

## Document details

[< Back to results](#) | 1 of 1
[Export](#)
[Download](#)
[Print](#)
[E-mail](#)
[Save to PDF](#)
[Add to List](#)
[More... >](#)
[Full Text](#)
[View at Publisher](#)

Journal of Contemporary Accounting and Economics  
Volume 11, Issue 2, August 01, 2015, Pages 138-147

## Foreign investors' interests and corporate tax avoidance: Evidence from an emerging economy (Article)

Salihu, I.A. [✉](#), Annuar, H.A., Sheikh Obid, S.N. [👤](#)

Department of Accounting, International Islamic University Malaysia, Malaysia

### Abstract

[View references \(73\)](#)

Foreign investment inflows into developing countries has become a cause for concern, as the opportunity for profit shifting across their various operating outlets has made multinational companies tax avoidant in host countries. Thus, this study examines the tax impact of foreign investors' interests within a host developing economy. The sample data were extracted from annual reports of the FTSE Bursa Malaysia Top 100 firms for the financial periods of 2009, 2010 and 2011. Using four similar measures of tax avoidance and three related measures of foreign investors' interest, our analysis of the dynamic panel data with a system GMM estimator shows significant positive relationships between foreign investors' interests and the measures of corporate tax avoidance among large Malaysian companies. This result suggests the possibility of multinational companies exploiting their international scales of operations to avoid taxes in both host and parent countries. Thus, emerging economies need to consider the residual benefits of foreign direct investment in the presence of such tax avoidance in their pursuit of economic development. © 2015 Elsevier Ltd.

### Author keywords

Developing economies Foreign direct investments System GMM estimator Tax avoidance

ISSN: 18155669

Source Type: Journal

Original language: English

DOI: 10.1016/j.jcae.2015.03.001

Document Type: Article

Publisher: Elsevier Ltd

### References (73)

[View in search results format >](#)

All [Export](#) [Print](#) [E-mail](#) [Save to PDF](#) [Create bibliography](#)

- 1 Adhikari, A., Derashid, C., Zhang, H.  
Earnings management to influence tax policy: Evidence from large Malaysian firms  
(2005) *Journal of International Financial Management and Accounting*, 16 (2), pp. 142-161. Cited 7 times.  
doi: 10.1111/j.1467-646X.2005.00115.x  
[View at Publisher](#)
- 2 Adhikari, A., Derashid, C., Zhang, H.  
Public policy, political connections, and effective tax rates: Longitudinal evidence from Malaysia  
(2006) *Journal of Accounting and Public Policy*, 25 (5), pp. 574-595. Cited 93 times.  
doi: 10.1016/j.jaccpubpol.2006.07.001  
[View at Publisher](#)

Metrics [🔗](#) [View all metrics >](#)

3 Citations in Scopus  
45th Percentile

0.42 Field-Weighted  
Citation Impact



PlumX Metrics [v](#)

Usage, Captures, Mentions,  
Social Media and Citations  
beyond Scopus.

### Cited by 3 documents

Political connections, corporate governance, and tax aggressiveness in Malaysia

Wahab, E.A.A. , Ariff, A.M. , Marzuki, M.M.  
(2017) *Asian Review of Accounting*

Mergers, Acquisitions, and Other Restructuring Activities: An Integrated Approach to Process, Tools, Cases, and Solutions: Ninth Edition

DePamphilis, D.  
(2017) *Mergers, Acquisitions, and Other Restructuring Activities: An Integrated Approach to Process, Tools, Cases, and Solutions: Ninth Edition*

Assessment instruments of economic feasibility of tax transformations

Kuzmenko, V.V. , Glotova, I.I. , Tomilina, E.P.  
(2015) *Asian Social Science*

[View all 3 citing documents](#)

Inform me when this document is cited in Scopus:

[Set citation alert >](#)

[Set citation feed >](#)

Related documents

- 3 An, Y., Davey, H., Eggleton, I.R.C.  
Towards a comprehensive theoretical framework for voluntary IC disclosure

(2011) *Journal of Intellectual Capital*, 12 (4), pp. 571-585. Cited 42 times.  
doi: 10.1108/14691931111181733

[View at Publisher](#)

- 4 Bond, S.  
Some tests of specification for panel data: monte carlo evidence and an application to employment equations

(1991) *Review of Economic Studies*, 58 (2), pp. 277-297. Cited 7380 times.  
doi: 10.2307/2297968

[View at Publisher](#)

- 5 Arellano, M., Bover, O.  
Another look at the instrumental variable estimation of error-components models

(1995) *Journal of Econometrics*, 68 (1), pp. 29-51. Cited 3754 times.  
doi: 10.1016/0304-4076(94)01642-D

[View at Publisher](#)

- 6 Armstrong, C.S., Blouin, J.L., Larcker, D.F.  
The incentives for tax planning

(2012) *Journal of Accounting and Economics*, 53 (1-2), pp. 391-411. Cited 96 times.  
doi: 10.1016/j.jacceco.2011.04.001

[View at Publisher](#)

- 7 Avi-Yonah, R.S.  
Corporate social responsibility and strategic tax behavior  
(2008) *Book series of MPI studies on intellectual property, competition and tax law*, 3, pp. 183-198. Cited 13 times.  
Springer Verlag, Berlin, W. Schon (Ed.) Tax and Corporate Governance

- 8 Blundell, R., Bond, S.  
Initial conditions and moment restrictions in dynamic panel data models

(1998) *Journal of Econometrics*, 87 (1), pp. 115-143. Cited 5025 times.

[View at Publisher](#)

- 9 Haat, M.H.C., Rahman, R.A., Mahenthiran, S.  
Corporate governance, transparency and performance of Malaysian companies

(2008) *Managerial Auditing Journal*, 23 (8), pp. 744-778. Cited 73 times.  
doi: 10.1108/02686900810899518

[View at Publisher](#)

- 10 Chen, S., Chen, X., Cheng, Q., Shevlin, T.  
Are family firms more tax aggressive than non-family firms?

(2010) *Journal of Financial Economics*, 95 (1), pp. 41-61. Cited 232 times.  
doi: 10.1016/j.jfineco.2009.02.003

[View at Publisher](#)

Measures of corporate tax avoidance: Empirical evidence from an emerging economy

Salihu, I.A. , Obid, S.N.S. , Annuar, H.A.  
(2013) *International Journal of Business and Society*

Does corporate social responsibility affect corporate tax aggressiveness?

Laguir, I. , Staglianò, R. , Elbaz, J.  
(2015) *Journal of Cleaner Production*

Firm-level tournament incentives and corporate tax aggressiveness

Kubick, T.R. , Masli, A.N.S.  
(2016) *Journal of Accounting and Public Policy*

[View all related documents based on references](#)

[Find more related documents in Scopus based on:](#)

[Authors >](#) [Keywords >](#)

- 11 Christensen, J., Murphy, R.  
The social irresponsibility of corporate tax avoidance: Taking CSR to the bottom line

(2004) *Development*, 47 (3), pp. 37-44. Cited 59 times.  
doi: 10.1057/palgrave.development.1100066

[View at Publisher](#)

---

- 12 Dahiya, S.B., Gupta, D.  
(2004) *Foreign investment and issues of corporate governance in India*. Cited 2 times.  
Working paper, University of Canberra

- 13 Demirgüç-Kunt, A., Huizinga, H.  
The taxation of domestic and foreign banking

(2001) *Journal of Public Economics*, 79 (3), pp. 429-453. Cited 38 times.  
doi: 10.1016/S0047-2727(00)00071-2

[View at Publisher](#)

---

- 14 Derashid, C., Zhang, H.  
Effective tax rates and the "industrial policy" hypothesis: Evidence from Malaysia

(2003) *Journal of International Accounting, Auditing and Taxation*, 12 (1), pp. 45-62. Cited 39 times.  
doi: 10.1016/S1061-9518(03)00003-X

[View at Publisher](#)

---

- 15 Desai, M.A., Dharmapala, D.  
(2006) *CSR and taxation: the missing link*. Cited 2 times.  
Leading Perspectives (Winter) 4, 5

- 16 Dyreng, S.D., Hanlon, M., Maydew, E.L.  
Long-run corporate tax avoidance

(2008) *Accounting Review*, 83 (1), pp. 61-82. Cited 235 times.  
doi: 10.2308/accr.2008.83.1.61

[View at Publisher](#)

---

- 17 Dyreng, S.D., Hanlon, M., Maydew, E.L.  
The effects of executives on corporate tax avoidance

(2010) *Accounting Review*, 85 (4), pp. 1163-1189. Cited 174 times.  
doi: 10.2308/accr.2010.85.4.1163

[View at Publisher](#)

---

- 18 Egger, P., Eggert, W., Winner, H.  
Saving taxes through foreign plant ownership

(2010) *Journal of International Economics*, 81 (1), pp. 99-108. Cited 22 times.  
doi: 10.1016/j.jinteco.2009.12.004

[View at Publisher](#)

---

- 19 Freedman, J.  
Tax and corporate responsibility  
(2003) *Tax J.*, 695 (2), pp. 1-4. Cited 8 times.

20 *FTSE Bursa Malaysia Index Series, FTSE Monthly Report*  
January, 2013. Available on  
[http://www.ftse.com/Research\\_and\\_Publications/2013Downloads/FTSE\\_BURSA\\_Malaysia\\_Report\\_-\\_Jan\\_2013.pdf](http://www.ftse.com/Research_and_Publications/2013Downloads/FTSE_BURSA_Malaysia_Report_-_Jan_2013.pdf)

---

21 (2011) *Illicit financial flows from developing countries: 2000-2009*. Cited 77 times.  
Update with a focus on Asia. Washington, D. C.: Global Financial Integrity

---

22 Gomez, E.T.  
Political business in Malaysia  
(2002) *Political Business in East Asia*, pp. 82-114. Cited 49 times.  
Routledge, London, E.T. Gomez (Ed.)

---

23 Gomez, E.T., Jomo, K.S.  
(1997) *Malaysia's Political Economy: Politics, Patronages and Profits*. Cited 521 times.  
Cambridge University Press, UK

---

24 Grubert, H., Mutti, J.  
Taxes, tariffs and transfer pricing in multinational corporate decision making  
(1991) *Rev. Econ. Stat*, 73, pp. 285-293. Cited 271 times.

---

25 Gujarati, N., Porter, D.C.  
(2009) *Basic Econometrics*. Cited 5232 times.  
McGraw-Hill/Irwin, New York

---

26 Hair, J.F., Black, W.C., Babin, B.J., Anderson, R.E.  
(2009) *Multivariate Data Analysis*. Cited 2673 times.  
Pearson, NJ

---

27 Haniffa, R.M., Cooke, T.E.  
Culture, corporate governance and disclosure in Malaysian corporations  
(2002) *Abacus*, 38 (3), pp. 317-349. Cited 450 times.

---

28 Haniffa, R.M., Cooke, T.E.  
**The impact of culture and governance on corporate social reporting**  
(2005) *Journal of Accounting and Public Policy*, 24 (5), pp. 391-430. Cited 334 times.  
doi: 10.1016/j.jaccpubpol.2005.06.001  
  
View at Publisher

---

29 Hanlon, M.  
**What Can We Infer about a Firm's Taxable Income from Its Financial Statements?**  
(2003) *National Tax Journal*, (4), pp. 831-863. Cited 91 times.  
  
View at Publisher

---

30 Hanlon, M., Heitzman, S.  
A review of tax research  
  
(2010) *Journal of Accounting and Economics*, 50 (2-3), pp. 127-178. Cited 297 times.  
doi: 10.1016/j.jacceco.2010.09.002  
  
View at Publisher

---

31 Hines, J.R., Rice, E.M.  
Fiscal paradise: foreign tax havens and American business  
(1994) *Q. J. Econ*, 86, pp. 1076-1094.

---

32 Hope, O.-K., Ma, M.S., Thomas, W.B.  
(2012) *Tax avoidance and geographic earnings disclosure*  
Working paper, University of Toronto and University of Oklahoma

---

33 Huang, R.D., Shiu, C.-Y.  
Local effects of foreign ownership in an emerging financial market: Evidence from qualified foreign institutional investors in Taiwan  
  
(2009) *Financial Management*, 38 (3), pp. 567-602. Cited 52 times.  
<http://www3.interscience.wiley.com/cgi-bin/fulltext/122586912/PDFSTART>  
  
View at Publisher

---

34 Huizinga, H., Nicodème, G.  
Foreign ownership and corporate income taxation: An empirical evaluation  
  
(2006) *European Economic Review*, 50 (5), pp. 1223-1244. Cited 26 times.  
doi: 10.1016/j.euroecorev.2005.02.004  
  
View at Publisher

---

35 Huseynov, F., Klamm, B.K.  
Tax avoidance, tax management and corporate social responsibility  
  
(2012) *Journal of Corporate Finance*, 18 (4), pp. 804-827. Cited 31 times.  
doi: 10.1016/j.jcorpfin.2012.06.005  
  
View at Publisher

---

36 Ibrahim, M.H., Law, S.H.  
Social capital and CO<sub>2</sub> emission - Output relations: A panel analysis  
  
(2014) *Renewable and Sustainable Energy Reviews*, 29, pp. 528-534. Cited 16 times.  
doi: 10.1016/j.rser.2013.08.076  
  
View at Publisher

---

37 Jeon, J.Q., Lee, C., Moffett, C.M.  
Effects of foreign ownership on payout policy: Evidence from the Korean market  
  
(2011) *Journal of Financial Markets*, 14 (2), pp. 344-375. Cited 21 times.  
doi: 10.1016/j.finmar.2010.08.001  
  
View at Publisher

---

38 Johnson, S., Mitton, T.  
Cronyism and capital controls: Evidence from Malaysia  
  
(2003) *Journal of Financial Economics*, 67 (2), pp. 351-382. Cited 428 times.  
doi: 10.1016/S0304-405X(02)00255-6  
  
View at Publisher

---

□ 39 Kasipillai, J.  
(2010) *A Guide to Malaysian Taxation*  
McGraw-Hill Education, Kuala Lumpur

---

□ 40 Kasipillai, J., Mahenthiran, S.  
Deferred taxes, earnings management, and corporate governance: Malaysian evidence

(2013) *Journal of Contemporary Accounting and Economics*, 9 (1), pp. 1-18. Cited 7 times.  
doi: 10.1016/j.jcae.2013.03.001

[View at Publisher](#)

---

□ 41 Khawar, M.  
Productivity and foreign direct investment - Evidence from Mexico

(2003) *Journal of Economic Studies*, 30 (1), pp. 66-76. Cited 22 times.  
doi: 10.1108/014435803104552778

[View at Publisher](#)

---

□ 42 Kim, J.-B., Li, Y., Zhang, L.  
Corporate tax avoidance and stock price crash risk: Firm-level analysis

(2011) *Journal of Financial Economics*, 100 (3), pp. 639-662. Cited 132 times.  
doi: 10.1016/j.jfineco.2010.07.007

[View at Publisher](#)

---

□ 43 Kinney, M., Lawrence, J.  
An analysis of the relative U.S. tax burden of U.S. corporations having substantial foreign ownership

(2000) *National Tax Journal*, 53 (1), pp. 9-22. Cited 5 times.

[View at Publisher](#)

---

□ 44 Landolf, U.  
Tax and corporate responsibility  
(2006) *Int. Tax Rev*, 29, pp. 6-9. Cited 8 times.

---

□ 45 Lanis, R., Richardson, G.  
The effect of board of director composition on corporate tax aggressiveness

(2011) *Journal of Accounting and Public Policy*, 30 (1), pp. 50-70. Cited 35 times.  
doi: 10.1016/j.jaccpubpol.2010.09.003

[View at Publisher](#)

---

□ 46 Lanis, R., Richardson, G.  
Corporate social responsibility and tax aggressiveness: An empirical analysis

(2012) *Journal of Accounting and Public Policy*, 31 (1), pp. 86-108. Cited 56 times.  
doi: 10.1016/j.jaccpubpol.2011.10.006

[View at Publisher](#)

---

□ 47 Luo, Y.  
(2002) *Multinational Enterprise in Emerging Markets*. Cited 50 times.  
Copenhagen Business School Press, Frederiksberg

---

□ 48 Mahenthiran, S., Kasipillai, J.  
Influence of ownership structure and corporate governance on effective tax rates and tax planning: Malaysian evidence  
(2012) *Aust. Tax Forum*, 27 (4), pp. 941-969. Cited 5 times.

---

□ 49 Minnick, K., Noga, T.  
Do corporate governance characteristics influence tax management?

(2010) *Journal of Corporate Finance*, 16 (5), pp. 703-718. Cited 60 times.  
doi: 10.1016/j.jcorpfin.2010.08.005

View at Publisher

---

□ 50 (2012) *Malaysia Investment Performance 2012: Investment for Transformation*. Cited 4 times.  
A Publication by Malaysian Investment Development Authority, February, 2012

---

□ 51 Ghazali, N.A.M.  
Ownership structure, corporate governance and corporate performance in Malaysia

(2010) *International Journal of Commerce and Management*, 20 (2), pp. 109-119. Cited 41 times.  
<http://www.emeraldgrouppublishing.com/products/journals/journals.htm?id=ijcoma>  
doi: 10.1108/10569211011057245

View at Publisher

---

□ 52 Mohd Ghazali, N.A., Weetman, P.  
Perpetuating traditional influences: Voluntary disclosure in Malaysia following the economic crisis

(2006) *Journal of International Accounting, Auditing and Taxation*, 15 (2), pp. 226-248. Cited 123 times.  
doi: 10.1016/j.intaccudtax.2006.08.001

View at Publisher

---

□ 53 Nga, E., Iskandar, T.M., Yatim, P.  
(2012) *Corporate ownership and corporate governance*  
Paper presented at the 2nd Accounting Research & Education Conference (AREC), UiTM Shah Alam, Malaysia

---

□ 54 Nickell, S.  
Biases in dynamic models with fixed effects  
(1981) *Econometrica*, 49, pp. 1419-1426. Cited 1921 times.

---

□ 55 Noor, R.M., Mastuki, N.A., Bardai, B.  
Corporate effective tax rates: a study on Malaysian public listed companies  
(2008) *Malays. Accounting Rev*, 7, pp. 1-20. Cited 10 times.

---

□ 56 Ohori, S.  
Environmental policy instruments and foreign ownership  
(2011) *Environmental Economics and Policy Studies*, 13 (1), pp. 65-78. Cited 2 times.  
doi: 10.1007/s10018-010-0004-9

View at Publisher

---

- 57 Perkins, D.H., Woo, W.T.  
Malaysia: adjusting to deep integration with the world economy  
(2000) *The Asian Financial Crisis: Lessons for a Resilient Asia*. Cited 12 times.  
MIT Press, Cambridge, MA, W.T. Woo, J. Sachs, K. Schwab (Eds.)
- 
- 58 Preuss, L.  
Tax avoidance and corporate social responsibility: You can't do both, or can you?  
  
(2010) *Corporate Governance*, 10 (4), pp. 365-374. Cited 15 times.  
doi: 10.1108/14720701011069605  
  
View at Publisher
- 
- 59 Rasiah, R.  
Foreign ownership, technology and electronics exports from Malaysia and Thailand  
  
(2003) *Journal of Asian Economics*, 14 (5), pp. 785-811. Cited 52 times.  
doi: 10.1016/j.asieco.2003.10.006  
  
View at Publisher
- 
- 60 Roberts, M.R., Whited, T.M.  
Endogeneity in Empirical Corporate Finance  
  
(2013) *Handbook of the Economics of Finance*, (PA), pp. 493-572. Cited 99 times.  
doi: 10.1016/B978-0-44-453594-8.00007-0  
  
View at Publisher
- 
- 61 Roodman, D.  
(2006) *How to do xtabonds: an introduction to "Difference" and "System" GMM in stata*. Cited 451 times.  
Center for Global Development, Washington
- 
- 62 Salihu, I.A., Annuar, H.A., Sheikh Obid, S.N.  
(2013) *Corporate Ownership and Corporate Tax Aggressiveness: A Conceptual Approach*  
A paper presented at the International Accounting Business Conference (IABC), UiTM, Johor, Malaysia
- 
- 63 Salihu, I.A., Obid, S.N.S., Annuar, H.A.  
Measures of corporate tax avoidance: Empirical evidence from an emerging economy  
  
(2013) *International Journal of Business and Society*, 14 (3), pp. 412-427. Cited 2 times.  
[http://www.feb.unimas.my/index.php?option=com\\_content&task=section&id=10&Itemid=51](http://www.feb.unimas.my/index.php?option=com_content&task=section&id=10&Itemid=51)
- 
- 64 Shackelford, D.A., Shevlin, T.  
Empirical tax research in accounting  
  
(2001) *Journal of Accounting and Economics*, 31 (1-3), pp. 321-387. Cited 219 times.  
doi: 10.1016/S0165-4101(01)00022-2  
  
View at Publisher
- 
- 65 Stickney, C.P., McGee, V.E.  
Effective corporate tax rates the effect of size, capital intensity, leverage, and other factors  
  
(1982) *Journal of Accounting and Public Policy*, 1 (2), pp. 125-152. Cited 115 times.  
doi: 10.1016/S0278-4254(82)80004-5  
  
View at Publisher
-



□ 66 Sulong, Z., Nor, F.M.  
Dividends, ownership structure and board governance on firm value: empirical evidence from Malaysian listed firms  
(2008) *Malays. Accounting Rev*, 7 (2), pp. 55-94. Cited 20 times.

□ 67 (2011) *World Investment Report. Non-equity Modes of International Production and Development*. Cited 470 times.  
Author, New York and Geneva

□ 68 Vafeas, N.  
How do boards of directors and audit committee relate to corporate tax avoidance?  
(2010) *Adv. Quant. Anal. Finance Account*, 8, pp. 85-100. Cited 3 times.

□ 69 Wignaraja, G.  
Foreign ownership, technological capabilities and clothing exports in Sri Lanka  
  
(2008) *Journal of Asian Economics*, 19 (1), pp. 29-39. Cited 20 times.  
doi: 10.1016/j.asieco.2007.12.001  
  
View at Publisher

□ 70 Williams, D.F.  
(2007) *Tax and Corporate Social Responsibility*. Cited 10 times.  
KPMG, London

□ 71 Williams, D.F.  
(2007) *Developing the Concept of Tax Governance*. Cited 8 times.  
KPMG, London

□ 72 Wintoki, M.B., Linck, J.S., Netter, J.M.  
Endogeneity and the dynamics of internal corporate governance  
  
(2012) *Journal of Financial Economics*, 105 (3), pp. 581-606. Cited 256 times.  
doi: 10.1016/j.jfineco.2012.03.005  
  
View at Publisher

□ 73 Zimmerman, J.L.  
Taxes and firm size  
  
(1983) *Journal of Accounting and Economics*, 5 (C), pp. 119-149. Cited 229 times.  
doi: 10.1016/0165-4101(83)90008-3  
  
View at Publisher

🔍 Salihi, I.A.; Department of Accounting, International Islamic University Malaysia, Malaysia  
© Copyright 2015 Elsevier B.V., All rights reserved.

ELSEVIER

[Terms and conditions](#) [Privacy policy](#)

Copyright © 2017 Elsevier B.V. All rights reserved. Scopus® is a registered trademark of Elsevier B.V.

Cookies are set by this site. To decline them or learn more, visit our [Cookies page](#).

 RELX Group™