Corporate Tax Avoidance and Firm Value

Mihir A Desai, Dhammika Dharmapala

> Author and Article Information

The Review of Economics and Statistics (2009) 91 (3): 537-546.

https://doi.org/10.1162/rest.91.3.537 Article history ©

Cite Permissions Share v Views v

Abstract

Do corporate tax avoidance activities advance shareholder interests? This paper tests alternative theories of corporate tax avoidance using unexplained differences between income reported to capital markets and to tax authorities. OLS estimates indicate that the effect of tax avoidance on firm value is a function of firm governance, as predicted by an agency perspective on corporate tax avoidance. Instrumental variables estimates based on exogenous changes in tax regulations yield larger overall effects and reinforce the basic result, as do several robustness checks. The results suggest that the simple view of corporate tax avoidance as a transfer of resources from the state to shareholders is incomplete given the agency problems characterizing shareholder-manager relations.

This content is only available as a PDF.

Copyright by the President and Fellows of Harvard College and the Massachusetts Institute of Technology

You do not currently have access to this content.

Sign in

Don't already have an account? Register

Client Account

Email address / Username

Password

Skip to Main Content

Sign In

Reset password

Sign in via your Institution

Sign in via your Institution

□ Buy This Article

Email Alerts

Article Activity Alert

Latest Issue Alert



Latest Most Read Most Cited

Sexual Misconduct, Accused Scientists, and Their Research

Erratum: What Matters for Electrification? Evidence from 70 Years of U.S. Home Heating Choices

Productivity Gains from Trade: Bunching Estimates from Trading Rights in China

Harvesting the Rain: The Adoption of Environmental Technologies in the Sahel

Cited By

Skip to Main Content

Web of Science (564)

Google Scholar

Related Articles

The American Corporation

Daedalus (April, 2013)

The Corporate Boomerang: Shareholder Transnational Advocacy Networks Targeting Oil Companies in the Ecuadorian Amazon

Global Environmental Politics (February, 2009)

The Dependence of pay – Performance Sensitivity on the Size of the Firm

The Review of Economics and Statistics (August,1998)

Honor Thy Creditors Beforan Thy Shareholders: Are the Profits of Chinese State-Owned Enterprises Real?

Asian Economic Papers (October,2010)

Related Book Chapters

Dividends and Other Discretionary Distributions to Shareholders

Pricing Corporate Securities as Contingent Claims

Shareholders

The Great Divestiture: Evaluating the Welfare Impact of the British Privatizations, 1979-1997

Can Innovative Processes Avoid Paralysis?

The Resistance Dilemma: Place-Based Movements and the Climate Crisis

A Report for the Shareholders

Portrait of the Manager as a Young Author: On Storytelling, Business, and Literature

The Review of Economics and Statistics

Skip to Main Content



A product of The MIT Press

Newsletter sign up













MIT Press Direct

About MIT Press Direct

Books

Journals

CogNet

Information

Accessibility at MIT

MIT Press Direct VPAT

For Authors

For Customers

For Librarians

Direct to Open

Open Access

Media Inquiries

Rights and Permissions

For Advertisers

MIT Press

About the MIT Press

The MIT Press Reader

MIT Press Blog

Seasonal Catalogs

MIT Press Home

Give to the MIT Press

Contact Us

FAQ

Skip to Main Condinat Service Desk

© 2025 The MIT Press

Terms of Use Privacy Statement Crossref Member COUNTER Member

The MIT Press colophon is registered in the U.S. Patent and Trademark Office