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Tax Avoidance in Malaysia: A Scoping Review

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ABSTRACT

This study aims to identify the key factors that influence corporate tax avoidance actions and relevant theories related to tax avoidance studies among companies in Malaysia. The study employs a scoping review methodology, which is based on the new PRISMA-ScR writing guidelines. The secondary data was sourced from three databases: Scopus, Web of Science, and MyCite. This study is limited to Malaysia and covers a period of 13 years, from 2012 to 2024. After analysis, the data collected about 30 articles that illustrate an overall trend of factors influencing corporate tax avoidance activities in Malaysian companies. This study identified several key factors of tax avoidance with a particular focus on corporate social responsibility, corporate governance, and ownership structure. This study also has the potential to make valuable contributions to both academic and practical domains. The prominent theories identified in relation to tax avoidance include agency theory, legitimacy theory, and stakeholder theory. These theories provide valuable academic insights and offer new ideas for future research.

Keywords: Tax avoidance; corporate; Malaysia; scoping review; key factors.

INTRODUCTION

Taxation is the primary source of income for most governments worldwide because it fulfills different roles that contribute to a country's development (Osho et al. 2020). The primary reason for taxation is to serve many essential purposes, such as enhancing social welfare, stimulating economic expansion, and facilitating sustainable development (Boiko et al. 2023). The increasing complexity of global marketplaces has led to a widespread usage of tax avoidance as a common approach among companies. Tax avoidance can be perceived into several ranges of tax strategies. Several studies claimed that it involves tax planning strategies that exploiting legal loopholes in tax requirements by minimizing tax liabilities that are technically legal but questionable (Hanlon & Heitzman 2010; Mgammal 2020). Tax avoidance also typically involves contentious measures that are legal but may not align with the purpose of intended laws and was claimed as tax aggressiveness. In this study tax avoidance refers to tax planning strategies not tax aggressiveness. It was found that tax planning strategies can reduce a companies' tax burden through investments and structuring business activities (Wang et al. 2020). Past studies indicate empirically that tax avoidance significantly affects global tax revenue, especially in developing countries that are losing nearly US$311 billion annually (Tax Justice Network 2020). The loss of significant tax revenue is harmful to developing countries where these funds are essential for ensuring the smooth operation of both global and local governments (Neog & Gaur 2020).

Tax avoidance is a growing challenge in developing countries like Malaysia because the government's primary source of income depends on tax revenues (Yee et al. 2018). The intricacies of the legal framework create opportunities for companies to exploit loopholes and ambiguities that will reduce their tax obligations and contribute to substantial tax avoidance. Past study has identified the complexity and ambiguity of Malaysian tax regulations as a key factor enabling tax avoidance (Khalid et al. 2021). Consequently, tax authorities encounter significant obstacles because of tax avoidance, which disturbs the management and retrieval procedures at the local level (Remali et al. 2018). For instance, the yearly reports of the Inland Revenue Board (IRBM) show a consistent increase in tax avoidance cases throughout the years, and the number of documented instances has risen from 617 cases in 2013 to 2,169 cases in 2017. Recent tax avoidance cases in Malaysia notably those involving multinational companies that use such strategies, show the importance of addressing this issue. (Marimuthu & Su Hee 2022). Hence, the need of scoping review is to understand the current state of knowledge in tax avoidance context whereas previous studies particularly in Malaysia provide unclear definition and inconclusive reason to explain the tax avoidance strategies activities.

Duhoon and Singh (2023) proved a systematic review approach to analyze the elements that influence corporate tax avoidance activities and their consequences. Different from Duhoon and Singh (2023) that covered systematically on influences and consequences of tax avoidance in broad context, this study tries to highlight dominant framework and underutilized perspective in Malaysia tax avoidance research. Moreover, this study also tries to understand which theoretical lens (agency theory, legitimacy theory, stakeholder theory) are being applied in Malaysia context. This study aims to explore on the factors influencing corporate tax avoidance in Malaysia and examine the theories used in prior research to identify the key trends and highlight the gaps in current knowledge. Thus, the novelty of this study is its utilization of a scoping review to broaden the scope of prior research on tax avoidance activities in Malaysia.

METHODOLOGY

The study uses a qualitative research method that employs a scoping review methodology based on the approach developed by (Arksey & O'Malley 2005). It follows the Preferred Reporting Items for Systematic Reviews and Meta-Analyses Extension for Scoping Reviews (PRISMA-ScR) writing criteria. By applying scoping reviews, it is believed that this study can fragment the past literature landscape by mapping the depth of existing studies, identifying gaps, patterns, and overlaps (Arksey & O'Malley 2005). It is designed to provide a comprehensive assessment of the extent of research within a specific study or field. (Irafahmi 2019; Arksey & O'Malley 2005). Scoping review follows five research steps which are: (1) identification of research questions, (2) Search strategy for relevant studies, (3) Selection of sources of evidence, (4) data processing, and (5) synthesis and documented results. This methodology is particularly valuable where existing research is often fragmented or lacks comprehensive analysis of all relevant factors. Hence, scoping reviews can help guide future research directions and inform policy development by mapping out the existing body of work.

IDENTIFICATION OF RESEARCH QUESTIONS

The first phase of this investigation involves the identification of research queries that serve as a framework for researchers. The two research objectives for this study are as follows: 1) To identify the key factors that influence corporate tax avoidance activities in Malaysia. 2) To identify theories that are related to tax avoidance among companies in Malaysia.

SEARCH STRATEGY FOR RELEVANT STUDIES

A digital search was run for all the databases using Boolean operators, specifically "tax avoidance" AND "Malaysia." Whenever the search produced terms closely related to "tax avoidance," such as "tax aggressiveness" and "tax planning," the results were deemed suitable for screening.

SELECTION OF SOURCES OF EVIDENCE

The three databases from which the study was sourced were Scopus (960 articles), Web of Science (64 articles), and MyCite (36 articles). The Scopus and Web of Science databases were selected due to their reputation as widely recognized and authoritative sources commonly utilized in scoping reviews within the social sciences, particularly in the field of accounting. In addition, MyCite was included to ensure comprehensive coverage of Malaysian research outputs, making it suitable for this study. This study covers the period from 2012 to 2024, selected based on the availability of recent literature and to capture emerging trends and significant regulatory developments relevant to the research focus within this timeframe. A total of 1,054 articles were initially retrieved, of which an additional 3 duplicate records were eliminated during the identification phase before screening. 925 articles were also excluded during the identification phase by the automated tool as they did not pertain to the fields of Accounting or Business within the period. The inclusion criteria were specifically formulated to focus on corporate tax avoidance activities within the Malaysian context. Out of the remaining 126 articles, 96 were further excluded for failing to meet these criteria or for not being conducted within Malaysia. Subsequently, the abstracts and full texts of 30 articles were thoroughly reviewed during the data screening process, based on the established eligibility parameters. The number of articles is determined using the PRISMA Flow Diagram, which is based on Figure 1.

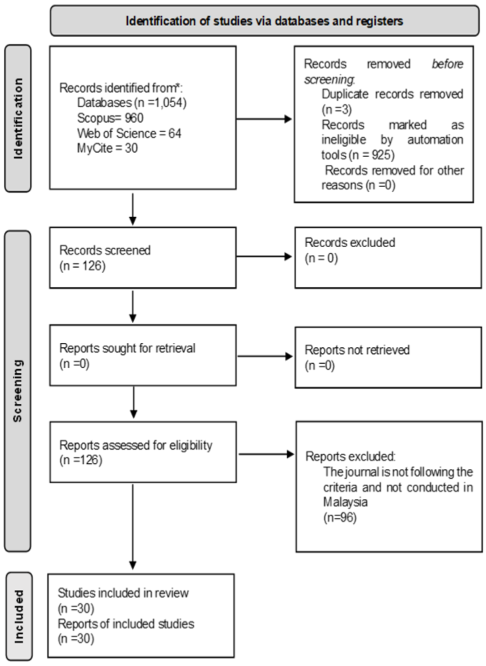

FIGURE 1. PRISMA flow diagram of the study selection process
Source: Author's own creation.

RESULTS

STUDIES ON CORPORATE TAX AVOIDANCE TREND IN MALAYSIA

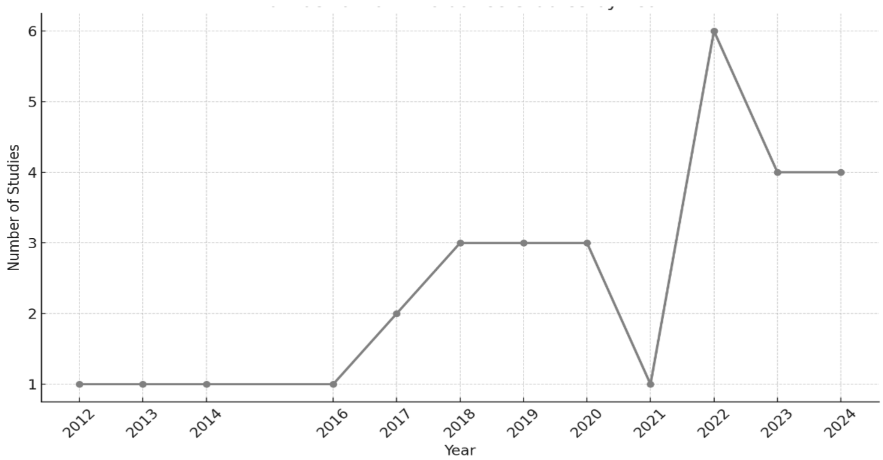

FIGURE 2. Number of tax avoidance studies in Malaysia by year
Source: Author's Own Creation

Figure 2 presents a longitudinal view of academic output on tax avoidance from year 2012 to year 2024. The visual trend reflects a relatively low volume of research between the year of 2012 to 2016, with only one study published annually. This indicates a period of minimal scholarly focus on the topic during the early year 2012. A gradual increase in the study evidence beginning of year 2017, with a noticeable rise to three studies annually sustained from the year 2018 to year 2020. This growth suggests a burgeoning interest in the topic which possibly driven by heightened global attention to corporate transparency and tax justice movements. A significant peak occurs in year 2022, where the number of studies jumped to six. This surge may reflect a cumulative response to socio-economic changes following the COVID-19 pandemic because governments and researchers scrutinized fiscal behaviour and tax compliance more critically. However, this intensity slightly tapered in the subsequent years, stabilizing at four studies per year in 2023 and 2024. In summary, Figure 2 illustrates the growing relevance of tax avoidance as study area, marked by increasing research momentum which particularly in the last five years.

KEY FACTORS OF CORPORATE TAX AVOIDANCE IN MALAYSIA

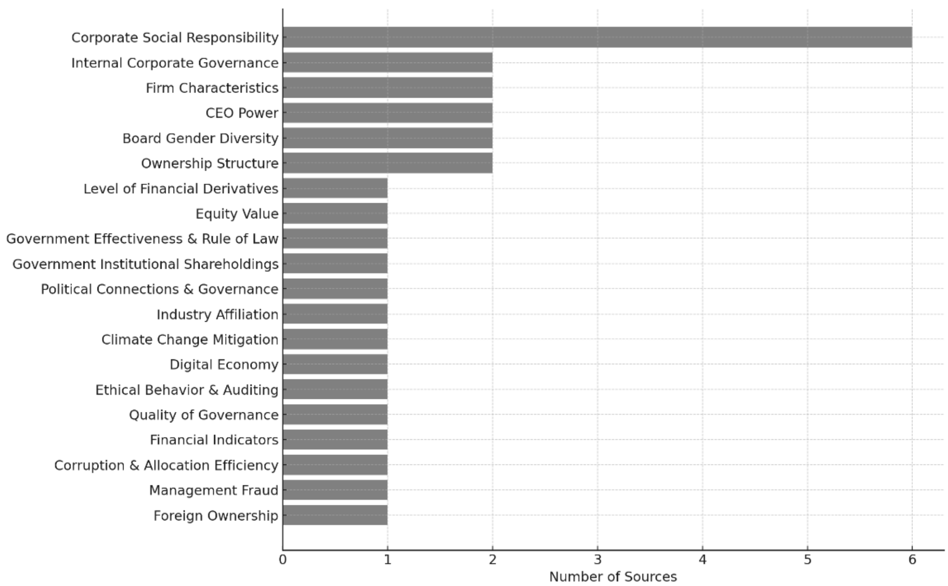

FIGURE 3. Key factors of tax avoidance and number of sources
Source: Author's own creation.

Figure 3 illustrates the frequency distribution of key determinants of corporate tax avoidance as identified in the Malaysian empirical literature. Among the variables explored, Corporate Social Responsibility (CSR) emerges as the most extensively studied determinant. CSR conceptualized as a company's voluntary engagement in initiatives that promote social and environmental well-being beyond legal compliance. Rakia et al. (2024) found an ambivalent relationship with tax avoidance in the Malaysian context. Some empirical studies suggest a positive relationship, where companies strategically deploy CSR as a form of legitimate way to mask aggressive tax planning, thereby enhancing public perception while minimizing fiscal transparency (Rakia et al. 2024; Wei Ling & A.Wahab 2019). Conversely, other studies show a negative association arguing that companies committed to ethical governance through robust CSR frameworks are less likely to engage in tax avoidance because of heightened accountability and moral obligations (Mosuin et al. 2024; Mohanadas et al. 2020). This suggests that while regulatory policies in Malaysia are more robust than in some countries as they are insufficiently connected to fiscal transparency requirements. This allows CSR disclosures to be used more as a facade rather than a reflection of true ethical engagement.

Besides, another widely examined area in the literature is corporate governance and ownership structure which both play crucial roles in shaping managerial incentives and oversight quality (Annuar et al. 2014; Armstrong et al. 2015; Sá & Alves 2018). This is because governance mechanisms such as board oversight, executive compensation, and managerial shareholding are designed to align managerial interests with those of shareholders and to mitigate agency conflicts (Putra et al. 2019). However, the empirical evidence from Malaysia remains inconclusive. For instance, while certain studies observe a limited impact of internal governance mechanisms on reducing tax avoidance (Mohd Ali et al. 2022; Velte 2024), and others highlight the enabling role of ownership structures, including family ownership and cross-shareholdings, which are associated with increased levels of tax avoidance due to entrenchment effects and weaker minority protection (Syukur et al. 2022).

The next key factor is Chief Executive Officer (CEO) characteristics and board composition have also received significant scholarly attention. CEO power has been shown to influence tax planning behaviour. Studies in the Malaysia proved that CEO with greater decision-making autonomy are more likely to pursue aggressive tax strategies (Hooy G.K. & Phua L.K. 2023). Similarly, board attributes function as either enablers or deterrents of tax avoidance. For example, while gender diversity on boards has paradoxically been linked to higher tax avoidance that possibly due to risk aversion leading to more financial planning (Razali et al. 2023) . The board independence has been found to have a mitigating effect, suggesting that external directors improve oversight and limit tax-related opportunism. Nevertheless, other board characteristics such as age, educational attainment, and board size demonstrate no significant effect on tax behaviour (Mohd Ali et al. 2022). In addition, the role of government ownership and political connections have emerged as key contextual factor in Malaysia’s institutional landscape. Empirical studies show that state-owned enterprises (SOEs) are typically more compliant with tax obligations due to heightened scrutiny and public accountability (Zeng 2019; A.Rahman et al. 2018). This dynamic is more pronounced in Malaysia, where political connections are deeply embedded in the corporate landscape, and SOEs are expected to adhere to stricter compliance standards. While other countries face similar issues of political influence, the extent to which political connections affect tax avoidance in Malaysia points to significant gaps in the enforcement of tax laws and the needs for stronger safeguards against political interference.

In contrast, companies with political affiliations are found to engage in higher levels of tax avoidance, leveraging their networks to circumvent tax enforcement mechanisms and regulatory oversight (Wahab et al. 2017). This dichotomy underscores the significance of institutional embeddedness in shaping corporate behaviour. In recent years, the advent of the digital economy and sector-specific considerations have added complexity to the study of tax avoidance. The digitization of business models, particularly in e-commerce will present new challenges in revenue recognition, geographic reporting, and tax base erosion (Abdul Wahab et al. 2021).

Moreover, industry affiliation has been shown to influence tax behaviour with companies operating in high-margin or capital-intensive sectors such as consumer goods or construction by demonstrating varying propensities for tax planning due to differences in operational complexity and profit volatility (Ariffin 2012). The economic effect of the COVID-19 impact has also reshaped corporate financial strategies which brings variables such as financial distress and derivative use into sharper focus. A study indicates that these companies may be less likely to pursue aggressive tax strategies due to heightened regulatory surveillance and reputational concerns (Ariff et al. 2023). In contrast, traditional financial indicators are notably leverage and return on assets (ROA) which show a consistent positive association with tax avoidance, suggesting that financially robust companies possess greater capacity and motivation to engage in tax planning (Muhmad et al. 2020).

The final key factors related are management fraud, corruption, and weak internal controls remain prominent in understanding the broader ecosystem that facilitates tax avoidance. Empirical studies suggest that managerial unethical behaviour and fraudulent reporting correlate strongly with tax evasion activities (Safeei 2022). Systemic corruption undermines tax governance and enforcement will create an environment conducive to non-compliance and aggressive tax strategies (Rudyanto et al. 2022; Zeng 2019). In sum, the Malaysian literature presents a rich yet heterogeneous body of evidence on the determinants of corporate tax avoidance. The result suggests that tax avoidance behaviour is multi-causal, context-dependent, and shaped by an interplay of firm-level governance, institutional frameworks, and sectoral characteristics. This proved the needs for more longitudinal and industry-specific research gap to disentangle the complex mechanisms underpinning tax avoidance practices in Malaysia.

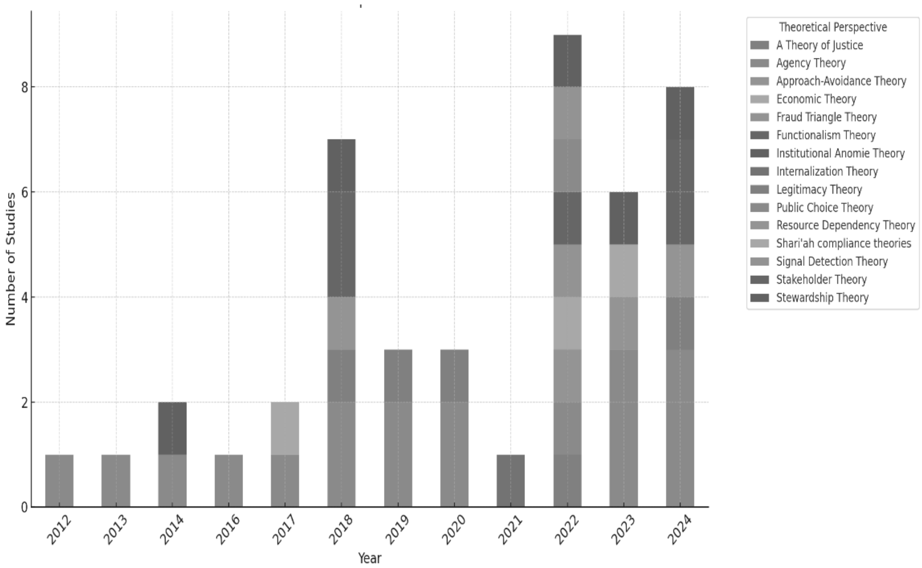

FIGURE 4. The trend on theoretical perspectives of tax avoidance
Source: Author's own creation

Figure 4 illustrates the evolving theoretical landscape that underpins research on tax avoidance from 2012 to 2024. The period from 2012 to 2024 has seen significant developments in the theoretical frameworks used to understand corporate tax avoidance in Malaysia. The agency theory has remained the dominant framework which is a traditional theory by Jensen & Meckling 1976), explaining conflicts between managers and shareholders that arise from the separation of ownership and control. In Malaysia, agency theory provides valuable insights into how managerial discretion can lead to tax avoidance, especially when managers prioritize personal or short-term financial interests over the interests of shareholders (Putra et al. 2019). Past studies underscore the impact of weak governance mechanisms in enabling managers to engage in aggressive tax strategies (Hooy G.K. & Phua L.K. 2024; Mosuin et al. 2024).

Legitimacy theory and stakeholder theory have gained prominence as frameworks for understanding tax avoidance in Malaysia, particularly in relation to Corporate Social Responsibility (CSR) (Mohanadas et al. 2020; Wei Ling & A. Wahab 2019). Legitimacy theory suggests that companies use CSR to enhance their public image often masking aggressive tax practices in the process. In Malaysia, the public plays a significant role in shaping corporate reputations which companies often deploy CSR strategically to deflect attention from unethical tax behaviours. Then, stakeholder theory expands on this by emphasizing the influence of non-shareholding stakeholders, such as employees, local communities, and government regulators, who pressure companies to adopt more ethical tax behaviours (Mgammal et al. 2018). In Malaysia, civil society movements, media scrutiny, and NGO advocacy have increased the pressure on companies to align their tax behaviour with ethical values with issues like income inequality and corporate responsibility which have come to the forefront.

In contrast to the self-interest model of agency theory, stewardship theory has emerged as a framework that emphasizes ethical leadership and long-term organizational goals (Oktavia et al. 2019). This theory posits that executives in family-owned or closely held companies are more likely to act in the best interests of the organization and its stakeholders by reducing the likelihood of tax avoidance. Hooy G.K. and Phua L.K. (2024) highlight how long-serving executives in family businesses, who are personally invested in the company's legacy may be less inclined to engage in tax avoidance strategies. However, the application of stewardship theory in Malaysia is somewhat limited, as the dominance of family control and managerial discretion often means that agency theory remains the more comprehensive framework for explaining tax avoidance in the country.

Besides, economic theory with its focus on rational decision-making and profit maximization continues to serve as a foundational approach to understanding tax avoidance (M. Ali et al. 2022). Companies that have significant financial resources often engage in complex tax planning to minimize their tax liabilities within legal boundaries. In Malaysia, large capital-intensive companies are particularly prone to aggressive tax strategies because they have the capacity to exploit loopholes and utilize tax avoidance mechanisms. However, the application of public choice theory introduces an important socio-political dimension, as it accounts for the influence of government effectiveness, political patronage, and corruption on corporate tax behaviour. In Malaysia, companies with political connections can exploit their networks to bypass tax enforcement, undermining the effectiveness of tax laws and regulations. Therefore, public choice theory adds depth to the economic understanding of tax avoidance by acknowledging the significant role that political influence plays in shaping corporate behaviour (Rudyanto et al. 2022).

The increasing relevance of resource dependency theory and Shari'ah compliance theory further highlights the growing importance of external influences and ethical governance in shaping tax behaviour (Taufik 2023). Resource dependency theory emphasizes how a firm's reliance on external resources, such as capital or political connections will affect its decision-making processes including tax avoidance. In Malaysia, this theory underscores the impact of external power dynamics on tax avoidance activities, where political ties and industry connections are central to business operations. Shari'ah compliance theory, particularly in Malaysia's dual legal system introduces an ethical perspective argues that companies adhering to Islamic financial principles are less likely to engage in tax avoidance due to the moral obligation to act transparently and fairly. The rise of Islamic finance in Malaysia highlights the growing significance of ethical governance frameworks in shaping corporate tax behaviour.

Finally, the application of signal detection theory and fraud triangle theory underscores the importance of internal governance mechanisms in preventing tax avoidance (Safeei 2022). Signal detection theory highlights the challenges in detecting sophisticated forms of tax avoidance, particularly when companies implement complex financial strategies to conceal their behaviours. Similarly, fraud triangle theory focuses on the conditions where the pressure that enable tax avoidance. In Malaysia, weak regulatory enforcement and limited oversight are often the issues and therefore these theories suggest that improving internal controls and enhancing audit processes are critical steps to minimize tax avoidance.

Hence, the theoretical frameworks applied to tax avoidance in Malaysia from 2012 to 2024 reflect an increasing recognition of the complexity of corporate tax behaviour. While agency theory continues to dominate, the increasing relevance of legitimacy theory, stakeholder theory, and stewardship theory signals a shift toward a broader understanding of tax avoidance that incorporates external pressures, ethical leadership, and socio-political factors. The growing interest in public choice theory, resource dependency theory, and Shari'ah compliance theory highlights the importance of political, cultural, and ethical dimensions in shaping corporate tax behaviour in Malaysia. Consequently, these frameworks provide a comprehensive understanding of the factors which drive tax avoidance and offer valuable insights for policymakers seeking to improve corporate tax compliance and minimize tax avoidance activities in the Malaysian context.

All the chosen articles for this study have been summarized and presented in Table 1.

TABLE 1. Result of analysis

Author/Year	Key Factor of Tax Avoidance	Related Theories
(Mosuin et al. 2024)	Corporate Social Responsibility, Foreign ownership, Executive incentives, Firm characteristic	Agency Theory, Stakeholder Theory and Legitimacy theory
(Hooy & Phua 2024)	CEO power, Board gender diversity as moderating effect	Agency Theory and Stewardship Theory
(Rakia et al. 2024)	Corporate social responsibility, women directors as moderating effect	Stakeholder Theory and Resource Dependency Theory
(Velte 2024)	Ownership structure (institutional, state, family, foreign, managerial and cross-ownership, and ownership concentration)	Agency Theory
(Hooy & Phua 2023)	CEO power, board tenure diversity	Agency Theory and Stewardship Theory
(Taufik 2023)	Shari'ah supervisory boards characteristics (size, education level, expertise, boards turnover	Resource dependence theory and Shari'ah compliance theories
(A. Ariff et al. 2023)	Financial distress	Agency Theory
(Razali et al. 2023)	Board diversity (board gender, age, educational level, board size, board independence, and duality)	Agency Theory
(Mohd Ali et al. 2022)	Tax Incentive Recipient, Firm Characteristics	Economic Theory
(Kurniasih et al. 2022)	Tax haven and role of political connection	Stewardship Theory
(Marimuthu & Su Hee 2022)	Tax complexity, Tax compliance costs, Tax rate and government transparency spending, Tax education and tax knowledge	Approach-Avoidance Theory
(Rudyanto et al. 2022)	Corruption, tax allocation inefficiency and sustainable welfare	Public Choice Theory and Functionalism Theory
(Syukur et al. 2022)	The ownership structure	A Theory of Justice
(Safeei. 2022)	Management fraud (Internal audit status, competencies, financial activities)	Signal Detection Theory, Fraud Triangle Theory, Agency Theory
(Mohanadas et al. 2020)	Corporate social responsibility performance	Legitimacy Theory
(Muhmad et al. 2020)	Financial Indicators (intensity, return on asset, leverage and audit quality)	Agency Theory
(Ortas & Gallego-Álvarez 2020)	Corporate social responsibility	Agency Theory
(Oktavia et al. 2019)	The level of financial derivatives (notional number of financial derivatives	Agency and Stewardship Theory
(Wei Ling & Abdul Wahab 2019)	Corporate social responsibility and equity value	Legitimacy Theory
(Zeng 2019)	Government effectiveness, regulatory quality, rule of law, control of corruption	Agency Theory
(Abdul Rahman et al. 2018)	Government institutional shareholdings	Agency Theory
(Mgammal et al. 2018)	Internal corporate governance (incentive compensation, managerial ownership)	Agency Theory, Stewardship Theory, Stakeholder Theory and Resource Dependency Theory
(Ling & Abdul Wahab 2018)	Corporate social responsibility	Stakeholder Theory, Legitimacy Theory
(You & Brahmana 2017)	Climate change mitigation (global warming, firms plan, potential and current cost	Agency Theory
(Wahab et al. 2017)	Political connections, corporate governance variables	Agency Theory and Economic Theory
(Evertsson 2016)	Ethical behavior, corporate governance, and auditing standards	Agency Theory
(Ariff & Hashim 2014)	Quality of governance	Institutional Anomie Theory, Agency Theory
(Sabli & Noor 2013)	Internal Corporate Governance (Proportion of independent directors) and External Corporate Governance	Agency Theory
(Ariffin 2012)	Industry affiliation (based on sectors and profitable)	Agency Theory

DISCUSSION

This scoping review synthesizes the extend to Malaysian literature on corporate tax avoidance with the aim of fulfilling two primary objectives of this study which are to identify the key determinants influencing corporate tax avoidance behaviour among companies in Malaysia, and to examine the theoretical frameworks underpinning these empirical investigations. This discussion critically interprets the findings of the scoping review, linking the factors such as corporate governance, CSR, political connections, the digital economy, and industry affiliation with the relevant theoretical frameworks identified. Moreover, the implications of contradictory results within this area are explored to provide a comprehensive understanding of the factors shaping corporate tax avoidance in Malaysia.

CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

A central factor influencing corporate tax avoidance is corporate governance, specifically the structure and dynamics of ownership and control. The agency theory framework highlights the potential for agency conflicts, particularly in companies with concentrated ownership or family control, which is prevalent in Malaysia. In such contexts, managerial discretion is often high, leading to a greater propensity for tax avoidance as CEOs and controlling shareholders can act in self-interest without sufficient checks and balances. The findings from Hooy & Phua (2023) confirmed this, showing that greater CEO power, measured by tenure, shareholding, and dual roles, increases the likelihood of tax avoidance.

However, a contradictory perspective emerges from the stewardship theory, which suggests that in family-owned businesses, executives are more likely to prioritize long-term value creation and corporate integrity over short-term financial gains. This theory posits that such executives, driven by loyalty and social responsibility, may be less inclined to engage in aggressive tax avoidance. The evidence from Hooy & Phua (2024) supports this, suggesting that long-serving executives invested in the firm's ethical continuity are more likely to promote tax compliance. This contradiction raises important questions about the role of governance structures in shaping tax behaviours. While agency theory emphasizes the risks posed by weak governance, stewardship theory suggests that strong ethical foundations in family-controlled companies may counteract these risks which potentially reducing the temptation to engage in tax avoidance.

The implications of these contradictory findings point to the necessity of a nuanced approach to corporate governance reform in Malaysia. It is equally important to recognize the role of company's culture and executive ethics while strengthening board independence and improving transparency in executive compensation which are critical to addressing agency problems. Regulatory interventions should aim to foster ethical leadership and corporate cultures that emphasize long-term sustainability and social responsibility especially in family-controlled companies where stewardship logic may play a stronger role.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The relationship between CSR and tax avoidance further complicates the understanding of corporate tax behaviours. Legitimacy theory and stakeholder theory provide valuable insights into this relationship, suggesting that companies may use CSR initiatives as a strategy to enhance their public image and deflect scrutiny of their tax practices. This behaviour is prominent in jurisdictions like Malaysia, where CSR disclosure is increasingly regulated, and companies are aware that public visibility can protect them from stakeholder backlash and regulatory intervention. The findings from Wei Ling & A. Wahab (2019) suggest that CSR can serve as a facade for ethical corporate behaviours, while these companies may continue to engage in tax avoidance.

On the other hand, CSR can also be an indicator of ethical tax behaviours because companies that are committed to high-integrity CSR practices often internalize ethical considerations into broader governance and financial decisions in Malaysia. There are studies that suggest companies with strong CSR commitments tend to exhibit lower tax aggressiveness, viewing taxes not as a cost to be minimized but as a civic contribution (Mohanadas et al. 2020; Ortas & Gallego-Álvarez 2020). The contradiction here lies in the varying definitions and practices of CSR. Surface-level CSR, which is driven by public relations concerns, may facilitate tax avoidance, while substantive CSR, characterized by embedded values and measurable outcomes, aligns more with ethical tax behaviours. This contradiction highlights the need for clearer definitions and standards regarding CSR practices. Regulators should ensure that CSR initiatives are more than just symbolic gestures, pushing companies to align their CSR efforts with genuine social impact and fiscal transparency. Moreover, future research could explore how companies reconcile the competing demands of enhancing corporate reputation through CSR while minimizing tax liabilities.

POLITICAL AND GOVERNMENT CONNECTIONS

Another key factor influencing tax avoidance is the political and governmental environment, which in Malaysia is characterized by a complex mix of government-linked companies (GLCs) and politically connected private entities. Public choice theory helps explain how political patronage and rent-seeking behaviours will affect the enforcement of tax laws. According to Wahab et al. (2017) , politically connected companies are often shielded from regulatory scrutiny, enabling them to engage in tax avoidance with minimal repercussions. Conversely, GLCs that are more directly regulated tend to be more risk-averse and avoid tax avoidance to maintain public and governmental trust. This dichotomy raises questions about the fairness of the tax system and the effectiveness of enforcement mechanisms. While GLCs are expected to set examples of compliance, politically connected companies benefit from regulatory leniency, undermining public trust in the tax system. The implication is that tax policies must be tailored to address these disparities, with stricter oversight and transparency measures for politically connected companies. Policymakers could consider implementing conflict-of-interest reviews, public procurement restrictions, and anti-corruption audits for companies with political ties to ensure that tax avoidance practices do not undermine the integrity of the tax system.

The political context also plays a crucial role in shaping tax avoidance in Malaysia. The presence of political patronage, where companies with political connections can avoid regulatory scrutiny is a unique feature in Malaysia’s institutional landscape. This phenomenon is not as pervasive as other countries where political connections may influence corporate behaviour, but not to the same extent as in Malaysia. The degree of regulatory capture, where companies with political ties can influence tax enforcement, significantly shapes the extent of tax avoidance in Malaysia. Hence, this situation underscores the need for institutional reforms to decouple political influence from corporate tax behaviour.

DIGITAL ECONOMY AND INDUSTRY AFFILIATION

The emergence of the digital economy presents a new set of challenges for tax authorities, particularly in the context of companies that operate across borders and leverage digital technologies to avoid traditional taxation models. Abdul Wahab et al. (2021) highlight how digitalization facilitates base erosion and profit shifting, especially in jurisdictions like Malaysia, where digital service taxes are still evolving. Digital companies can exploit tax loopholes by making traditional tax enforcement strategies less effective and operating without physical presence in a jurisdiction. The contradiction arises when considering the economic theory of tax avoidance, which posits that companies make rational decisions based on cost-benefit analyses. In the digital economy, the lack of clear tax guidelines and the growing use of intellectual property across borders complicate this rational decision-making process.

Digital companies may perceive tax avoidance as a legitimate strategy to minimize costs, yet they are also subject to increasing regulatory scrutiny as governments adapt to new business models. Malaysia’s introduction of the Digital Service Tax (DST) is a step forward, but its implementation remains underdeveloped, and enforcement mechanisms are still catching up with digital business models. The contradictory findings in this context suggest that while economic models of tax avoidance continue to hold relevance, there is a growing need for tax reform that addresses the unique challenges posed by digital companies. Policymakers must balance the promotion of digital innovation with the need for robust regulatory frameworks that prevent tax base erosion and ensure fair taxation across industries.

CONCLUSION

Tax avoidance has been a persistent issue in Malaysia, particularly among publicly listed companies in Bursa Malaysia. The various factors found in this study that affect tax avoidance in Malaysia encompass CSR, corporate governance, ownership structure, CEO power and board characteristics, government and political connections, the impact of the digital economy, industry affiliations, financial distress and derivatives, as well as management fraud and corruption. The predominant theories utilized in the research include agency theory, which is referenced in 17 publications; stakeholder theory and legitimacy theory, referenced in 4 articles; and stewardship theory and economic theory, referenced in 3 articles. Additional articles explore many theories linked to tax avoidance, such as resource dependency theory, shari'ah compliance theory, public choice theory, functionalism theory, signal detection theory, fraud triangle theory, and institutional anomie theory.

This research offers practical contributions and implications for academics. From a practical standpoint, the findings offer actionable insights for both corporate practitioners and policymakers. Companies can enhance their compliance mechanisms by implementing more robust internal controls, such as regular tax audits, transparent reporting systems, and the establishment of specialized tax governance units. Strengthening corporate governance, particularly through increased board independence, gender diversity, and audit committee oversight, can also serve as a deterrent to tax avoidance. Furthermore, the findings underscore the importance of external regulatory frameworks. Government bodies, particularly the Inland Revenue Board of Malaysia (LHDN) may consider adopting a dual approach of incentivizing compliance through tax credits or simplified reporting procedures and strengthening penalties for non-compliance to create a more transparent and accountable corporate tax environment.

From an academic perspective, this scoping review contributes to the theoretical development and empirical literature on tax avoidance in Malaysia. It extends dominant frameworks such as Agency Theory and Legitimacy Theory, while also revealing their limitations when applied to context-specific variables such as political affiliations and institutional embeddedness. This study shows a multi-theoretical approach, such as Stakeholder Theory, Institutional Theory, and Stewardship Theory, to provide a more holistic understanding of tax behaviour. In addition, the review introduces underexplored variables such as CEO power, board gender diversity, digital business models, and sectoral differences that have been largely absent in Malaysian tax literature. The study helps to bridge the gap between global tax research and local practices by contextualizing these variables within the unique regulatory and socio-political landscape of Malaysia.

Despite this, the research conducted for this study was restricted in the sense that it did not cover the full subject of tax avoidance in Malaysia. This was because the information used in this study was obtained from a database that was not the same as the one used for this study, and librarians were not contacted over the keywords. Moreover, quantitative research was the primary method utilised in the investigation of tax avoidance in the prior research that advised this study. In the future study, qualitative research can be carried out to perform a more in-depth investigation of the activities that involve tax avoidance. This is because if tax avoidance activities continue to exist in Malaysia, it is possible that the government's goals for public welfare would not be carried out in their entirety.

In conclusion, the findings from this scoping review demonstrate that tax avoidance in Malaysia is influenced by a variety of interrelated factors, each shaped by the unique institutional, economic, and social environment. The contradictions observed, such as the competing influences of agency theory and stewardship theory, or CSR practices and tax behaviour, highlight the complexity of corporate tax avoidance. Future research should explore these contradictions further, examining how companies balance conflicting incentives and navigate the pressures of corporate reputation, governance, and external regulatory compliance. By linking these theoretical frameworks to practical regulatory interventions, Malaysia can enhance its corporate governance practices and foster a tax system that is both effective and equitable.

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