# CORPORATE TAX AVOIDANCE DURING COVID-19 PANDEMIC: A STUDY ON PUBLIC LISTED COMPANIES IN MALAYSIA



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Tandatangan

**ABSTRACT**

The main purpose of this study is to examine the impact of Company Size, Return on Assets (ROA), Capital Intensity (CAPR), Debt to Asset Ratio (DAR), Female Directors, and Company Age on Tax Avoidance in Bursa Malaysia's Public Listed Companies. Quantitative approach was adopted in this research. The sample selected based on top 30 and bottom 30 by market capitalization on the Main Board of Bursa Malaysia as at December 31, 2022. Based the results of study, it concluded Company size, Return On assets and Capital Intensity have significant impact on tax avoidance at 99%. It revealed Female Director has significant impact on tax avoidance at 95%. Whereas, Debt to Asset Ratio and Company Age do not have significant influence on tax avoidance.

**Keywords:** Corporate Tax Avoidance, Effective Tax Rate, Malaysia and Covid-19 Pandemic.

## ABSTRAK

Objektif kajian ini adalah menilti kesan saiz syarikat, pulangan atas aset, intensity modal, nisbah hutang kepada aset, pengarah wanita dan umur syarikat terhadap pengelakkan cukai oleh syarikat yang tersenarai di Bursa Malaysia. Kaedah kuantitatif digunakan dalam kajian ini. Sampel yang dipilih adalah 30 paling tinggi dan 30 paling bawah syarikat mengikut permodalan pasaran di papan utama dalam Bursa Malaysia pada 31 Disember 2022. Hasil kajian mendapati bahawa saiz syarikat, pulangan atas aset, intensity modal mempunyai pengaruh yang ketara iaitu 99% ke atas pengelakkan cukai. Manakala, pengarah wanita dan mempunyai pengaruh yang ketara pada kadar 95% terhadap pengelakkan cukai. Nisbah hutang kepada aset dan umur syarikat tiada pengaruh yang ketara ke atas pengelakkan cukai.



**Kata Kunci**: Pengelakkan Cukai Korporat, Kadar Cukai Efektif, Malaysia dan pandemic Covid-19.

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## LIST OF ABBREVIATION

| | |
|---|---|
| AES | Awareness, Education and Services |
| ANOVA | Analysis of Variance |
| ATO | Australian Tax Office |
| CAPR | Capital Intensity Ratio |
| DAR | Debts to Assets Ratio |
| DGIR | Director General of Inland Revenue |
| ETR | Effective Tax Rate |
| GAAP | Generally Accepted Accounting Principles |
| HMRC | His Majesty of Revenue and Customs |
| IRBM | Inland Revenue Board of Malaysia |
| IRS | Internal Service Revenue |
| ITA | Income Tax Act, 1967 |
| MCO | Movement Control Order |
| MOF | Ministry of Finance |
| OECD | Organization for Economic Cooperation and Development |
| PLCs | Public Listed Companies in Bursa Malaysia |
| ROA | Return on Assets |

# CHAPTER ONE

# INTRODUCTION

## 1.1 Background of the Study

Malaysia like other countries had experienced Covid-19 Pandemic since end of 2019. Movement Control Order (MCO) or commonly known as Lockdown had restricted daily activities of citizen in order to curb the spread of Covid-19 virus in Malaysia. Closure of government, business and industry affected the economy as a whole. However, there are industries which were experienced surge in the revenue such as healthcare, online businesses, rubber glove manufacturers, furniture, telecommunication and poultry.

YB Senator Tengku Datuk Seri Utama Zafrul Bin Tengku Abdul Aziz, Finance Minister, expressed his congratulation to Inland Revenue Board of Malaysia (IRBM) for successfully recording a higher amount of direct tax collection in 2021, which is RM144.109 billion, compared to RM123.104 billion in 2020. It has increased by 17% compare to 2020.

Even though Malaysia recorded direct tax collection amounting of RM144.109 billion in 2021, government and tax administrator are still need to understand the degree of corporate tax avoidance during Covid-19 Pandemic in Malaysia. It is because of surge in revenue will contribute company to take tax avoidance action due to higher revenue results in higher taxes which are tax burden. High profitable companies are anticipated to be extra frequently involved in tax avoidance. In this study, tax avoidance is refer to legitimate action and approach whose objective is not to avoid taxes but to minimise them. In the following chapter, the concept of tax avoidance will be discussed in extensively.

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