Does an Active Board Monitoring restrain Tax Aggressiveness? Evidence from Board Control Intensity in US firms

Jihen AYADI

jihen.sellami@fsegs.usf.tn

Faculty of Economics and Management of Sfax, University of Sfax, Sfax, Tunisia

Hichem KHLIF

Faculty of Economics and Management of Sfax, University of Sfax, Sfax, Tunisia

Abstract

The aim of this paper is to investigate the effect of active board monitoring on corporate tax aggressiveness (TA = 1- ETR) by focusing on the intensity of board control mechanisms. Drawing on agency theory, and corporate social responsibility perspectives, panel-based multiple linear regression (MLR), the analysis conceptualizes tax aggressiveness as a discretionary managerial outcome that can be constrained through effective and continuous board oversight. By examining a sample of 90 firms in the US from the S&P 500 list from the years 2014 to 2017 pre TCJA period the study investigates three key monitoring channels: CEO duality, board diligence, and the presence of an audit committee and highlights the operational role of boards in supervising tax related decisions.

The finding of the study show that CEO duality has a positive and substantial impact on tax aggressiveness, which implies that the power of one person in a leadership position negatively affects the directors' capacity to monitor. On the other hand, more director's diligence and the presence of an audit committee result in less aggressive tax practices, thereby emphasizing the monitoring function of the latter and the former respectively. Overall, the conclusions reveal that good tax governance very much relies on continuously active board supervision.

Keyword: Active board monitoring; Tax aggressiveness; CEO duality; Board diligence; Audit committee; Corporate governance.

Introduction

The corporate tax aggressiveness has slipped to the top of the corporate governance debates as a primary issue, since companies have turned to legal uncertainties and developed complicated tax planning tactics to significantly reduce their taxes. In general, tax aggressiveness is a term used to denote managerial actions no longer bearing corporate taxes through different arrangements, and such arrangements can go as far as regulatory, reputational, and ethical risks that a perfectly aggressive and opaque practice may expose a firm to. The use of such strategies may result in higher cash flows for the short run; however, on the other side, they will undoubtedly create agency costs in the long run and also bring up the issues of transparency, accountability, and corporate social responsibility. Corporate governance has a significant impact on the tax behavior of firms in this particular context. Corporate governance is a broad term that encompasses all mechanisms that work towards ensuring that the decisions made by the managers are in the best interest of the shareholders and other stakeholders, thus preventing any kind of unethical behavior. Some past studies have noted that governance systems that are not very strong may allow executives to conduct aggressive tax practices in order to gain personal advantages, whereas good governance could limit the extent of risk-taking in tax planning. As a result, the connection between corporate governance and tax aggressiveness has been a topic of increasing scholarly debate, especially regarding the internal monitoring function of governance mechanisms. The board of directors (BOD) is one of the main internal control mechanisms that has the most crucial role in managing the company. Apart from giving advice, the board plays an important role in monitoring the company, thus making sure that the company's legal and ethical standards are being followed, and the company is still considered legitimate. However, the effectiveness of the board does not only rely on its structure but also on the active monitoring, such as separation of the leadership, frequency of meetings, and specialized oversight through audit committees which is very much needed. Still, the research on the impact of active board monitoring on corporate tax aggressiveness is scant and far from conclusive.

The current research fills up the void that was created by exploring the effects of the control intensity of the board on tax aggressiveness. In particular, it considers CEO duality, the diligence of the board, and the existence of an audit committee as factors impacting companies' tax policies. Drawing on a cohort of 90 non-financial U.S. firms from the S&P 500 index for the years 2014 to 2017, the pre-TCJA period, the research uses multivariate linear regression models to check the correlation between active board monitoring mechanisms and tax aggressiveness. The analysis is based on agency theory, which turns its focus to the issues of managerial opportunism and monitoring needs, and corporate social responsibility theory, which treats tax compliance as a factor of corporate accountability.

The rest of the paper is structured in the following manner. The second section discusses the theoretical framework that supports the analysis and is the basis for it. The third section contains a literature review and the research hypotheses. The fourth section discusses the research design, the sample selection, the variable definitions, and the econometric approach. The fifth section reveals and elaborates on the empirical findings. Conclusively, the last section summarizes, discusses, and points out future research activities of the main results by concluding the study.

2. Theoretical background

Corporate tax aggressiveness comes from the managerial freedom to use the complexity and flexibility of tax rules to lower taxes for the firms. Although some tax planning measures might increase shareholder value, firms practicing aggressive tax strategies will be subject to sanctions, suffer losses of reputation, and incur political costs. Therefore, good corporate governance practices are very important to control managers, to making sure that tax strategies are in line with shareholders' long-term interests and society's expectations.

From the perspective of the agency theory (Jensen & Meckling, 1976), tax aggressiveness is a typical agency problem in which mangers could enact opportunistic tax strategies with the intention of personal attractions, such as short term performance-based compensation, and simultaneously passing possible costs to the owners. The board of directors is then viewed, in this situation, as the major internal control mechanism that is in charge of the oversight of the managerial actions and of the limitation of the discretionary behavior. Not only the board's structural composition is a factor that affects the effectiveness of the monitoring function, but also, and very importantly, the intensity with which the board carries out the active oversight. Agency theory complementing, corporate social responsibility (CSR) theory argues that companies have the duty to perform tax practices that are not only compliant with the law but also accepted by society. The active monitoring of the board makes this obligation even stronger by bringing about transparency, moral behavior, and long-term sustainability in corporate tax decisions. All these theoretical angles indicate that tax governance quality is highly dependent on the extent of board monitoring of management actions, not just on the formal structure of the board.

3. Literature review and hypothesis development

Board of directors' characteristics as a significant governance mechanism and tax aggressiveness have been scrutinized by various authors and investigated in several studies. In this part, we want to present different hypotheses linking active board monitoring attributes like CEO duality, board diligence, and the presence of an audit committee to tax aggressiveness, simultaneously considering the theoretical foundation.

3.1. CEO Duality and Tax Aggressiveness

CEO duality, taking the view of the CEO as additionally performing the role of the Chairman of the Board, is still a point of contention in universities since it leads to power concentration and undermines the effectiveness of oversight. The Cadbury Report (1992) and other governance codes of practice typically advise keeping decision-making and decision control separate in order to retain a clear delineation between the two. The concept of agency strongly endorses this advice (Fama & Jensen, 1983). A very high concentration of power, might result from one person assuming both roles, thereby, jeopardizing the board's supervisory function and increasing the costs of the agency (Jensen, 1993; Gul & Wah, 2002; Imhoff, 2003). Some literature suggests that CEO duality has a positive effect on accounting profitability (Rechner & Dalton, 1986; Sasmita et al., 2025). Nevertheless, other studies report no substantial effect on the shareholders' value (Baliga et al., 1996). Nonetheless, a vast amount of literature points to the fact that CEO duality correlates with poor board discipline, higher chances of fraud and inferior company performance (Rechner & Dalton, 1991; Pi & Timme, 1993; Core et al., 1999; Davidson et al., 2004; Dunn, 2004). Conversely, alienation of the roles might give rise to more problems such as rivalry for leadership, reduced authority, and problems in evaluating performance (Brickley et al., 1997). The almost complete consensus of the literature that CEO duality is likely to intensify agency problems and decrease quality of governance is supportive of the view that in practice it might lead to massive risks of corporate actions that are both aggressive and self-serving.

H.1. CEO Duality has a positive impact on the level of tax aggressiveness.

3.2. Board of Directors Diligence and Tax Aggressiveness

The board's proactivity and the meeting frequency are regarded as vital in the process of corporate governance (Kent & Stewart, 2008). By having more frequent and well-organized board meetings, the monitoring role of the board and the board's overall effectiveness will be strengthened (Chen et al., 2006; Alzoubi & Selamat, 2012; Conger et al., 1998). The directors will be able to better analyze difficult matters, have productive discussions, and ensure good decision-making and follow-up when the directors allocate adequate time and resources for their job (Laksamana, 2008). However, research on the relationship between tax aggressiveness and the frequency of board meetings remains limited and conflicting (Hahn & Lasfer, 2015). Some scholars have proved that the correlation between the number of company meetings and corporate performance and value is positive, while others claim that holding too many meetings may actually devalue the firm (Ntim & Osei, 2011). New data from the UK indicates that companies with more frequent board meetings tend to incur less corporate tax, implying that increased supervision might lead to less tax aggressiveness (Barros & Sarmento, 2019). The relationship between board meeting frequency and tax strategies still needs to be thoroughly examined as the evidence supporting the idea that frequent board meetings could suppress aggressive tax practices is very limited and contradictory.

H.2. Board of Directors' diligence has a negative impact on tax aggressiveness.

3.3. Audit Committee and Tax Aggressiveness

The audit committee has received even more attention and recognition as a result of the various accounting scandals and the questioning of the reliability of financial reports, which led to increased effectiveness in its supervisory role being demanded (Bronson et al., 2009). In this situation of tax aggression, where the management might apply aggressive tax techniques to enhance after-tax profits and thus the value of the shareholders, the audit committee should be regarded as a major player in the battle for transparency and risk reduction. The members of the committee, particularly those with a background in accounting, are the ones who can pinpoint and assess the intricate and sometimes uncooperative tax transactions that could end up obscuring the financial picture (Balakrishnan et al., 2013; McGuire et al., 2012, Evolution Mining., 2023). Various sources point to the fact that the audit committees with a larger amount of experience are less likely to be associated with the practice of aggressive taxation, as their knowledge and skills allow for easier risk assessment and thus better monitoring of the management's tax strategies (McGuire et al., 2012; Robinson et al., 2012). The audit committee is thus an indispensable part of the internal control system and its role in preventing or reducing the occurrence of cases of questionable or risky taxation practices, and thus in maintaining the integrity of financial reporting, is significant. Henceforth, the existence of an efficient and knowledgeable audit committee is characterized by the lower level of aggressive tax planning, which clearly reflects its crucial position in facilitating company transparency and proper governance. The association between the audit committee being there and the lesser likelihood of taking up dangerous tax practices is thus inferred.

H.3. Firms with an Audit Committee have a negative impact on tax aggressiveness.

4. Research methodologies

4.1. Data collection and sample study

This research paper investigates the relationship between the composition of the board of directors and tax attacks through analyzing 90 non-financial S&P 500 firms during the period 2014-2017. The post-SOX but pre-TCJA period provides a perfect scenario of regulatory stability, unperturbed by the 2008 financial crisis, and also the U.S. companies, who are well-known for their complex tax schemes and good governance, give the ideal setting. Governance parameters were collected from IRRC (Institutional Shareholder Services), proxy statements, and annual reports while tax and financial data were obtained from DataStream, annual reports, and SEC filings. By focusing on non-financial companies, regulation comparability is assured. This setup utilizes the rare mix of tax intricacy and governance transparency that is characteristically American, thus throwing light on the influences that the board structures have on the fiscal behavior that are transferable to other developed countries.

4.2. Variables definitions and measurements

This empirical research investigates the relationship between corporate governance and tax aggressiveness. Variables involved in this research can be grouped into three classes. The first class includes the dependent variable, which is tax aggressiveness. The second class is concerned with the independent variables that are in the realm of internal mechanisms of corporate governance, bearing the characteristics of the board of directors. The last class comprises the control variables.

4.2.1. Dependent variable

The dependent variable we are referring to is tax aggressiveness, which is primarily estimated by the effective tax rate (ETR) used as a proxy variable. Indeed, in the literature, several definitions of ETR appear (reviewed by Callihan 1994; Fullerton 1984; Graham et al. 2012; Plesko 2003).

$$\boldsymbol{ETR = \frac{TAX\ INCOME\ EXPENCE}{PRE - TAX\ INCOME}}$$

This measure, though, is still regarded as the most typical proxy over the literature to the present day, which indicates the long-run differences between taxable and accounting income (Chen et al., 2010). Its reliability has been demonstrated through a number of research projects (Slemrod, 2004; Dyreng et al., 2008; Robinson et al., 2010; Armstrong et al., 2010), it is frequently employed by tax authorities and academics (Mills et al., 1998; Rego, 2003), and it has proven capable of reflecting the disparity in corporate tax burdens (Phillips, 2003; Aliani, 2014). The consensus among scholars is that it is a trustworthy indicator. The Australian Taxation Office (2006) posits that companies with a low effective tax rate (ETR) are often viewed as engaging in aggressive tax strategies. Nevertheless, the fact that the low ETR is associated with a high level of tax aggression whereas the high ETR is associated with a low level of tax aggression represents a major setback as well as complicates the analysis. To counter this, researchers propose the use of modified proxies that paves the way for the realization that higher values always mean higher tax evasion, such as cash Effective Tax Rate (Boubaker et al., 2021) or the current ETR multiplied by (−1) (Ngelo et al., 2022). The study's definition of tax aggression (TA =1-ETR) using this method is:

$$TA = \frac{(PRE - TAX\ INCOME\ -\ TAX\ INCOME\ EXPENCE)}{PRE - TAX\ INCOME}$$

The new proxy allows the interpretation of the connection between the independent variables representing BD characteristics and the dependent variable, which is tax aggressiveness, through this new measure presenting the same sign as the tax aggressiveness and varying in the same direction as the tax behavior that the company has chosen.

4.2.2. Independent variables

Following the hypotheses, the variables of the size of the board, gender diversity, leader's duality, independence of directors, board diligence and audit committee must be assessed. The measures of these variables are given into details below:

$DUAL_{it}$: CEO duality, a dummy variable that takes the value of 0 otherwise and 1 if the CEO is also the chairman of the board. Although duality is still a widely studied governance characteristic, Minnick and Noga (2010) do not find any significant effect on tax management practices.

$DILIG_{it}$: Operational diligence of the board as indicated by the annual number of board meetings. It measures the extent of directors' involvement in governance supervision. **$AUDCOM_{it}$:** The presence of an audit committee; if the board has one, the dummy variable is set to 1; if not, it is set to 0.

4.2.3. Control variables Based

on the previous research, we incorporated a collection of control variables into our empirical analysis, which might be the factors influencing the tax aggressiveness of corporations.

$SIZE_{it}$: The size of the firm measured by the natural logarithm of total assets. In previous studies, there were different views about its relationship to tax aggression. Following the political cost argument (Watts & Zimmerman, 1978; Zimmerman, 1983; Omer et al., 1993), larger companies are under the watchful eyes of the tax authorities, the rules, and the politicians, and walk into higher taxes at the end of the day. In contrast, the political power argument (Salamon & Siegfried, 1977; Porcano, 1986; Ego, 2003) takes the view that big companies and their idle tax resources (e.g., knowledge and lobbying) are justifying more aggressive taxation so that they can lower the tax burden. This research considers firm size as it is of great importance.

MTB_{it}: Market-to-book ratio signaling the company´s growth potential. Developing companies usually undergo aggressive tax practices (Loebbecke et al., 1989; Chen et al., 2009). The intent of this control variable is to consider the firm's growth.

Abbreviations	**Variables**	**Measurements**	**Literature**
Dependent Variable			
TA	TAX AGGRESSIVENESS	TA= (PRE-TAX INCOME - TAX INCOME EXPENCE) / (PRE-TAX INCOME)	Authors
Independent Variables			
DUAL	Duality of CEO	Binary variable: takes 1 if the CEO is at the same time the CHAIRMAN, 0 otherwise	Minnick and Noga (2010)
DILIG	Diligence of BD	Number of meetings of BD	Vafeas (1999)
AUDCOM	Audit Committee	Dummy variable: holds1if the BD possesses Audit Committee 0 otherwise	Beasley, M. S. (1996) Klein, A. (1998/2002)
Control variables			
SIZE	Size of firm	Log total assets	Lang & Stulz (1994), Frank & Goyal (1999), Chen, Chen & Cheng (2008/2010)
MTB	Market to book	Market value / Book value	Smith & Watts (1992), Gaver & Gaver (1993), Chung & Pruitt (1994)

4.3. Model specification

Employing a multivariate regression model is justified in the context of our research, which is directed towards investigating the relationship between board characteristics and tax aggressiveness. This model, in one aspect, enables us to get the exact quantification of the impact of each characteristic while at the same time controlling for the effect of other factors, thereby providing reliability and accuracy to the estimates. In another aspect, it reduces omitted bias and strengthens the internal validity of the empirical results, thus giving a more comprehensive and integrated view of the different variables.

$$TA_{it} = \beta_0 + \beta_1\, DUAL_{it} + \beta_2\, DILIG_{it} + \beta_3\, AUDCOM_{it} + \beta_4\, SIZE + \beta_5\, MTB_{it} + \varepsilon_{it}$$

Where:

i: represents corporations (1-90)

t: represent the time period (1-4)

ε: represent the error term

4.4. Tests Conducted

4.4.1. VIF Test

The variance inflation factor (VIF) is a method for assessing multicollinearity in multiple regression analysis; it quantifies how much the variance of the estimated coefficients is inflated due to the correlations among the independent variables. If the VIF values are high, it indicates that there is multicollinearity which can potentially distort the regression estimates.

4.4.2. Heteroscedasticity Test

Heteroscedasticity is an issue when the residuals of the regression have different variances for different observations. A fanning pattern in the residual plot usually points to this problem and it may be either conditional, associated with previous volatility, or unconditional, indicating a change in the variance structure. Heteroscedasticity can cause inference based on the model to be both inefficient and biased if it is not considered.

4.4.3. Homoscedasticity Test

Homoscedasticity means that the error term has the same variance across all levels of the independent variables. The assumption is that violations of this condition will cause the variance estimates to be biased and inconsistent thereby making hypothesis testing unreliable (Kmenta, 1986). To test the homoscedasticity assumption, the Lagrange Multiplier (LM) test is employed.

5. Results and discussion:

The results of this research are presented and discussed under the light of earlier hypotheses in this subsection. First, it provides a statistical description of the variables. Then, it draws on the matrix correlation table which helps to identify multicollinearity problems among the independent variables in the regression.

5.1. Descriptive statistics

Table 1: Descriptive statistics

Variable	Mean	Std. Dev.	Min	Max
TA	1.044281	1.056033	0.196	16.332
DUAL	0.55	0.4978049	0	1
DILIG	4.43625	2.082993	0	13
AUDCOM	0.41625	0.4932444	0	1
SIZE	2.597023	0.2512751	1.609438	3.258096
MTB	2.022607	3.429566	-22.06	57.5

Table 2 provides an overview of the statistics that describe the different variables. First, tax aggressiveness (TA) has a considerable variation amongst firms with its average of 1.044 and extensive range giving an indication of different tax behaviors. Next, there is board monitoring where CEO duality is seen in 55% of companies, and board diligence is 4.44 meetings per year which is the average, showing a difference in monitoring intensity. Audit committee is present in 42% of the observations only.

5.2. Correlation matrix

Table 3: Table of Correlation Matrix

	DUAL	DILIG	AUDCOM	SIZE	MTB
DUAL	1.000				
DILIG	0.066	1.000			
AUDCOM	-0.083	-0.075	1.000		
SIZE	0.064	0.494	-0.066	1.000	
MTB	0.002	-0.060	0.015	-0.046	1.000

The main explanatory variables correlation matrix is shown in Table 3. The board monitoring variables correlations are mostly within a low range implying that multicollinearity does not pose a problem. CEO duality (DUAL) correlates weakly with board diligence (DILIG) and with the audit committee (AUDCOM), which shows that the structure of the leadership is quite independent from the monitoring intensity and the specialized oversight. Board diligence has a moderate correlation with firm size (SIZE), suggesting that the bigger firms usually have more board meetings, but all the other correlations are small. In general, the correlation coefficients' low magnitude supports the variables' appropriateness for inclusion in the multivariate regression analysis.

5.3. Findings

In this section, the results of the diagnostic tests and the multiple regression analysis are shown. Each board monitoring trait is considered and its influence on corporate tax aggressiveness is explained.

Table 2: Table of VIF test

Variable	VIF	1/VIF
SIZE	1.54	0.650307
DILIG	1.34	0.746816
DUAL	1.05	0.955621
AUDCOM	1.02	0.979023
MTB	1.01	0.986414
MEAN VIF	1.19	

The table presents the results of the multicollinearity test through the use of the Variance Inflation Factor (VIF). VIF values are found to be between 1.01 and 1.54 (1/VIF cased between 0.65 and 0.99), far less than the usual threshold of 10, thus showing that multicollinearity is not an issue. Hence, the factors DUAL, DILIG, AUDCOM, SIZE, and MTB can be included simultaneously in the regression model without risk of coefficient distortion.

Table 3: Estimation results

TA	Coef.	T	P>|t|
DUAL	0.030	1.90	0.058*
DILIG	-0.124	-3.47	0.001 ***
AUDCOM	-0.024	-1.76	0.079 *
SIZE	-0.111	-1.09	0.274
MTB	0.101	7.76	0.000***
R^2	0.468		
FISHER	75.45 0.0000***		

($DUAL_{it}$): this variable presents the CEO's twice position in firm i in year t, CEO and Chairman. **($DILIG_{it}$):** This variable shows the number of meetings realized by members of director. This variable is very important; it presents the diligence of the board of firm i in year t**.** **($AUDCOM_{it}$):** this variable is a dummy variable that holds a value of 1 if the board content audit committee 0 otherwise. **($SIZE_{it}$):** this variable presents the size of firm i in year t. **($SIZE_{it}$)**: measured as the natural log of total assets**.** **(MTB_{it}):** this variable presents the Growth, it was employed in my study to control for the extent of the growth for firm i in year t., ***, **,* signification statistical level at **1 %, 5 %** and **10 %,** respectively.

The model accounts for 16.5% of the variation in TA ($R^2 = 0.468$), and the overall regression is highly significant ($F = 75.45$, $p < 0.01$), thus showing strong explanatory power.

At the significance level of 10 %, CEO duality, meaning that the CEO is also the chairman of the board, has a positive and significant impact on tax aggressiveness ($\beta = 0.030$). This result backs up Hypothesis H1 which says that the concentration of leadership power weakens effective board supervision and enables managers to indulge in opportunistic behaviors. According to agency theory, the concentration of power through CEO duality diminishes the control over management and thus enables managers to take risks of aggressive tax strategies (Finkelstein & D'Aveni, 1994; Jensen, 1993). On the other hand, stewardship theory posits that duality may lead to more efficient decision-making due to unity of command (Donaldson & Davis, 1991), but our findings are more in line with the agency view that points out the increased risk of managerial opportunism when monitoring mechanisms are lacking.

With respect to board diligence, the results demonstrate a negative and significant connection between tax aggressiveness and the number of board meetings ($\beta = -0.023$; $p < 0.001$), thus backing Hypothesis H2. This outcome implies that meetings hold with a higher frequency intensify the monitoring process and limit the freedom given to managers concerning the tax-related decisions. According to agency theory, regular incorporation of board meetings enhances information flow and supervision effectiveness (Vafeas, 1999). Viewing this through the lens of upper echelons theory, the directors' frequent interactions enable them to tap into their varied expertise and cognitive resources, thereby empowering them to monitor the intricate and obscure tax strategies.

In line with Hypothesis H3, the formation of an audit committee has a negative and statistically significant effect on tax aggressiveness ($\beta = -0.024$; $p < 0.10$). The finding is a great support for the literature that considers audit committees to be one of the major governance tools that limit possible tax avoidance (Klein, 2002; McGuire, Omer, & Wang, 2012). By doing their job, they are not only reducing the information gap between the management and the shareholders but also restricting the top management's access to those "secret" practices. In terms of CSR, the audit committee is viewed as a trust enhancer that facilitates the process of transparency. In addition, it helps companies to gain customers' trust and eventually, taxpayers' support.

Concerning the control variables, there is a positively correlated and very significantly associated market-to-book ratio (MTB) with tax aggressiveness ($\beta = 0.101$; $p < 0.01$). This finding implies that companies with a higher market value and better growth potentials are more prone to use aggressive tax strategies. The management of high-growth firms usually goes the extra mile thus the performance expectations and the internal resource cuts for the financing of new investments may make the firm easier to adopt more aggressive tax planning practices. This result supports the view of the literature that growth-seeking firms use tax avoidance as a means to improve cash flows and keep rivals at bay. On the other hand, firm size (SIZE) has a negative but statistically insignificant correlation with tax aggressiveness ($\beta = -0.111$). This suggests that firm size does not significantly determine corporate tax behavior when active board monitoring mechanisms are considered. Although bigger corporations are usually thought to have more resources and tax planning skills, they also have to face larger political and regulatory scrutiny which can counteract the incentives to practice aggressive tax behaviors. The non-significant impact of firm size indicates that governance mechanisms rather than scale effects are more important in explaining differences in tax aggressiveness.

Conclusion

This research examines the influence of active board monitoring mechanisms on corporate tax aggressiveness, changing the emphasis from board structural characteristics to the degree and quality of board oversight. Based on agency theory and supported by corporate social responsibility (CSR) theory, the study gives empirical proof that board monitoring habits are instrumental in controlling the managers' freedom of choice in tax matters.

The research conducted on 90 U.S. non-financial companies before the TCJA period, from 2014 to 2017, discovered that CEO duality had a significant positive effect on tax aggressiveness. This means the merging of executive powers led to the weakening of board supervision and the facilitation of unethical tax practices. On the other hand, the more vigilant the board and the audit committee were, the less aggressive the tax practices, making it clear that continuous monitoring and specialized oversight are the factors that limit the use of risky tax strategies. These findings, among others, have the implication that effective tax governance is not only a matter of having the right governance structures in place but also of the degree of involvement in monitoring managerial behavior by the boards. Moreover, the research indicates that in addition to firm traits, companies' willingness for aggressive tax treatment measured by the market-to-book ratio is directly dependent on having ample growth opportunities, whereas the size of a firm becomes insignificant when governance mechanisms are considered. By and large, these results imply that active monitoring methods overshadow firm-level characteristics in the explanation of differences in corporate tax practices.

Overall, this research adds to the tax governance literature in a significant manner by revealing that active board oversight is a major factor in restraining opportunistic tax behavior, in addition to the formal board structures. By accentuating the importance of monitoring intensity, the results give valuable tips for the improvement of the governance frameworks and the encouragement of the corporate tax practices that are more responsible. However, the limitation of the results in terms of generalizability may arise from the focus on large U.S. corporations and the reliance on a single tax aggressiveness proxy. Future research could build on this analysis by using different tax measures, looking at other institutional contexts, and studying how board monitoring interacts with external governance mechanisms.

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