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Tax and Corporate Governance

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Abstract

How do the tax system and corporate governance arrangements interact? This chapter begins by reviewing an emerging literature that explores how agency problems create such interactions and provides evidence on their importance. This literature has neglected how taxation can interact with the various mechanisms that have arisen to ameliorate the corporate governance problem, such as concentrated ownership, accounting and information systems, high-powered incentives, financing choices, payout policy, and the market for corporate control. The remainder of the chapter outlines potentially fruitful areas for future research into how these mechanisms may respond to the tax system.

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