


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](#)  [Views](#) 

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



View Metrics

Latest

Most Read

Most Cited

Conscientiousness in the Workplace: Evidence from a Field Experiment in West Africa

Taxation with a Grain of Salt: The Long-Term Effect of Extractive Fiscal Institutions on Development

The Domestic Political Economy of China's Foreign Aid

Rules of Origins Relaxation and Regional Supply Chains: Evidence from Europe

Cited By

Web of Science (568)

Google Scholar

Related Articles

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)

Purifying Japan's Banks: Issues and Implications

Asian Economic Papers (January,2006)

Bargaining with the CEO: The Case for “Negotiate First, Choose Second”

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

Accounting Firms

Confidence Games: Lawyers, Accountants, and the Tax Shelter Industry

The Review of Economics and Statistics

Online ISSN: 1530-9142 Print ISSN: 0034-6535

[Skip to Main Content](#)



MIT Press Direct

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](#)

[Direct Service Desk](#)

[Skip to Main Content](#)

