR values above 35.53%. These changes suggest that the range of CTA strategies narrowed, with fewer companies engaging in extreme CTA practices.

The analysis of sectoral differences in CTA was further assessed through ANOVA, which helps in understanding the extent to which sector membership influences CTA behaviours in Malaysian publicly listed companies. To assess the significance of this effect, the p-value is crucial. In this study, the p-value was 0.0002, which is well below the conventional significance threshold of 0.05. This implies that the observed differences in CTA across the various sectors are statistically significant, leading to the rejection of the null hypothesis. In other words, the sector in which a company operates is a significant determinant of its CTA behaviour, and the differences observed between sectors are not due to random chance but reflect real, meaningful variations in tax practices across industries.

Table 4.5
Descriptive Results of Level Corporate Tax Avoidance Based on Sector

Sector	Total Companies	Low (%)	Medium (%)	High (%)
Agriculture	8	33.33%	50.00%	16.67%
Consumer Products and Services	31	18.75%	68.75%	12.50%
Construction and Property	29	13.33%	66.67%	20.00%
Energy and Utilities	10	30.00%	60.00%	10.00%
Health Care	5	12.50%	87.50%	0.00%
Industrial Products	27	23.08%	69.23%	7.69%
Technology and Telecommunication	10	35.29%	58.82%	5.88%
Transportation and Logistics	4	20.00%	60.00%	20.00%

Table 4.5 illustrate the distribution of CTA levels across various sectors. The classification of low, medium, and high CTA used in this table follows the CETR thresholds derived from the mean and standard deviation approach presented earlier in Table 4.4. Lower CETR values indicate higher levels of CTA whereas higher CETR values indicate lower CTA behaviour. Based on these thresholds, the sampled companies are categorised into three groups to facilitate sectoral comparison. The data reveal a consistent trend in which most companies within the Consumer Products and Services, Industrial Products, and Construction and Property Sectors fall under the medium CTA category. Specifically, in the Consumer Products and Services Sector, 68.75% of companies are engaged in moderate CTA, while only 18.75% and 12.50% fall into the low and high categories, respectively. A similar pattern is observed in the Construction and Property Sector, where 66.67% of companies adopt moderate CTA practices, compared to 13.33% exhibiting low and 20.00% high avoidance. In the Industrial Products sector, 69.23% of companies fall into the medium category, further supporting the prevailing trend. The remaining companies in this sector are distributed across a low of 23.08% and a high of 7.69% CTA levels.

Further examination reveals that the Health Care, Energy and Utilities, and Transportation and Logistics Sectors also display a dominant tendency toward moderate CTA. The Health Care Sector is particularly notable, with 87.50% of companies classified under moderate CTA and none in the high category. Meanwhile, the Energy and Utilities Sector demonstrate a similar tendency, with 60.00% of companies falling into the moderate category, 30.00% into low, and only 10.00% in the high CTA category. Likewise, the Transportation and Logistics Sector mirrors this distribution, with 60.00% moderate, 20.00% low, and 20.00% high, indicating a preference for strategic yet cautious tax planning practices.

Interestingly, the Technology and Telecommunication Sector present a slightly different pattern. It records the highest proportion of companies in the low CTA category of 35.29% and the lowest percentage in the high avoidance group of 5.88% among all sectors. This could be attributed to the industry's exposure to global transparency standards and societal expectations surrounding corporate responsibility. In contrast, Agriculture Sector exhibits a more balanced distribution, with 50.00% of companies practising moderate CTA, 33.33% falling under low, and 16.67% under high avoidance. These sectoral distributions demonstrate how the CETR-based classification framework enables clearer interpretation of CTA behaviour across industries. Overall, these sectoral differences emphasise that corporate CTA is context-dependent, with most industries favouring a moderate approach while a few demonstrate more conservative or aggressive tendencies.

4.3.3.2 Discussion on the Results of Level of Corporate Tax Avoidance in Malaysia

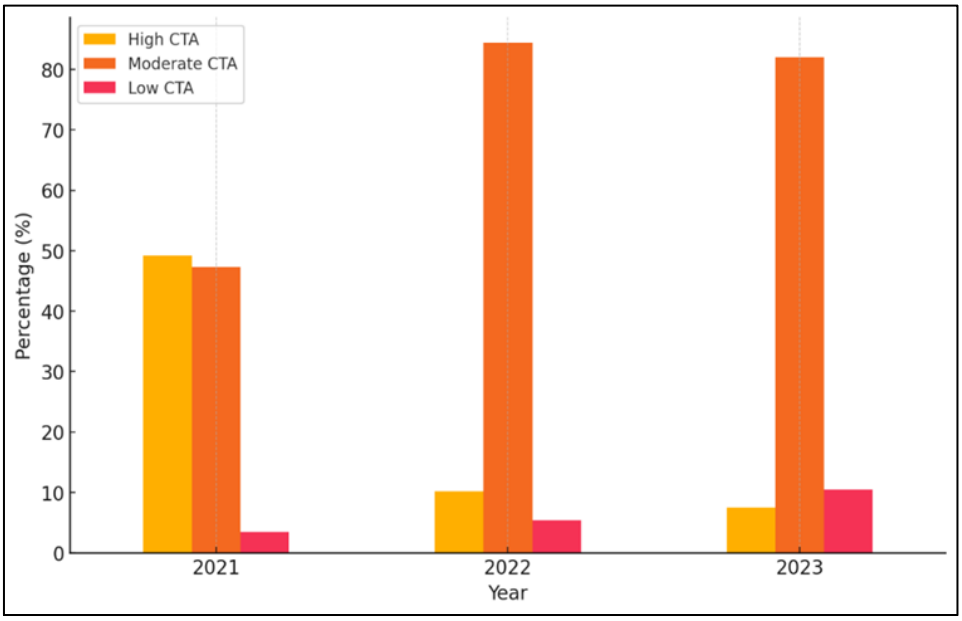

Figure 4.2 Level of Corporate Tax Avoidance (2021-2023)

Figure 4.2 illustrates the levels of corporate tax avoidance (CTA) into three distinct categories, which are high CTA, moderate CTA, and low CTA in Malaysian Public Listed Companies over the period from 2021 to 2023. This analysis is based on a total sample of 124 companies with standalone RMC which were consistently observed across the three-year study period. The percentages presented in Figure 4.2 represent the proportion of these 124 companies classified under each CTA category for the respective year. In the year 2021, 49.19% of the companies fell under the high CTA category. This percentage represents approximately 61 out of the 124 sampled companies that engaged in high levels of CTA during 2021, indicating a significant prevalence of aggressive tax planning strategies, possibly involving the exploitation of regulatory loopholes, the use of tax shelters, or reliance on deferred tax payments. Such practices may reflect companies' attempts to mitigate their tax liabilities during a period of financial turbulence caused by the COVID-19 pandemic. The economic uncertainty and operational disruptions during this time likely prompted companies to prioritise liquidity and financial resilience, with tax minimisation serving as a key mechanism. Conversely, only 3.49% of companies were identified in the low CTA category, which corresponds to approximately 4 companies within the sample. This suggests limited engagement with conservative tax strategies during this challenging period.

A notable shift occurred in 2022, as the proportion of companies in the high CTA category declined sharply to 10.22%. This indicates that approximately 13 companies remained in the high CTA category, reflecting a substantial reduction compared to the previous year. In contrast, the share of companies classified under moderate CTA increased substantially to 84.14%, representing about 104 companies within the total sample indicating a widespread recalibration of tax strategies. This behavioural shift may reflect heightened regulatory oversight and growing public scrutiny in response to the misuse of pandemic-related fiscal relief measures such as tax deferrals and government subsidies. The decline in aggressive CTA likely stemmed from companies' awareness of reputational risks and potential legal repercussions. Additionally, the increase in the proportion of companies adopting low CTA strategies, from 3.49% to 5.38% which equivalent to approximately 7 companies that suggests a gradual shift toward greater transparency and regulatory compliance. This behavioural change may also be influenced by evolving corporate governance standards, increased stakeholder expectations, and global discourse on ethical business conduct.

This trend continued in 2023, with 81.99% of companies falling within the moderate CTA category. This percentage represents approximately 102 out of the 124 companies in the sample, indicating that most companies adopted moderate tax planning strategies. The proportion of companies engaging in high CTA declined further to 7.53%, equivalent to around 9 companies, while those practising low CTA increased to 10.48% which represents approximately 13 companies, which is the highest figure recorded over the three years. These findings signal a sustained movement away from aggressive tax strategies toward more balanced and compliant tax behaviour. This shift may be attributed to strengthened regulatory frameworks, intensified tax enforcement measures, and a broader societal demand for responsible corporate citizenship. Additionally, the increase in low CTA behaviour could reflect companies' strategic alignment with long-term sustainability goals and enhanced stakeholder trust. As the immediate economic effects of the pandemic subsided, companies may have redirected their focus toward building reputational capital and aligning with international standards of transparency and fiscal responsibility.

Furthermore, Figure 4.3 provides further valuable insights into the distribution of high CTA across various which highlights significant differences in tax strategy practices in Malaysia. A notable proportion (43.6%) of companies in the Transportation and Logistics and Construction and Property Sectors engage in high CTA, while the

Health Care Sector reports no companies adopting such practices. These sectoral variations reflect the dynamic nature of corporate tax strategies, which were profoundly influenced by the global impact of the COVID-19 pandemic. The pandemic led to widespread economic uncertainty, financial distress, and operational disruptions, compelling companies to reassess their tax strategies in response to immediate liquidity needs and future uncertainties. Previous studies indicate that during crises such as pandemics, companies are often motivated to adopt more aggressive tax minimisation strategies as a means of maintaining financial stability (Ariff et al., 2023). In addition, these patterns of CTA behaviour also highlight the importance of corporate governance mechanisms, particularly the role of the RMC, in monitoring and managing corporate risk including tax-related strategies. As an internal governance mechanism, the RMC is expected to provide oversight on risk exposure arising from aggressive tax planning and ensure that tax strategies remain aligned with regulatory requirements and organisational risk tolerance. Therefore, the observed shift from high to moderate CTA across the three-year period may also reflect stronger governance monitoring and risk management practices among Malaysian Public Listed Companies.

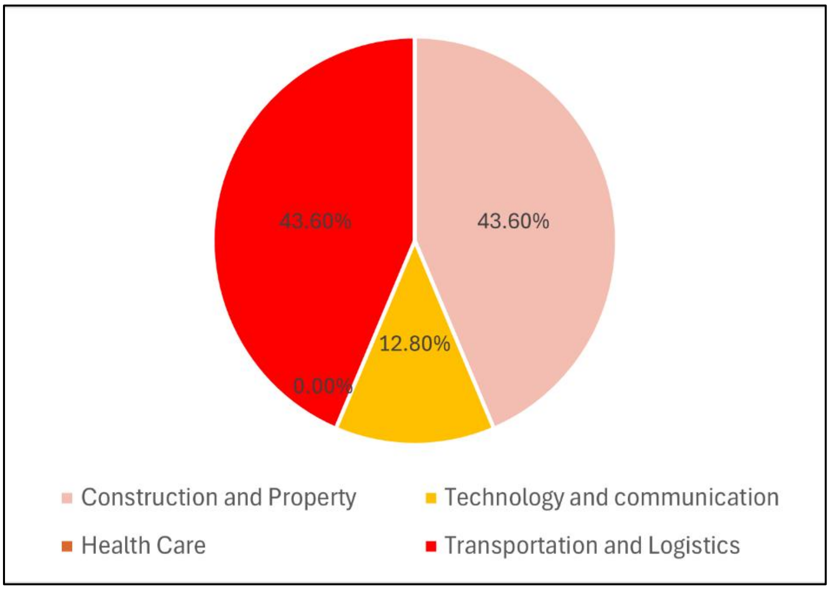

Figure 4.3 Percentage of Companies in High CTA Category by Sector

From the perspective of Agency Theory, the financial pressures exacerbated by the pandemic intensified the principal-agent problem, where managers may prioritise aggressive CTA strategies that align with their short-term financial objectives. This situation is particularly evident in capital-intensive industries such as Construction and

Property as well as Transportation and Logistics Sector, which recorded the highest level of CTA Figure 4.3. These sectors typically operate through large-scale infrastructure projects, long-term contracts, and cross-border transactions, which provide greater opportunities for tax planning and the utilisation of allowable tax deductions such as capital allowances, project-based tax incentives, and financing-related deductions (Yendrawati et al., 2023). This is particularly evident in sectors with substantial capital investment and international operations, such as Construction and Property and Transportation and Logistics Sector. These sectors are often characterised by less stringent regulatory oversight that offers managers greater flexibility to pursue tax planning strategies aimed at maximising company value, particularly during times of financial instability. The disruptions caused by the pandemic include supply chain disruptions, fluctuating demand, and liquidity concerns. This likely accelerated the adoption of such tax strategies, offering immediate financial relief amid broader economic challenges. Existing literature supports the notion that companies frequently resort to CTA as a mechanism to conserve cash flow during financial distress, as tax deferral and minimisation strategies provide short-term benefits (Ariff et al., 2023; Prastiwi & Mariana, 2023).

In contrast, RBT Theory posits that companies with unique resources are better positioned to implement high CTA strategies. During the pandemic, companies with these resources were more likely to adopt aggressive tax strategies. For example, the Transportation and Logistics Sectors, with its complex global operations, and the Construction and Property Sector, with substantial capital investments, possessed the resources necessary to capitalise on tax minimisation opportunities. These sectors also rely heavily on debt financing and large asset bases, which allow companies to benefit from interest deductibility and depreciation-related tax relief, further increasing their capacity to engage in tax planning activities. However, the use of such aggressive strategies also carried inherent risks, particularly as regulatory scrutiny increased during the pandemic. The reliance on fiscal relief measures, such as tax deferrals and government subsidies, heightened companies' exposure to reputational damage and potential legal consequences if they were perceived as exploiting these mechanisms. Existing research highlights that while companies with significant resources may benefit from aggressive CTA, they also face considerable risks if their strategies attract regulatory attention (Huang & Zhang, 2020).

Conversely, the Health Care and Technology and Telecommunication Sectors which were subject to greater ethical and regulatory constraints during the pandemic that exhibited considerably lower levels of high CTA (0% and 12.80%, respectively). The Health Care Sector faced intense public scrutiny due to its involvement in pandemic-related activities such as vaccine distribution and is more likely to prioritise ethical behaviour and regulatory compliance. The pandemic emphasised the importance of public health and safety, which prompted health care organisations to maintain a positive public image and avoid actions that could be perceived as exploiting tax relief measures. Similarly, the Technology and Telecommunication Sector faced growing pressure to align with global transparency initiatives, which sought to mitigate CTA practices exacerbated by pandemic-related fiscal policies. This pressure led companies in these sectors to shift towards more moderate or low CTA strategies that align with broader societal expectations for corporate responsibility and transparency. Past research suggests that companies in sectors with high public visibility and greater regulatory scrutiny are less likely to engage in aggressive CTA due to the reputational risks associated with such strategies (Habib et al., 2024).

In conclusion, the evolving landscape of corporate CTA from 2021 to 2023 can be interpreted as a response to both external factors, such as the COVID-19 pandemic and internal pressures for greater compliance and governance. The decline in high CTA and the rise in moderate and low CTA reflect a growing corporate awareness of the need to balance financial efficiency with regulatory compliance. The higher level of CTA observed in the Transportation and Logistics as well as Construction and Property Sector therefore reflects the structural characteristics of these industries, including high capital intensity, complex operational structures, and greater availability of tax planning opportunities. By integrating sector-specific insights with broader temporal trends, this study contributes to the growing body of literature on CTA and highlights the importance of regulatory oversight, corporate governance, and societal expectations in shaping corporate tax behaviour. Thus, the findings suggest that companies prioritise transparency and long-term sustainability for a deeper understanding of corporate tax strategies.

4.3.3.3 Descriptive Results for RMC Effectiveness, RMC Attributes and Audit Quality

Table 4.6
Descriptive Results for RMC Effectiveness, RMC Attributes and Audit Quality

Independent Variables	Mean	Std. Dev.	Min	Max
Continuous Variables				
RMCEFFE	82.20	15.76	40	100
RMCINDE	0.64	0.274	0.00	1.00
RMCSIZE	3.89	1.305	2.00	10.00
RMCKNOW	0.45	0.205	0.00	1.00
RMCDIV	0.25	0.190	0.00	0.75
RMCMEET	4.49	1.774	1.00	11.00
Control Variables				
SIZE	8.84	.7487	6.70	11.31
LEV	0.09	0.247	0	1.13
ROA	3.02	4.147	0.008	3.55
Categorical Variable				
Audit Quality	Frequency	No. of companies		(%)
	Yes	66		53
	No	58		47

For the continuous independent variables in Table 4.6, the effectiveness of RMC (RMC EFFE) has an average score of 82.20 with a standard deviation of 15.76, ranging between 40 and 100, indicating substantial variation in the perceived effectiveness of RMCs across companies in Malaysia. The proportion of independent directors on the RMC (RMC INDE) records a mean of 0.64, suggesting that, on average, 64% of the RMC members are independent, which is consistent with corporate governance guidelines emphasizing independence. The RMC size (RMC SIZE) averages 3.89 members, with values ranging from 2 to 10, implying that most companies maintain relatively small-sized committees. In terms of expertise, the proportion of RMC members with relevant knowledge and experience (RMC KNOW) has a mean of 0.45, showing that nearly half of the committee members across companies possess expertise in risk management or related fields. Gender diversity (RMC DIV) averages 0.25, meaning that female members account for approximately 25% of RMC composition, with a maximum representation of 75%. The RMC meeting frequency (RMC MEET) averages 4.49 times per year, with some committees meeting as few as once and others up to eleven times annually, reflecting significant differences in monitoring intensity.

For control variables, company size (SIZE) is proxied by the natural logarithm of total assets. SIZE records a mean value of 8.84 with a standard deviation of 0.7487, ranging from 6.70 to 11.31. These descriptive statistics indicate that the sampled companies consist mainly of medium to large Malaysian publicly listed companies in this study. This measure reflects the relative scale of company assets and is commonly used in corporate governance and tax avoidance studies to control for company size differences (Edwards et al., 2021; Lanis & Richardson, 2011). Leverage (LEV), measured as the ratio of total debt to total assets, has a mean of 0.09 and a maximum of 1.13, suggesting that while most companies are lowly leveraged, some rely heavily on debt financing. Profitability, proxied by return on assets (ROA), records an average of 3.02 with a standard deviation of 4.147, ranging from 0.008 to 3.55, reflecting the wide dispersion of company performance. For the categorical variable, audit quality (AQ) of moderating variable, the results indicate that 66 companies (53%) are audited by Big 4 auditors, while 58 companies (47%) are audited by non-Big 4 auditors. This study consists of 124 companies observed over three years (2021–2023), which generates a total of 372 observations used in the statistical analysis. This suggests that slightly more than half of the companies in the sample engage higher-tier auditors, implying an emphasis on audit credibility and compliance with best practices in financial reporting among Malaysian listed companies.

4.4 Panel Data Analysis

4.4.1 Characteristics of Panel Data

This study utilises a balanced panel dataset comprising 372 observations over three consecutive years from 2021 to 2023. The balanced nature of the panel indicates that the same cross-sectional units are observed consistently across all three time periods. Panel data analysis is adopted in this study because it enables the simultaneous examination of cross-sectional differences between companies and temporal changes in corporate tax avoidance (CTA) behaviour across the study period. Balanced panel data provides a more sensitive and reliable measure of temporal change which making it particularly well-suited for analysing dynamic phenomena over time. The inclusion of three time periods allows for the examination of short-term trends and intertemporal variations which may not be captured in cross-sectional data. The panel structure captures both cross-sectional heterogeneity and within-unit variation, thereby enriching the empirical analysis.

Furthermore, the balanced format ensures the absence of missing observations across time, thus mitigating biases that are common in unbalanced datasets and enhancing the robustness of parameter estimates. With a total of 372 observations, the dataset offers sufficient scope for statistical analysis while maintaining consistency across time. The use of panel data is particularly suitable for this study because the research aims to analyse how RMC effectiveness and its attributes influence CTA across companies and over time. The structure is particularly advantageous for controlling unobserved individual-specific effects, especially when employing fixed-effects or random-effects estimators. Moreover, panel data makes it possible to control for unobserved characteristics that do not change over time, which can otherwise distort the results. Models such as FE or random effects RE take advantage of this feature by filtering out constant, individual-specific factors that might influence the dependent variable. The use of a balanced panel dataset offers several methodological benefits. It can enhance sensitivity to temporal variation, improve control over unobserved heterogeneity, minimise potential bias from missing data, and strengthen the overall validity of the empirical findings. Therefore, panel data analysis is considered the most appropriate analytical approach for examining the relationship between RMC effectiveness, audit quality, and CTA among Malaysian publicly listed companies over the study period.

4.4.2 Hausman Specification Test

In this study, the Hausman specification test was conducted to determine the appropriate estimation approach for the panel data regression analysis. This test evaluates whether the unique individual-specific effects are correlated with the regressors. Under the null hypothesis, the RE model is both consistent and efficient, assuming no correlation between the unobserved effects and the explanatory variables. The alternative hypothesis contends that the RE model is inconsistent due to such correlation, which favours the FE model. The results of the Hausman test are presented in Table 4.7. The decision rule for the Hausman test is that if the p-value is less than the significance level of 0.05, the null hypothesis is rejected, and the FE model is preferred. Conversely, if the p-value is greater than 0.05, the null hypothesis cannot be rejected and the RE model is considered appropriate.

The computed chi-squared statistic was 10.79 with 9 degrees of freedom, and the corresponding p-value was 0.2904. Since the p-value exceeds the conventional 5% significance level, the null hypothesis cannot be rejected. This indicates that the difference between the FE and RE estimators is not statistically significant. Moreover, this indicates that there is no systematic difference between the coefficients produced by the FE model and RE model, which makes the RE model statistically appropriate for this study. The results indicate that the RE estimator is both consistent and efficient in this context. This may be theoretically relevant and would otherwise be dropped under a FE specification. By adopting the RE model also improves estimation efficiency, particularly in a panel dataset with a relatively small number of periods (T = 3). Therefore, the RE model is selected as the preferred estimation method for this study RE model allows the inclusion of time-invariant variables such as company-level characteristics.

Table 4.7
Hausman Test Result

Statistic	**Value**
Chi2	10.79
Degrees of freedom	9
p-value	0.2904

4.4.3 Breusch-Pagan LM Test Result

The Breusch-Pagan LM test was employed to determine whether the RE model is more appropriate than a pooled OLS model for analysing panel data. The test examines whether the variance across entities is significantly different from zero, which would indicate the presence of random effects in the panel dataset. The results presented in Table 4.8 reveal the presence of significant random effects in the data. The test statistic of 55.85 corresponds to a p-value of 0.0000, which is well below the conventional significance threshold of 0.05. This provides strong statistical evidence to reject the null hypothesis, which suggests the absence of random effects. Consequently, the findings support the use of the random effects model as the more suitable specification for the analysis, as it accounts for unobserved heterogeneity across companies in the panel data. The significant presence of random effects implies that the variation between entities is substantial enough to warrant separate modelling, rather than treating these differences as part of the residual error in a pooled model. Therefore, the Breusch-Pagan LM test further confirms that the random effects model is the most appropriate estimation approach for the panel data used in this study.

This result also directly informs the model selection decision because it underscores the suitability of the random effects model over the pooled OLS model. When panel data shows significant variation across entities, the random effects model is more appropriate. This is because it incorporates this heterogeneity, which leads to more accurate and reliable estimates. By accounting for entity-specific differences, the random effects model ensures that the analysis properly reflects the inherent heterogeneity in the data. Moreover, the Breusch-Pagan LM test not only companies the necessity of random effects but also justifies its use in the analysis. Hence, it ensures that the data is modelled appropriately and that the resulting estimates are robust and valid.

Table 4.8
Breusch-Pagan LM Test Result

Test	Result
Statistic (chibar² (01)	**55.85**
p-value	0.0000
Significance Level	5% (0.05)
Decision	Reject H_0
Interpretation	Significant random effects variance; RE model appropriate

4.5 Results of Panel Data Regression Analysis

This section provides an overview of panel data regression analysis results. This study used RE Regression in the three empirical models that were developed and discussed in Chapter 3.

4.5.1 Regression Results of RMC Effectiveness and Corporate Tax avoidance

Table 4.9
Regression Results of RMC Effectiveness and Corporate CTA

Variable	Coef.	Std. Err.	z	p-value
RMCEFFE	-0.0237	0.0477	-0.50	0.1031*
SIZE	-0.1581	0.0618	-2.56	0.0104**
LEV	-0.0045	0.0364	-0.12	0.0453**
ROA	-0.5532	0.0760	-7.27	0.0004***
R- Squared		0.3216	N = 372	
Wald Chi2(4)		56.68		
Prob > Chi2		0.000		

Note: *p < 0.10, **p < 0.05, ***p < 0.01

CETR = Current Effective Tax Rate (measure for corporate tax avoidance)

Table 4.9 presents the regression results that examine the impact of RMC effectiveness on corporate tax avoidance (CTA) among 372 observations, measured using the Current Effective Tax Rate (CETR. This model includes control variables such as company size (SIZE), leverage (LEV), and profitability (ROA) to account for company-specific financial characteristics that may influence tax behaviour. The model demonstrates statistical significance with a Wald Chi-square value of 56.68 ($p < 0.001$), indicating that the independent variables collectively explain a meaningful proportion of variance in CTA. Moreover, the R-squared value of 0.3216 suggests that approximately 32.16% of the variation in CTA is accounted for by the model.

The main independent variable of RMCEFFE is negatively associated with CTA, as reflected by its coefficient value of -0.0237. Although this relationship is not statistically significant at the 5% level, it is providing support for Hypothesis H_1 at the 10% level ($p = 0.1031$). This finding suggests that enhanced RMC effectiveness may contribute to reduced CTA. The inclusion of company-level control variables further strengthens the validity of the model. The SIZE variable exhibited a significant negative effect on CTA ($\beta = -0.1581$, $p = 0.0104$), suggesting that larger companies are less likely to engage in aggressive tax strategies. This may be due to greater external monitoring and reputational concerns associated with large companies. The LEV variable also showed a negative and statistically significant relationship with CTA ($\beta = -0.0045$, $p = 0.0453$), implying that companies with higher debt levels may prefer conservative tax strategies to maintain financial credibility and lender trust. Additionally, ROA demonstrated a strong and highly significant negative relationship ($\beta = -0.5532$, $p = 0.0004$), indicating that more profitable companies tend to adopt less aggressive tax practices.

In conclusion, the regression results provide important insights into the relationship between RMC effectiveness and CTA among Malaysian publicly listed companies. While the evidence supporting Hypothesis H_1 is not statistically robust, the direction of the relationship is consistent with theoretical expectations and prior empirical research. The significance of control variables such as SIZE, LEV, and ROA of companies that CTA is influenced by both governance mechanisms and financial performance indicators. These findings contribute to the ongoing discourse on internal governance and corporate compliance that highlights the nuanced and conditional impact of RMC effectiveness in shaping tax-related decision-making.

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4.5.2 Discussion on the Findings of RMC Effectiveness and Corporate Tax Avoidance

The findings of this study suggest that RMC plays a significant role in overseeing corporate governance and ensuring that the company adheres to relevant risk management practices. Its effectiveness in mitigating corporate tax avoidance (CTA) is relatively limited when compared to other critical organisational factors such as financial resources and operational capabilities. The RMC is primarily responsible for ensuring the company maintains a structured approach to managing risks and adhering to ethical standards. However, its ability to influence complex issues such as CTA is constrained by the company's financial strength and its ability to leverage specialised resources, including tax experts, legal advisors, and sophisticated financial structures. Thus, while the RMC contributes to overall risk management, its role in mitigating CTA is secondary to a company's capacity to utilise its financial and operational resources. This highlights the need for a more integrated approach to corporate governance, where the RMC works in conjunction with other key resources to address the more intricate challenges posed by CTA oversight.

From the perspective of Agency Theory, this finding highlights a fundamental constraint in the function of the RMC in alleviating CTA. Specifically, managers may act in their self-interest, which can encompass adopting CTA strategies that enhance short-term profitability. They may also correspond with performance-based remuneration frameworks but may not serve the long-term objectives of the shareholders. In the context of CTA, managers may have strong incentives to employ aggressive tax strategies that maximise immediate profits, even if such strategies are risky or ethically questionable. The RMC is designed to address such agency costs by overseeing risk management and ensuring that managerial decisions are aligned with shareholder interests. However, the findings of this study, where a weak negative relationship between RMC effectiveness and CTA is observed, suggest that even an effective RMC cannot fully overcome the inherent agency problem. The financial incentives tied to CTA, such as maximising tax shields or boosting financial performance, may still drive managers to engage in CTA practices, particularly when financial resources are available to implement such strategies.

According to RBT, a company's internal resources, such as financial strength, tax planning expertise, and operational capabilities, could play a pivotal role in shaping its strategic decisions and competitive advantage. This study revealed that a company's financial resources are a key determinant in its ability to engage in complex CTA strategies, which often require significant investments in tax planning, expert legal advice, and the ability to navigate international tax regulations. Soemarsono et al. (2024) argued that companies with greater financial resources are better equipped to exploit tax loopholes and deploy sophisticated CTA techniques. The findings of this study align with this perspective, suggesting that financial resources give companies the ability to afford the specialised expertise necessary to structure CTA strategies effectively. Consequently, companies with more financial strength and operational expertise in tax matters are better positioned to reduce their tax liabilities through strategic financial planning and legal manoeuvres, regardless of the effectiveness of their RMCs.

The interplay between Agency Theory and RBT further elaborates on the study's findings. While RMCs are designed to monitor corporate risks and align management's actions with shareholder interests, the effectiveness of the RMC in mitigating CTA is secondary to a company's ability to deploy specialised financial resources. As Ali et al. (2024) proved that CTA is inherently complex, which often involves intricate legal frameworks and financial arrangements that extend beyond the reach of governance structures such as the RMC. In this study, the weak influence of the RMC on CTA suggests that the managerial decision-making process regarding CTA is not solely shaped by governance mechanisms. Instead, it is heavily influenced by operational resources, such as tax advisors and financial analysts, who provide the technical expertise required to implement tax strategies. The findings highlight that while RMCs may play an essential role in monitoring general corporate risk management, they are not the sole determinant of CTA behaviour. The strategic decisions that lead to CTA are more directly influenced by a company's financial capacity and access to specialised resources, rather than the effectiveness of the RMC alone.

In conclusion, this study revealed that RMC effectiveness is important in overseeing corporate governance and risk management, but it plays a secondary role in mitigating CTA compared to a company's financial resources and operational capabilities. These findings, when analysed through the frameworks of Agency Theory and RBT, emphasise the limitations of the RMC in shaping tax behaviour when financial incentives and specialised resources are in play. Companies with greater financial strength are better equipped to implement CTA strategies, while governance mechanisms like the RMC provide essential oversight but do not directly influence complex tax planning. Thus, it is critical for companies to adopt a more integrated governance framework that combines effective risk management practices with strong financial oversight and specialised operational resources to effectively manage tax-related risks and minimise CTA.

4.5.3 Regression Results of RMC Attributes and Corporate Tax Avoidance

Table 4.10
Regression Results for RMC Attributes and Corporate Tax Avoidance

Variable	Coefficient (β)	Std. Error	z-statistic	p-value
RMCIND	-0.0083	0.0514	-0.16	0.1431
RMCSIZE	0.0592	0.0596	0.99	0.1242
RMCKNOW	-0.0066	0.0492	-0.13	0.0453**
RMCDIV	-0.0798	0.0674	-1.18	0.1343
RMCMEET	-0.0105	0.0514	-0.20	0.0418**
SIZE	-0.1466	0.0618	-2.37	0.0181**
LEV	-0.0100	0.0372	-0.27	0.0342**
ROA	-0.5517	0.0780	-7.08	0.0000***
R- Squared	0.3307	N = 372		
Wald Chi2(4)	65.51			
Prob > Chi2	0.000			

Note: *p < 0.10, **p < 0.05, ***p < 0.01
CETR = Current Effective Tax Rate (measure for corporate tax avoidance)

The regression results presented in Table 4.10 examine the relationship between various attributes of the RMC and corporate tax avoidance (CTA) among 372 observations. The attributes tested include RMCIND, the RMCSIZE, RMCKNOW, RMCDIV, and RMCMEET. The results also control for company-specific factors, SIZE, LEV, and ROA, which are used to assess the influence of financial characteristics on CTA behaviour. The regression analysis conducted to evaluate the influence of various RMC attributes on CTA yielded statistically meaningful results. The model demonstrates a good overall fit, with a Wald Chi-square value of 65.51 ($p < 0.001$), indicating that the set of explanatory variables collectively contributes to explaining variations in CTA behaviour. The R-squared value of 0.3307 indicates that approximately 33.07% of the variation in the dependent variable (CETR) is explained by the independent and control variables.

In line with Hypothesis H_{2a}, which predicted a negative relationship between RMC independence and CTA, the results reveal a coefficient of -0.0083 with a p-value of 0.1431. While the direction of the relationship aligns with theoretical expectations, indicating that greater independence within the RMC may contribute to lower levels of CTA. However, the result does not reach statistical significance at the 5% level. This does not support for H_{2a} which suggesting that while independence may play a role, it is not a dominant factor in reducing CTA.

Contrary to Hypothesis H_{2b}, the analysis of RMC size reveals a positive coefficient of 0.0592 with a p-value of 0.1242. This suggests that larger RMCs may be associated with slightly higher levels of CTA. Although the result is insignificant at the 5% level, the positive direction of the relationship contradicts the hypothesis that larger committee size would lead to better monitoring and reduced CTA. This finding indicates that simply increasing the number of committee members may not enhance oversight capacity. On the contrary, it may dilute accountability or lead to coordination challenges that impair decision-making. Hence, H_{2b} is not supported, and the implication is that structural size alone does not guarantee effectiveness in governance practices.

The results for Hypothesis H_{2c} provide compelling evidence in support of the proposed relationship. The coefficient for RMC knowledge is -0.0066, with a p-value of 0.0453, indicating statistical significance at the 5% level. Companies that have committees composed of individuals with relevant knowledge and expertise, such as in finance, law, or risk management, are more likely to deter CTA practices. Knowledgeable members are better equipped to critically evaluate tax strategies, understand complex financial arrangements, and identify non-compliance risks. Therefore, H_{2c} is supported, and the findings underscore the critical role of human capital and technical competencies in enhancing the RMC's oversight effectiveness.

For Hypothesis H_{2d}, which predicted a negative association between RMC gender diversity and CTA, the regression coefficient is -0.0798, and the p-value is 0.1343. The direction of the relationship is consistent with the hypothesis, suggesting that greater gender diversity may be linked to a reduction in CTA. However, the result does not achieve statistical significance at the 5% level which does not support for H_{2d}. The relatively large magnitude of the coefficient compared to other non-significant variables indicates that diversity may have a meaningful, though not statistically strong, impact. This result points to the possibility that gender-diverse teams may foster ethical decision-making and broader perspectives in risk management, although further research is required to substantiate this effect.

The findings for Hypothesis H_{2e}, regarding RMC meeting frequency, yield one of the significant results in the analysis. The coefficient is -0.0105 with a p-value of 0.0418, which is statistically significant at the 5% level. These companies that have more frequent meetings of the RMC are associated with lower CTA. Regular meetings may enhance the committee's capacity to monitor tax planning activities, ensure timely discussions on risk exposure, and implement corrective measures where necessary. Therefore, H_{2e} is supported, highlighting that frequent and structured engagement within the RMC is instrumental in enforcing tax compliance and strengthening overall governance mechanisms.

The control variables included in the model also demonstrate significant relationships with corporate CTA, supporting the validity of the regression model. SIZE shows a significant negative coefficient (-0.1466, $p = 0.0181$), indicating that larger companies are less likely to engage in aggressive tax strategies, likely due to their increased visibility, regulatory exposure, and reputational concerns. Leverage LEV also exhibits a statistically significant negative relationship (-0.0100, $p = 0.0342$), suggesting that companies with higher debt levels may prefer more conservative tax planning approaches to maintain creditor confidence. ROA shows a particularly strong and highly significant negative effect (-0.5517, $p < 0.001$), implying that more profitable companies are more tax compliant, possibly due to reduced pressure to engage in risky tax behaviours. These control variables underscore the importance of company-specific financial characteristics in shaping tax-related decisions. In summary, the analysis demonstrated that RMC knowledge and meeting frequency are the most significant and impactful attributes in mitigating corporate CTA, both statistically significant at the 5% level. However, other attributes such as independence, size, and gender diversity not statistically significant ar. These findings contribute to the broader literature on corporate governance by offering empirical support for the role of internal oversight mechanisms, particularly the qualitative characteristics of the RMC, in fostering tax compliance.

4.5.4 Discussion on the Findings of RMC Attributes on Corporate Tax Avoidance

The results of this study provide critical insights into the relationship between specific RMC attributes, including RMC knowledge, meeting frequency, independence, size, and diversity, and corporate tax avoidance (CTA). Among these, RMC knowledge and meeting frequency exhibited a statistically significant negative relationship with CTA, which suggests that these attributes are crucial in mitigating corporate CTA activities. Conversely, RMC independence, size, and diversity showed weaker or statistically insignificant relationships with CTA. These findings underscore the importance of integrating governance mechanisms like the RMC with a company's broader financial and operational capabilities to effectively manage tax risks and prevent aggressive CTA practices.

From the perspective of Agency Theory, the findings reveal important insights about the effectiveness of RMC knowledge in addressing the agency problem. Agency conflicts can lead to management actions that prioritise personal interests, such as pursuing CTA to enhance short-term profits. The role of the RMC in this context is to ensure that management's decisions align with the best interests of the shareholders. This study's significant negative relationship between RMC knowledge and CTA supports the view that knowledgeable RMC members can better understand complex tax regulations to identify potential risks and ensure that management's tax-related decisions do not deviate from shareholder interests. These findings are in line with Tania (2020), who suggests that a knowledgeable committee could reduce agency costs by providing better oversight of tax strategies in mitigating the risk of CTA and promoting long-term shareholder value. On the other hand, RMC independence shows insignificant at 5% level.

Furthermore, this study also found that RMC meeting frequency plays a significant role in mitigating CTA. RBT posits that a company's internal resources, such as operational capabilities, could provide it with a competitive advantage. In the context of governance, frequent RMC meetings are seen as a valuable resource because they increase the committee's ability to oversee and discuss tax-related issues more regularly. This study's finding that RMC meeting frequency is negatively associated with CTA supports the idea that more frequent meetings allow the RMC to engage in more thorough oversight could identify emerging risks and ensure that management is adhering to tax compliance practices. By having more opportunities to deliberate and act on tax matters, the RMC can more effectively reduce the likelihood of aggressive CTA strategies. This finding aligns with Barros and Sarmento (2020), who suggest that frequent meetings enable governance structures to reduce the risk of companies engaging in CTA strategies.

This study also revealed that RMC size and diversity have statistically insignificant relationships with CTA. This result suggests that the structural characteristics of the RMC, such as its size and gender diversity, do not directly influence CTA decisions. While RMC size might be expected to improve decision-making by bringing in diverse perspectives, the study indicates that larger committees do not necessarily reduce CTA more effectively. Comparably, the gender diversity presents within RMC, although facilitating the incorporation of various gender viewpoints, does not seem to exert a considerable impact on decisions pertaining to taxation. These findings challenge the notion that larger or more diverse committees automatically lead to better governance outcomes in areas such as CTA. This suggests that the quality of governance, particularly knowledgeable members and frequent engagement, plays a more critical role in managing tax risks than the structural composition of the RMC. Thus, this study indicates that expertise and engagement within the RMC are more important than the size or diversity of its membership when it comes to curbing CTA.

In summary, this study underscored the crucial role of RMC knowledge and meeting frequency in mitigating CTA. Agency Theory and RBT offer complementary insights into the significance of these attributes, with knowledge providing the expertise needed to navigate complex tax regulations and frequent meetings offering the opportunity for regular oversight and decision-making. While RMC independence, size, and gender diversity may contribute to governance effectiveness, they are less significant in managing CTA than attributes like knowledge and engagement. These findings emphasise the need for companies to prioritise knowledgeable RMC members and frequent governance meetings to enhance their ability to reduce CTA risks. Future research should explore how other factors, such as the interaction between RMC attributes and external regulatory pressures, might further influence CTA behaviours across different industries and regulatory environments.

4.5.5 Regression Results of Moderating Effect of Audit Quality on the Relationship Between RMC Effectiveness and Corporate Tax Avoidance

Table 4.11
Regression Results of Moderating Effect of Audit Quality

Variable	Coefficient (β)	Std. Error	z-value	p-value
RMCEFFE	-0.0275	0.0472	-0.58	0.156
AQ	+0.0570	0.0856	0.67	0.250
RMCEFFE*AQ	+0.0765	0.0737	1.04	0.109*
SIZE	-0.1466	0.0618	-2.37	0.0087**
LEV	-0.0100	0.0372	-0.27	0.0042**
ROA	-0.5517	0.0780	-7.08	0.000***
R- Squared	0.4117	N = 372		
Wald Chi2(4)	68.17			
Prob > Chi2	0.000			

Note: *p < 0.10, **p < 0.05, ***p < 0.01
CETR = Current Effective Tax Rate (measure for corporate tax avoidance)

Table 4.11 evaluates Hypothesis H_3, which proposes that audit quality moderates the relationship between RMC effectiveness and corporate tax avoidance (CTA) among 372 observations. This model includes an interaction term (RMCEFFE*AQ) to capture the moderating effect, alongside the main effects of RMC effectiveness, audit quality, and control variables such as SIZE, LEV, and ROA. The overall model demonstrates strong explanatory power with a Wald Chi-square value of 68.17 ($p < 0.001$), and an R-squared of 0.4117, indicating that approximately 41.17% of the variance in tax avoidance is explained by the model.

The direct effect of RMCEFFE on tax avoidance is negative, with a coefficient of -0.0275. However, the relationship is statistically insignificant at the 5% level ($p = 0.156$), indicating that the effectiveness of the RMC alone does not have a strong direct impact on reducing tax avoidance in this model. This finding is consistent with earlier regression results, which suggested only marginal or weak support for RMC effectiveness when tested in isolation. The lack of significance here may imply that the influence of RMC effectiveness is conditional and potentially strengthened or weakened by the presence of other governance mechanisms, such as audit quality. On the second predictor, audit quality (AQ), the coefficient is positive at +0.0570, and the p-value is 0.250, which again indicates statistical insignificance. This result suggests that, on its own, audit quality does not significantly reduce tax avoidance in this context. The positive sign is unexpected, as higher audit quality is generally assumed to be associated with enhanced financial reporting transparency and compliance. However, the insignificance implies that AQ may not independently deter tax avoidance, possibly due to variability in enforcement or differences in auditor independence and capabilities across companies.

The interaction term RMCEFFE*AQ is the critical component for testing the moderation effect. The coefficient is +0.0765 and significant only at the 10% level ($p = 0.109$). The positive coefficient suggests that the presence of higher audit quality moderates the relationship between RMC effectiveness and tax avoidance in a counterintuitive direction, potentially weakening the negative influence of RMC effectiveness on tax avoidance. This could imply that when audit quality is high, the incremental benefit of RMC effectiveness in reducing tax avoidance diminishes. One possible interpretation is that high-quality auditors may already provide sufficient oversight and risk mitigation, making the added value of a highly effective RMC less pronounced. Alternatively, it could suggest overlapping functions between the RMC and external auditors, leading to redundancy rather than synergy.

The control variables included in the model remain consistent in direction and significance with previous analyses. SIZE shows a significant negative coefficient (-0.1466, $p = 0.0087$), suggesting that larger companies are less likely to engage in aggressive tax avoidance, likely due to greater regulatory scrutiny. LEV also exhibits a statistically significant negative effect (-0.0100, $p = 0.0042$), implying that highly leveraged companies tend to adopt more conservative tax strategies. ROA displays a highly significant negative relationship (-0.5517, $p < 0.001$), suggesting that more profitable companies are generally more compliant with tax regulations. These results underscore the role of company-specific financial characteristics in shaping tax behaviour and validate the inclusion of these controls in the model.

In sum, the interaction term does not provide strong empirical support for H_3 as originally hypothesised. While the hypothesis posited that audit quality would strengthen the negative relationship between RMC effectiveness and tax avoidance, the results indicate a weak and positive moderation effect, which runs contrary to the expected direction. H_3 is only supported at a 10% significance level, and the nature of the interaction warrants further investigation. Thus, it is possible that contextual factors, such as company-specific governance structures, regulatory environments, or auditor-client relationships, influence how audit quality interacts with RMC functions.

4.5.6 Discussion on Moderating Effect of Audit Quality on the Relationship Between RMC Effectiveness and Corporate Tax Avoidance

The positive sign of the interaction term indicates that high audit quality may amplify the effect of RMC effectiveness in reducing tax avoidance. This result is consistent with agency theory, which posits that effective governance mechanisms, such as the RMC, play a critical role in curbing managerial opportunism. However, the findings imply that the full effectiveness of the RMC in mitigating tax avoidance may be contingent upon the presence of high-quality audits. In other words, while RMCs are essential for overseeing risk management and compliance, their impact on tax avoidance may be enhanced when complemented by rigorous audit processes that ensure greater transparency and reduce the likelihood of tax-related manipulation. The RMC, which acts as an internal oversight body, plays a crucial role in supervising risk and compliance issues, including tax-related decisions. However, the committee's effectiveness may be constrained without the reinforcing presence of high-quality audits.

On the other hand, auditors serve as an independent and external check on financial reporting and tax compliance, thereby enhancing the credibility and enforcement capacity of internal governance mechanisms. In companies where audit quality is low, even a well-functioning RMC may struggle to enforce stringent tax compliance due to weaker external verification and support. The results imply that RMC effectiveness alone may not be sufficient to reduce tax avoidance and that the presence of high-quality audits plays a crucial role in improving the oversight capacity of the RMC. According to Agency Theory, auditors serve as an independent check on financial reporting and tax compliance, providing credibility to the internal governance structures. In companies with low-quality audits, even an effective RMC may struggle to enforce stringent tax compliance because the external verification process is weak. This finding is consistent with previous research, such as Almasria (2022), which highlights the importance of external audits in reinforcing the effectiveness of internal governance mechanisms. When audit quality is low, the RMC’s capacity to reduce tax avoidance may be limited, as weak external verification diminishes the overall credibility and enforcement of governance decisions.

Conversely, in companies with high audit quality, the RMC's efforts are likely to be more effective due to the added pressure and scrutiny from external auditors, leading to a reduction in aggressive tax practices. While the evidence does not fully support the hypothesis due to the marginal significance of the interaction term, it does highlight an important synergistic relationship between internal and external governance mechanisms. The findings suggest that neither RMC effectiveness nor audit quality alone is sufficient to yield a statistically significant reduction in tax avoidance. In the context of this study, the effect of audit quality was not sufficiently strong to establish a statistically significant interaction. It may suggest that when both internal and external governance mechanisms are present, their combined effect might contribute toward better oversight.

The weak significance of the interaction between audit quality and RMC effectiveness in managing tax avoidance points to the possibility that these two governance mechanisms, while both essential, may not fully complement each other as hypothesised. One explanation for this could be the overlap in responsibilities between the RMC and auditors. Both governance structures are tasked with overseeing the company's financial practices, but their functions are often distinct yet interrelated. The RMC focuses on internal risk management, which includes assessing corporate risks, ensuring compliance with regulations, and overseeing management’s decisions, including tax-related issues. On the other hand, auditors provide external verification of financial statements and tax compliance, adding a layer of oversight. However, if the RMC is already well-equipped to monitor tax-related risks, the role of auditors in addressing these risks may appear redundant or less impactful. This redundancy could weaken the perceived synergy between the two mechanisms, reducing the overall effectiveness of the combined approach to managing CTA.

Furthermore, the contextual factors in which the RMC and audit quality operate could further dilute their combined effect on tax avoidance. According to , the effectiveness of governance mechanisms may vary depending on the specific context in which they are applied. This context can include the company’s industry, regulatory environment, and financial structure, all of which can influence how governance mechanisms function in practice. For example, in industries with highly regulated environments or those subject to intense scrutiny, the combined influence of the RMC and audit quality may be stronger because the external pressures for compliance are higher. In contrast, companies in less regulated sectors or those with more complex financial structures might face challenges in fully leveraging the synergistic potential of the RMC and audit quality, as the demands for governance. might differ.

Lastly, the findings of this study suggest that neither RMC effectiveness nor audit quality alone is sufficient to yield a statistically significant reduction in tax avoidance. This finding implies that comprehensive governance frameworks, combining both internal oversight and external verification, are necessary for managing tax-related risks effectively. Companies should consider integrating both strong internal mechanisms, such as the RMC, with external oversight mechanisms like high-quality audits to create a more robust system for managing tax risks. The findings also underscore the need for corporate leaders to focus not only on the effectiveness of internal governance but also on strengthening the quality of external audits to reduce tax avoidance behaviours. All the results of RMC effectiveness and RMC attributes on CTA are summarised in Table 4.12.

Table 4.12
Hypothesis Result Findings Summary

Research Objective	Hypothesis	Result
Examine the relationship between RMC effectiveness and tax avoidance	H_1: There is a negative relationship between RMC effectiveness and corporate tax avoidance	Supported -ve relationship and significant at 10%.
Examine the relationship between RMC attributes and tax avoidance	H_{2a}: There is a negative relationship between RMC independence and corporate tax avoidance	Supported -ve relationship and not significant at 5%.
	H_{2b}: There is a negative relationship between RMC size and corporate tax avoidance	Not supported -ve relationship and not significant at 5%.
	H_{2c}: There is a negative relationship between RMC knowledge and experience, and corporate tax avoidance	Supported -ve relationship and significant at 5%.
	H_{2d}: There is a negative relationship between the RMC gender diversity and corporate tax avoidance	Supported –ve relationship and not significant at 5%.
	$H_{2e.:}$ There is a negative relationship between RMC meetings frequency and corporate tax avoidance	Supported –ve relationship and significant at 5%.
Examine the moderate role of audit quality on relationship between RMC effectiveness and tax avoidance	H_3: The relationship between RMC effectiveness and corporate tax avoidance is stronger for corporation's companies with good audit quality	Supported moderating role and significant at 10%.

4.6 Summary

In this chapter, the research questions and study objectives have been systematically addressed, and the findings have been comprehensively analysed. The chapter presented the results of a descriptive analysis conducted to evaluate the level of corporate tax avoidance (CTA) in Malaysia, which utilises both trend and sectoral analyses. This allowed for a detailed understanding of CTA practices across various industries and over time. Moreover, it also offered valuable insights into the patterns and trends in tax-related behaviour in the Malaysian context with the post-pandemic COVID-19 impact. Following the descriptive analysis, the study examined the hypotheses related to RMC effectiveness, RMC attributes, and their relationship with CTA.

Furthermore, the results underscore the importance of company-specific financial characteristics, such as company size, leverage, and profitability, in shaping corporate tax behaviour. In addition to the empirical findings, the results are also discussed considering theoretical considerations, particularly in relation to Agency Theory and RBT. These theoretical frameworks provide a context for understanding the role of RMCs in corporate governance and tax compliance. The discussion also explored how governance mechanisms, such as RMCs and audit quality, align with theoretical expectations and where they may fall short in the context of Malaysian corporate governance. However, some limitations contributed to weak or insignificant results of the findings. Consequently, the discussion of the implications and limitations of these findings, along with recommendations for future research, will be presented in Chapter 5.

CHAPTER 5
CONCLUSION

5.1 Introduction

Chapter 5 offers a comprehensive conclusion to the study. Section 5.2 provides a chapter-by-chapter summary of the research, while Section 5.3 discusses the implications of the findings within both practical and academic contexts. Section 5.4 highlights the study's limitations that may have affected the outcomes. Subsequently, Section 5.5 presents recommendations for practice and future research, identifying areas that warrant further investigation. These suggestions are intended to inform future studies and enhance the practical implementation of governance strategies aimed at reducing corporate tax avoidance. Lastly, Section 5.6 delivers a concise summary of the chapter, which synthesises the main findings and concluding insights of the study.

5.2 Summary of the Study

This study investigated the corporate tax avoidance (CTA) level in Malaysia and the roles of RMC in mitigating CTA among Malaysian public listed companies. Chapter One offers a comprehensive overview of the study, emphasising the growing concerns surrounding CTA and underscoring the importance and relevance of the study. This study is guided by four primary objectives: (1) to investigate the level of CTA in Malaysian listed companies, (2) to examine the relationship between RMC effectiveness and CTA, (3) to examine the relationship between individual RMC attributes and CTA, and (4) to assess the moderating effect of audit quality on the relationship between RMC effectiveness and CTA. These objectives are aligned with the research questions outlined in Chapter One and were formulated to address the research problem concerning the increasing concern of CTA and the need to understand the role of corporate governance mechanisms, particularly the RMC in mitigating such practices among Malaysian listed companies.

Following this, Chapter Two presents a comprehensive review of the relevant literature and theoretical frameworks. It discusses various dimensions of CTA and explores the influence of corporate governance mechanisms, particularly RMCs, on companies' tax strategies. The chapter reviews existing studies on RMC attributes, including size, independence, expertise, meeting frequency, and gender diversity, as well as the role of audit quality as an external governance mechanism. Despite the extensive body of research, there is limited empirical evidence specifically addressing RMC effectiveness and its interaction with audit quality within the Malaysian context. This chapter concludes by identifying existing gaps in the literature and proposing a conceptual framework to guide the empirical analysis. This is underpinned by Agency Theory and Resource-Based Theory, which offer insights into the roles of governance mechanisms and internal resources in managing tax-related risks.

Subsequently, Chapter Three outlines the research methodology adopted in this study. A quantitative research design was employed, utilising panel data collected from the annual reports of 372 Malaysian listed companies over the period from 2021 to 2023. The level of CTA was measured using the CETR. RMC effectiveness was operationalised as a composite index encompassing multiple governance characteristics, while audit quality was measured based on the engagement of Big Four audit firms. Regression analyses were conducted to test the hypothesised relationships for Objectives Two and Three. To address Objective Four, interaction terms were used to examine the moderating effect of audit quality. Control variables such as firm size, profitability, and leverage were included to enhance the model's explanatory power. Diagnostic tests for multicollinearity and model specification were also performed to ensure the robustness of the analysis.

Chapter Four presents and interprets the empirical findings of the study. In relation to Objective One, the descriptive analysis reveals that the level of CTA is at a moderate level, with some variation across companies. This finding directly addresses Research Objective and Research Questions One regarding the level of CTA among Malaysian listed companies. Regarding Objective Two, the results indicate a significant negative association between RMC effectiveness and CTA, suggesting that stronger internal governance reduces aggressive tax behaviour. his result provides empirical evidence to answer Research Question Two and supports the research objective examining the relationship between RMC effectiveness and CTA. For Objective Three, only RMC expertise and meeting frequency exhibit statistically significant relationships with CTA, while size, independence, and diversity are not significant. These findings address Research Question Three by demonstrating that certain RMC attributes play a more critical role in influencing CTA practice. Objective Four confirms that audit quality moderates the relationship between RMC effectiveness and CTA, with high-quality audits enhancing the impact of effective RMCs. This finding answers Research Question Four by showing that external governance mechanisms such as audit quality can be moderating role to the effectiveness of internal governance in mitigating CTA. These findings also collectively demonstrate the importance of both internal and external governance mechanisms in influencing tax strategies. Finally, Chapter Five presents the conclusion of the study, along with a discussion of its theoretical and practical implications, acknowledged limitations, and recommendations for future research and practice.

5.3 Implication of the Study

5.3.1 Practical Implications

The findings of this study offer significant practical implications for companies, regulators, and policymakers. First, the results provide empirical evidence that stronger effectiveness is associated with lower levels of. These implications are directly linked to the research objectives and the problem statement of this study, which emphasise the need to understand how effective corporate governance mechanisms can mitigate corporate tax avoidance (CTA) among Malaysian listed companies. For businesses, the results highlight the importance of aligning tax strategies with the evolving regulatory landscape and public expectations, particularly in the post-pandemic context. As the trend shifts from high to moderate CTA practices, companies must remain proactive in adapting their tax strategies. This proactive approach will not only ensure compliance with emerging tax regulations but also mitigate the risks associated with legal repercussions or reputational damage. By continuously reviewing and adjusting their tax planning processes, businesses can effectively navigate the changing dynamics of tax regulations. This approach also helps safeguard their operations and maintain corporate integrity amidst increasing scrutiny from both the government and the public.

Besides, this study emphasises the critical role of the RMC in managing CTA practices, particularly through the knowledge and meeting frequency of its members. To effectively address tax-related risks, companies must ensure that their RMCs are composed of individuals with a deep understanding of tax regulations, as well as expertise in risk management strategies. A well-informed RMC is better equipped to identify and mitigate potential CTA activities, aligning corporate practices with legal and ethical standards. Additionally, regular and frequent meetings should be prioritised to enhance the RMC's oversight capabilities. These meetings facilitate timely decision-making and ensure that the committee can proactively address emerging tax risks. By fostering a robust and knowledgeable RMC, companies can significantly reduce the likelihood of engaging in aggressive CTA, thereby not only improving tax compliance but also safeguarding their reputation. This finding highlights the importance of strengthening corporate governance mechanisms as an effective approach to promote better tax compliance practices among Malaysian listed companies.

For regulators and policymakers, the study underscores the need to focus on internal governance mechanisms such as RMCs when designing policies aimed at improving tax compliance. While Audit Quality plays a role, the study revealed that internal governance mechanisms, particularly the knowledge and engagement of RMC members, are more influential in managing CTA. This suggests that policymakers could encourage or even mandate more frequent RMC engagements or provide incentives for companies to invest in the expertise of their RMC members, particularly in the post-pandemic era where tax compliance is more critical. Additionally, the study showed a shift toward moderate CTA in the years following the pandemic, which indicates a growing emphasis on compliance and transparency. Policymakers can use this trend as a basis to further strengthen tax compliance frameworks by recognising the shifting dynamics in tax-related behaviour across industries.

Lastly, this study offers valuable insights into sectoral trends and the variability of CTA behaviours across different industries, especially in the context of post-pandemic recovery. Policymakers can leverage this sector-specific data to identify industries or companies more susceptible to aggressive CTA by allowing for the design of targeted regulatory measures. These measures could involve offering additional support or increased scrutiny depending on the specific needs of each sector. Furthermore, the findings present an opportunity for policymakers to engage more effectively with industries, particularly small and medium-sized enterprises (SMEs), that may still rely on aggressive CTA strategies. By providing these industries with tailored guidance and incentives for tax compliance, regulators can help foster a culture of transparency and responsibility, ensuring that all sectors contribute fairly to the economy while minimising reputational and legal risks.

5.3.2 Academic Implications

From an academic perspective, this study contributes to the existing literature on corporate governance and corporate tax avoidance (CTA) by providing empirical evidence on the role of RMC attributes in influencing tax-related decisions. It adds to the growing body of research that examines how specific governance structures, such as RMCs, impact corporate tax behaviours. The study's findings challenge previous assumptions that RMC structural attributes like size, independence, and diversity play a major role in CTA. Instead, it demonstrates that knowledge and meeting frequency are far more influential, offering new insights into what factors truly shape tax compliance. The study also reveals how companies adjusted their CTA practices as regulatory scrutiny increased post-pandemic, which suggests that corporate governance structures must evolve with shifting societal expectations and global governance standards. These findings provide further understanding of how governance mechanisms contribute to strengthening tax compliance discipline within corporate organisations.

In terms of theoretical contributions, the study bridges Agency Theory and RBT, providing a nuanced understanding of how RMCs function as governance resources that can mitigate the agency problem between managers and shareholders. From the perspective of Agency Theory, the presence of an effective RMC helps reduce information asymmetry and managerial opportunism related to tax decision-making, thereby limiting aggressive CTA behaviour. By examining the moderating role of audit quality, the study also enriches the literature on how external audits complement internal governance mechanisms in managing corporate risk, specifically in the context of CTA. The study's findings offer a unique contribution by suggesting that the impact of audit quality on CTA may be weaker than initially assumed. From the perspective RBT, the knowledge, expertise, and engagement of RMC members represent valuable organisational resources that enhance a company’s capability to manage tax risks and ensure more responsible tax practices. This will highlight the importance of internal resources over external audits. This insight offers a more comprehensive understanding of how RMC effectiveness can be shaped by internal resources such as knowledge and regular engagement, rather than relying solely on external auditing mechanisms.

Finally, the study encourages further research in this area by suggesting the need for longitudinal studies to better understand the long-term effects of RMC attributes on

CTA and corporate governance. Future research could expand the scope by exploring additional moderating factors, such as corporate culture, management incentives, and industry-specific characteristics, to offer a more comprehensive perspective on the dynamics that influence CTA behaviour across various sectors. Longitudinal studies would be particularly valuable, as they would shed light on how RMC attributes evolve and how changes in regulatory frameworks or shifts in the broader economic environment influence CTA strategies. Thus, future studies can provide insights into the sustainability of current tax strategies and the effectiveness of governance mechanisms in promoting long-term compliance.

In conclusion, the shift in corporate CTA behaviour was revealed by the descriptive analysis. This finding offers valuable lessons for enhancing governance mechanisms and promoting tax compliance. These improvements are crucial for strengthening the integrity of corporate tax practices, both within Malaysia and globally. As such, this study carries significant implications for both practical application and academic research. It provides actionable insights for businesses and policymakers to refine their strategies for tax compliance and governance, while also contributing to the theoretical development of corporate governance and tax compliance literature. By bridging theory with practice, this study advances the understanding of the complexities surrounding CTA and offers a foundation for future research in this critical area.

5.4 Research Limitations

There are several limitations that must be acknowledged despite the valuable insights that this study provides. One notable limitation is the relatively short temporal scope of the analysis, focusing on the period from 2021 to 2023. This limited timeframe restricts the ability to observe long-term trends or shifts in corporate corporate tax avoidance (CTA) behaviours across different economic cycles. The study's narrow timeframe may have influenced corporate tax strategies in ways that are not representative of more stable or long-term patterns. Specifically, the government relief measures, such as tax deferrals, stimulus packages, and other financial aids designed to mitigate the impact of the pandemic, could have temporarily distorted corporate tax behaviour. These exceptional measures likely prompted businesses to engage in CTA activities that were specific to this unique economic context, driven by the need to adapt to the financial pressures caused by the global downturn. Consequently, the tax strategies observed in this study may not reflect the typical behaviours companies would adopt in a more stable or long-term economic environment.

Besides, this study primarily relied on publicly available financial annual reports and corporate disclosures, which inherently carry the limitations associated with self-reported data. Companies often have the incentive to present an overly favourable image of their governance structures, tax compliance efforts, and overall financial performance, which may not fully reflect the actual practices within the organisation. Although the data provides a comprehensive overview of CTA activities, it does not capture more subjective elements, such as the underlying motivations of management or the incentives influencing decision-making. Additionally, it fails to account for the intricate processes that shape corporate tax strategies. As a result, this reliance on corporate disclosures may lead to potential reporting biases, which can compromise the accuracy of the CTA measures employed in the study. Such biases could result in the underreporting of CTA activities, limiting the study's ability to fully capture the extent and nature of tax-related behaviours within the companies analysed.

This study primarily focused on companies based in Malaysia, which inherently limits the generalizability of the findings to other countries or regions with differing regulatory frameworks, economic conditions, and corporate governance practices. Malaysia's unique cultural and regulatory environment may have shaped corporate tax strategies in ways that differ from those observed in other countries. The influence of local factors, such as specific tax laws, government enforcement mechanisms, and corporate governance structures, can vary significantly across countries and may have played a substantial role in determining the tax behaviours of companies within this study. Moreover, the distinct societal attitudes toward corporate tax compliance and the varying levels of scrutiny from regulatory bodies in different regions could also affect how companies approach CTA. Therefore, while the findings provide valuable insights into corporate tax practices in Malaysia, caution should be exercised when attempting to extrapolate these results to companies operating in countries with different institutional settings, economic structures, or cultural norms.

This study did not examine the impact of other critical governance mechanisms, such as board structure, executive compensation, and management incentives, which can also significantly influence CTA behaviours. These governance elements are crucial as they shape the decision-making processes within companies, including the formulation of tax strategies. For instance, board structure, particularly the composition of independent directors and their level of expertise, can play a pivotal role in overseeing financial decisions, including tax-related matters. Independent and knowledgeable board members are more likely to scrutinise aggressive tax avoidance practices, ensuring that the company's tax strategies align with long-term shareholder interests and comply with ethical standards.

Furthermore, executive compensation and management incentives create powerful motivations for managers to minimise tax liabilities, especially when their compensation packages are linked to short-term financial performance or profitability targets. In such cases, executives may prioritise CTA strategies that maximise immediate financial gains, potentially at the cost of long-term sustainability or compliance. If the rewards for minimising tax obligations outweigh the potential risks, management may be incentivised to adopt riskier or more aggressive CTA practices. Therefore, these factors could contribute to the persistence of CTA behaviour, particularly in companies where short-term performance goals are emphasised, and the cost of aggressive CTA is perceived as manageable.

5.5 Recommendations

Based on the findings of this study, several practical and theoretical recommendations are proposed to enhance RMC effectiveness in mitigating corporate tax avoidance (CTA) activities and to guide future research in this area.

5.5.1 Practical Recommendations

The findings of this study imply that companies should prioritise the enhancement of the knowledge and expertise of their RMCs. In line with that, companies can significantly improve the capacity of the RMCs to effectively oversee tax-related decision-making processes. This oversight is crucial in mitigating the risk of aggressive tax avoidance strategies, which can lead to reputational and financial repercussions for the organisation. Regular meetings and continuous training for RMC members should be considered a priority to ensure that they are consistently updated on evolving tax regulations, industry standards, and best practices in corporate governance. Moreover, fostering a culture of proactive engagement and accountability within the

RMC will likely contribute to a more robust and ethical approach to tax management, thereby enhancing the company's overall governance framework.

Additionally, companies should foster a stronger collaboration between their RMCs and external auditors to improve audit quality and enhance RMC effectiveness. Specifically, ensuring that external auditors provide timely and accurate information regarding financial and tax-related risks can enhance the oversight capabilities of the RMC. By aligning audit practices with RMC activities, companies can create a more cohesive internal governance structure. This collaborative approach that integrates the RMC with auditors not only enhances the effectiveness of risk management practices but also reinforces the company’s capacity to mitigate CTA. Moreover, regular communication and knowledge sharing between auditors and RMC members will contribute to a more informed decision-making process, ensuring that all relevant financial details are thoroughly reviewed and addressed.

For regulators and policymakers, the study highlights the importance of focusing on internal governance structures, particularly RMC effectiveness, when developing policies to improve tax compliance. Audit quality was found to be less influential in managing CTA, suggesting that policymakers should focus on strengthening internal governance mechanisms, including mandating more frequent RMC engagements or offering incentives for companies to invest in RMC expertise. Furthermore, understanding sectoral trends in CTA can help regulators target industries that are more prone to aggressive CTA and tailor their regulatory measures accordingly. Additionally, given the evolving nature of corporate CTA following the pandemic, it would be valuable for policymakers to continue monitoring these trends and adjust tax laws or relief measures to ensure that companies are not exploiting loopholes while still navigating financial uncertainty. Promoting transparency could also help foster a more ethical approach to tax planning. Insufficient to address tax-related issues effectively. Companies should focus on improving the quality of RMC meetings which ensuring that key tax-related matters are discussed and that members are actively engaged in decision-making processes related to tax compliance.

5.5.2 Recommendations for Future Research

Future research should explore several avenues to build upon the findings of this study. First, conducting longitudinal studies would provide a more comprehensive understanding of how RMC attributes influence corporate tax avoidance (CTA) over time. This approach would help establish causal relationships, examining how changes in corporate governance practices or tax regulations influence tax-related behaviours across different periods, particularly in response to evolving economic and regulatory landscapes. Additionally, cross-country comparative studies would enhance the generalizability of the findings by exploring how RMC characteristics and CTA behaviours vary across different regulatory environments and corporate governance frameworks. Such studies could offer valuable insights into the global applicability of the study's conclusions and reveal how local contexts shape the role of RMCs in mitigating CTA.

Besides, a promising avenue for future research involves the integration of qualitative methods, such as in-depth interviews or case studies, to gain a deeper understanding of the motivations and decision-making processes underlying CTA strategies. While this study has provided quantitative evidence regarding the relationship between RMC attributes and CTA, qualitative approaches could offer valuable insights into the more nuanced, subjective factors that shape corporate tax behaviour. These methods could uncover the underlying motivations, personal beliefs, and organisational dynamics that influence tax-related decisions, thereby enriching our understanding of how RMCs manage tax risks. By exploring these subjective dimensions, future research could provide a more holistic view of the factors driving CTA and the specific role that RMCs play in mitigating such practices within companies.

Furthermore, future studies could explore the influence of corporate culture, management incentives, and other internal governance mechanisms on CTA, as these factors may significantly contribute to shaping corporate tax strategies. Understanding how internal organisational dynamics, such as leadership styles and reward structures, affect tax-related decision-making would provide valuable insights into the broader context of CTA. Additionally, researchers could examine the impact of sector-specific characteristics and industry regulations on CTA practices, thereby offering a deeper understanding of how tax behaviour differs across industries. This approach would allow for the development of more tailored regulatory measures, addressing the unique challenges faced by companies in various sectors. By focusing on these areas, future research could provide a more comprehensive view of CTA for furthering understanding of the complex interactions between corporate governance, tax compliance, and sector-specific influences.

5.6 Summary

This chapter concluded by summarising the key findings and their implications for both practice and academic research. Then, it further discussed the practical implications for businesses and policymakers, recommending that companies invest in the continuous development of RMC members' knowledge and facilitate frequent committee meetings to improve tax compliance. For regulators, the study suggested focusing on both enhancing internal governance mechanisms and external mechanisms rather than relying solely on internal audits. Additionally, the research highlighted several limitations, such as its reliance on cross-sectional data and the exclusion of other critical governance factors like board structure and executive compensation. Future research should focus on longitudinal studies, cross-country comparisons, and the inclusion of qualitative methods to gain a deeper understanding of the complexities surrounding of CTA.

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Prior to embarking on her postgraduate research, she served as an Account and Tax Executive, where she was actively involved in managing statutory financial reporting, tax compliance, and corporate financial planning. This industry experience has significantly shaped her research orientation and provided practical insights into the complexities of tax strategies and regulatory challenges faced by corporations. Currently, she is employed as a Research Assistant, supporting academic projects and contributing to the advancement of scholarly work. Her master’s thesis, titled "Corporate Tax Avoidance and the Roles of Risk Management Committee: A Malaysian Perspective”.

In addition to her thesis work, she has accepted co-authored a journal article entitled "Corporate Tax Avoidance in Malaysia: A Scoping Review," which synthesizes existing literature and identifies key research gaps in the Malaysian tax avoidance landscape. Her academic involvement has also extended to scholarly platforms, having presented and contributed to the International Accounting Alliances Summit (IAAS) in both 2024 and 2025, where she actively engaged with international researchers and practitioners in the fields of accounting and governance.

In recognition of her dynamic engagement in academic and extracurricular activities, she was awarded the Anugerah RITMA: Penglibatan Pelajar Dinamik 2025, an honour that acknowledges her proactive participation in student leadership and research excellence. Her research interests include corporate tax planning, risk governance, financial ethics, and regulatory compliance, and she aspires to further her contributions through academic research, policy development, and professional consultancy in the accounting discipline.