CEO ATTRIBUTES AND CORPORATE TAX AVOIDANCE IN THE EAST AFRICA COMMUNITY

Samuel Andrew Makokha.
PhD Student, Moi University, Eldoret, Kenya.
Prof. Lucy Rono.
Moi University, Eldoret, Kenya.
Dr. Peter Githaiga.
Moi University, Eldoret, Kenya.

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ABSTRACT

Purpose- The present paper provides new empirical evidence on the relationship between CEO attributes and tax avoidance among listed firms in the East Africa Community

Design/methodology/approach- The study uses data hand-picked from companies listed on the EAC partner states Stock/Securities Exchange during the period 2012–2023.

Findings- The findings suggest that the CEO age and tenure are negatively associated with tax avoidance. The regression results further reveal a positive relationship between CEO expertise and tax avoidance. CEO gender has no effect on tax avoidance. The results remain robust for an alternative regression estimation models that accounts for the possibility of endogeneity.

Practical implication- The findings may provide valuable insights to policy makers and investors. This study suggests that CEO age, tenure and expertise are important factors in determining firms' avoidance practices among corporate entities. Thus, shareholders apprehend the impact of appointing younger CEO on tax avoidance practices. This study may also provide regulators with new insights into the influence of CEO attributes on tax avoidance practices in developing countries. The findings also refute the general argument linking CEO's gender to tax avoidance.

Originality- This study contributes to the literature on CEO characteristics and tax avoidance decisions by providing additional evidence from a developing region perspective.

Keywords: Tax avoidance, CEO attributes, East Africa, Upper Echelon.

INTRODUCTION

Corporate tax avoidance has been extensively practiced in numerous developing countries. Statistics indicate that the Middle Africa and Northern Africa (MENA) and the Eastern Africa Community (EAC) suffered the biggest average revenue loss from tax avoidance, amounting to 2.7% of their respective Gross Domestic Product (GDP). In comparison, Southern Africa had a revenue loss of approximately 2% of GDP, while Western Africa had a revenue loss of 2.3% of GDP. Furthermore, the levels of capital flight, which ranged from a median of 10.3 percent in Western Africa to 2.7 percent in Northern Africa, were also associated with decreased domestic revenue levels. EY conducted a poll on major multinational corporations (MNCs) and found that 89% of participants expressed concern about how the media reports on their tax payments or their low effective tax rates (ETR) (EY, 2015). In a 2017 EY poll, 64% of participants expressed an increased importance on tax controversy management. Stiglingh et al. (2022) found that the mean (central value) for the ETR and CASHETR variables in South Africa was 20.9% (24.5%) and 20.75% (25.14%), respectively. These statistics were lower than the official corporate tax rate of

28% in South Africa. According to a report by Tax Justice Network Africa in 2012, Tanzania experienced a loss of almost 6% of its GDP, equivalent to TShs 1.8 trillion (US$ 1.23 billion), due to tax incentives and the cost of tax avoidance. Similarly, Kenya faced an annual loss of KShs 100 billion (US$ 1.1 billion), which accounted for roughly 3.1% of its GDP. In 2009/10, Uganda experienced a loss of 2% of its Gross Domestic Product (GDP), which amounted to UShs 690 billion (equivalent to US$ 272 million). Conversely, Rwanda incurred a loss of Rwf 94 billion (equivalent to US$ 156 million) and Rwf 141 billion, which accounted for nearly 3.6% of the country's GDP in 2008.

Several factors can influence the degree to which firms participate in tax avoidance. These considerations include the attributes of the CEO. The CEO holds a pivotal position in a firm and wields significant influence on its financial and non-financial decision-making processes (Bouaziz et al., 2020). The upper-echelon hypothesis asserts that each CEO's unique features and circumstances shape a company's performance and the strategic decisions its leaders make (Hambrick & Mason, 1984). Therefore, we can infer that the CEO's characteristics play a crucial role in shaping the firm's results. The CEO has a pivotal role and exerts a significant influence on both financial and non-financial decisions inside a firm (Bouaziz et al., 2020). The upper-echelon theory suggests that the personality of a CEO influences their decision-making in leading the company, which in turn impacts organizational results, such as performance, investment in research and development (R&D), and tax payments (Hambrick & Mason, 1984). Prior studies have extensively examined the correlation between CEO attributes (such as financial expertise, gender, age, hometown connections, political affiliations, tenure, and others) and the practice of minimizing tax obligations. Huang and Zhang (2020) discovered a positive correlation between CEOs possessing financial skills and their inclination to employ more assertive strategies for tax avoidance. Ilaboya and Aronmwan (2023) conducted a study that established a significant relationship between the gender of CEOs and their practice of tax avoidance. According to James (2020), the age of the CEO had a positive relationship with cash and GAAP effective tax rates and an adverse relationship with permanent book-tax differences. This implies that older CEOs are less inclined to take measures to reduce their tax burden. Lanis and Richardson (2011a) proposed that the length of a CEO's tenure directly impacted their capacity to shape the membership of the board and the board's involvement in oversight. However, when examining the impact of CEO age on tax aggression, as assessed by the cash effective tax rate, Minnick and Noga (2010) found a significant and inverse relationship between these two factors.

Earlier studies have examined the relationship between CEO attributes and corporate tax avoidance. However, only a few of these studies have specifically examined this relationship in developing regions like the EAC. These regions are characterised by large tax revenue losses due to corporate tax avoidance, which leads to significant budgetary deficits and an overreliance on external borrowing to support the provision of public goods and services.

The rest of the paper is organized as follows: The subsequent section delves into the theoretical literature and the development of hypotheses, while the third section outlines the research methodology. The findings and discussion are presented in the fourth section. The fifth section

presents the conclusions, the study's implications, limitations, and makes suggestions for further research.

Theoretical foundation and hypotheses development

Hambrick and Mason developed the Upper Echelons Theory in 1984, which asserts that the policies set by top management, along with the traits and talents of these top executives, dictate the performance of a firm. The idea of upper echelons emphasizes the significance of the manager's position within the company. Aliani (2014) suggests that the manager's management style and personal skills can influence his value generation in enterprises. The text elucidates that managers have the capacity to shape the development of corporate values through their managerial approach and individual competencies. This theory demonstrates that the significance of the personal attributes of decision-makers, such as age, tenure, and specialized experience, increases as the complexity of a decision, such as strategy size, increases. We can categorize the qualities of the top echelon into two main groups: psychological and observable traits (Astutik et al., 2020). In administrative situations, managers apply their intrinsic features, known as managerial traits, to make decisions on complex policies. The Upper Echelons Theory examines how the demographic features of persons in top-level management influence their policies and actions. The CEO's traits will influence the firm's tax planning, which is one of the company's strategies. Hence, the attributes of the CEO are impacted by the degree of tax assertiveness exhibited by a corporation. Jbir et al. (2021) examined the effect of CEO (chief executive officer) compensation and CEO attributes on the level of tax aggressiveness of French companies. The sample comprises 564 firm-year observations of 40 companies listed on the CAC 40 during the period ranging from 2012 to 2023. This study's results corroborate the importance of CEO compensation and CEO attributes as determinants of tax aggressiveness. Furthermore, the authors establish a negative correlation between tax aggressiveness and CEO compensation, as well as a negative association between older CEOs and CEOs with accounting expertise. The authors also find out that there is a positive relationship between the CEO's tenure and tax aggressiveness. Moreover, the authors report that foreign CEOs are more likely to engage in tax aggressiveness practices than local CEOs.

CEO expertise and tax avoidance

CEOs, who are graduates from the fields of finance and accounting, have academic knowledge that can increase their capacity to analyze a firm's financial situation and corporate tax planning strategies. This kind of knowledge can help the CEO in making financial decisions. The CEO can plan the most appropriate tax strategy by using the basic theory of finance and taxation they learned during their education. Harymawan et al. (2023) conducted a study to investigate the correlation between CEO facial masculinity and tax avoidance. The study used data drawn from non-financial companies listed on the Indonesia Stock Exchange over the period 2010–2019. The findings suggest that the CEO's facial masculinity is positively associated with tax avoidance. In addition, the study reported that CEO finance expertise has no effect on tax avoidance. Qin et al. (2023), using a panel sample of Chinese listed companies from 2009 to 2018, found that as performance rises above aspiration, firms increase tax avoidance at first, but from a certain point onward, they reduce such activities. The authors also reported an inverted U-shaped relationship weakened by CEO tenure but strengthened by CEO financial experience. Using a sample of Standard and Poor's (S&P) 1500 firms from 1993 to 2013, Huang and Zhang (2019) found that financial expert CEOs were

associated with a more aggressive tax avoidance policy. They concluded that the impact of financial expert CEOs results from a careful analysis of cost and benefit. Arguably, CEOs with financial expertise may pursue a more aggressive tax avoidance policy, and the level of aggressiveness is highest when the cost associated with it is low. Based on the literature, we propose the following hypothesis:

H1. CEO expertise has a significant effect on tax avoidance

CEO age and tax avoidance

Hambrick and Mason proposed the Upper Echelon Theory in 1984. The risk-related actions taken by a CEO's company also reflect their preference for risk. Prior studies have demonstrated a correlation between the age of a CEO and their propensity for taking risks. Serfling (2014) discovered an inverse correlation between the ages of CEOs and the volatility of stock returns and research and development (R&D) endeavors. This implies that older CEOs are generally less inclined to take risks compared to their younger counterparts. According to Yuwono (2019), the age of a CEO had a significantly negative effect on tax avoidance practices. Harymawan et al. (2023), using empirical data, found that CEOs with more masculine facial features in Indonesia tend to engage in greater levels of corporate tax dodging. According to Xynas (2011), younger CEOs are more likely to be actively involved in company acquisitions. Barker & Mueller (2002) contend that elderly CEOs exhibit risk-averse traits, potentially stemming from their myopic perspective. On the other hand, according to Scharfstein and Stein (1990), younger CEOs may exhibit a greater aversion to risk because of their concerns about their career. Scharfstein and Stein (1990) argue that younger CEOs may exhibit a greater aversion to risk due to their concerns about their career, which can lead to increased market pressure and a more cautious and risk-averse approach. According to Armstrong et al. (2015), younger CEOs have a greater aversion to risk-taking as a result of their limited experience. In their study, Minnick & Noga (2010) discovered that the age of a CEO had a notable adverse impact on tax aggressiveness. This suggests that older CEOs are more inclined to engage in tax avoidance. Hence, the age of the CEO could potentially play a crucial role in determining their likelihood of participating in tax planning practices.

Existing studies provide evidence showing that CEO age affects various corporate policies. Younger CEOs have greater incentives to favourably influence the labor market's perception of their quality in order to obtain higher compensation and job security (Gibbons & Murphy, 1992; Holmstrom, 1999; Prendergast & Stole, 1996). As such, younger CEOs are more likely to adopt risky investment and financial policies (Croci, Giudice, & Jankensgård, 2017; Li, Low, & Makhija, 2017; Serfling, 2014). Conversely, older executives enjoy their “quite life” and prefer less risky investments (Bertrand & Schoar, 2003). Furthermore, older CEOs are less efficient in complex cognition, new information processing, and problem-solving (Haug & Eggers, 1991; Mata, Schooler, & Rieskamp, 2007; Raz et al., 2004; Resnick, Pham, Kraut, Zonderman, & Davatzikos, 2003; Schaie, 1996). Therefore, we expect age to impair the ability to engage in actions that effectively lower tax burden. James (2020) examined the relationship between the age of CEOs and their firm's tax planning. The study used a dataset consisting of 11,537 observations of firm-year data from 1997 to 2013. The author found that the age of a CEO has a significant effect on the tax policy of corporations. More precisely, there was a positive association between the age of a CEO and both cash and GAAP effective tax rates. Conversely, there was a negative relationship between CEO age and the

permanent book-tax gap. This implies that older CEOs are less inclined to engage in activities that reduce their tax obligations. Soepriyanto et al. (2024) used a sample of 210 firm-year observations to examine the relationship between CEO age and tax amnesty participation, using statistical approaches such as correlation logistic regression analysis and propensity score matching (PSM) as analytical tools. The results showed a negative association between the age of the CEO and their readiness to participate in tax amnesty, indicating that older CEOs may view it as a dangerous endeavor and be less inclined to take part. Huang and Zhang (2019) found no association between CEO age and tax avoidance practices. Therefore, we hypothesise as follows:

H2. CEO age has a significant effect on tax avoidance

CEO tenure and tax avoidance

CEO tenure is a discernible attribute. According to Astutik et al. (2020), the Upper Echelons Theory suggests that CEO tenure instills confidence in making difficult financial decisions. The CEO's level of assertiveness in implementing tax-planning strategies is considered part of the tough or high-risk financial decisions. Violation of any tax restrictions will result in criminal charges. As the CEO's tenure in office increases, their decision-making abilities will get more refined and bolder (Astutik et al., 2020). Conversely, a newly appointed CEO will be more cautious regarding disclosed corporate taxes.

The Upper Echelons idea posits that as the CEO's tenure increases, their confidence in making bold financial decisions grows. An experienced CEO will exhibit greater courage in taking risks due to their extensive decision-making experience. Thus, the CEO's term will positively impact risk-taking. Research has shown that the length of time a CEO holds their position impacts their tax planning (Neifar & Huesing, 2023).

Lanis and Richardson (2011) propose that the length of time a CEO serves in their post impacts their capacity to shape the composition of the board and the board's involvement in oversight. Typically, a manager who has been in their position for a long time has more extensive knowledge in overseeing tax procedures and, as a result, is more skilled in executing assertive tax plans. Therefore, we anticipate that a CEO's tenure in their position will positively influence their level of tax aggression. However, these authors could not discover any significant relationship between the length of time a CEO has been in their position and their tendency to engage in aggressive tax practices. However, when examining the impact of CEO age on tax aggression, as assessed by the cash effective tax rate, Minnick and Noga (2010) found an inverse relationship between these two factors. The sample covered the period 1997 to 2013 and consisted of 11,537 firm-year observations. The CEO's tenure had a positive and significant effect on tax avoidance. Halioui et al. (2016) used data from 2008 to 2012 and a sample of 100 American companies listed on the NASDAQ 100. The study found that the impact of CEO tenure and age in explaining tax aggression was insignificant. These findings were in line with those of Lanis and Richardson (2011). Similarly, Huang and Zhang (2019) found no relationship between CEO tenure and tax avoidance. We hypothesize that:

H3. CEO tenure has a significant effect on tax avoidance

CEO gender and tax avoidance

Gender is a CEO characteristic that impacts tax aggressiveness. Tax aggression is linked to a tendency to engage in risky behavior. Both males and females demonstrate discernible risk preferences. Previous studies have clarified that women are more inclined to avoid taking risks while making decisions in comparison to males. Research by Teodósio et al. (2021) indicates that women have a higher tendency to avoid taking risks compared to men, especially in the context of financial decision-making. Female CEOs may choose to reduce organizational risk to a level that matches their personal preferences (Muhammad et al., 2023). Female CEOs generally display risk-averse tendencies by choosing conservative company strategies. Doan and Iskandar-Datta's (2020) research reveals that female CEOs do not exhibit risk-averse tendencies in comparison to their male counterparts. The study revealed that gender can influence decision-making, especially in relation to risk management. Various methods can demonstrate this effect, such as making strategic decisions, adopting an impartial attitude towards risks, or actively evading them. Garcia-Blandon et al. (2022) found that increasing the number of female executives will reduce tax aggressiveness. This study revealed that women had a proclivity to refrain from participating in tax aggressiveness, as they aim to reduce the probability of suffering increased risks. Chang et al. (2019) conducted a study on female gender CEOs and their involvement in tax evasion. The study found that female CEOs with political experience are more likely to engage in tax avoidance practices. Ilaboya and Aronmwan's (2023) study established a substantial correlation between the gender of CEOs and the practice of tax avoidance. Jarboui, Saad, and Riguen (2020) conducted a study that found a negative correlation between the presence of women CEOs and the level of tax avoidance. Eoh and Prayoga (2023) found no impact on tax avoidance from the presence of a female board of directors and independent commissioners. Zirgulis et al. (2022), using a dataset of 8,798 firms from 2007 to 2017 drawn from the Lithuanian retail sector, found that switching to a female CEO reduces the effective tax rate paid, implying a higher level of tax aggressiveness. Following the reviewed literature, this study proposes the following hypothesis:

H4. CEO gender has a significant effect on tax avoidance

RESEARCH METHODOLOGY

Sample and data

This study utilizes secondary data from 47 firms that were listed on the Stock/Securities Exchange of the EAC partner states between 2012 and 2023. The study applied an inclusion/exclusion criterion to derive the sample. Firstly, the study period required the firms to remain listed. Second, the data was available and complete. We only considered cross-listed firms in their parent country and utilised consolidated financial reports. We obtained the secondary data from the companies' websites, annual reports, and the African Financials database. Additionally, we obtained missing data on the CEO's attributes using an alternative search engine like LinkedIn. We arrived at a final sample of 564 firm-year observations after eliminating some missing variables. All continuous variables were winsorized at the 1st and 99th percentiles to reduce the effect of outliers.

The distribution of data from all samples has been summarized in insert Table I.

Table I. Sample selection

	No. of firms	Firm-year observations
Population	122	1464
Cross listed	18	216
Newly listed	37	444
Suspended	10	120
Missing data	10	120
Final sample	47	564

Source: Authors

Measurement of variables

Dependent variable- tax avoidance

Going by earlier studies, the study applied the cash effective tax rate (ETR) to capture corporate tax avoidance (Xu, 2024; Duan et al., 2018). Cash ETR is the ratio of tax expense to pre-tax income as reported in the income statement. A higher cash ETR means lower tax avoidance, while a lower Cash ETR is an indicator of tax avoidance.

Independent variables

Four dimensions of CEO attributes were considered as predictor variables: age, expertise, tenure, and gender. Zirgulis et al. (2022) measured CEO age as the natural logarithm of one plus the age of CEOs. A CEO is an expert if he/she has accounting/finance qualifications or prior experience, such as that of an auditor or CFO. We assign a score of "1" to the CEO if they have any accounting credentials or have previously served as an auditor, CFO, controller, or in other accounting-related positions; otherwise, we assign a score of "0" (Oradi, Asiaei & Rezaee, 2020). Kara et al. (2023) measured the CEO's tenure as the natural logarithm of the number of years they have held the position. Vacca et al., 2020 measure CEO gender as a binary variable, assigning 1 to a female CEO and 0 to a male CEO.

Control Variables

In line with prior literature, we control for several factors.

Firm size: Due to their greater expertise in tax planning activities, older companies have a greater (or lesser) likelihood of engaging in corporate tax avoidance (Platikanova, 2017). The study thus incorporates firm size, measured as the logarithm of total assets.

Firm age: the natural logarithm of the number of years since incorporation. Due to economies of scale, larger organizations are more inclined to engage in corporate tax avoidance. On the other hand, large firms are less motivated to engage in corporate tax avoidance because of their extensive activities, larger profits, and the potential negative impact on their reputation. Also, older firms are more experienced in effective tax planning than younger ones (Kovermann & Wendt, 2019).

Firm leverage: Considering the tax advantages that come with paying higher interest, highly leveraged companies might have less of a desire to avoid paying taxes (He & Tang, 2024). The ratio of total debt to total assets was used to measure firm leverage.

Firm profitability: Firms that are highly profitable tend to have a lower loss carryforward and a higher effective tax rate. Hence, these firms are more likely to have higher effective tax rates, resulting in a lower likelihood of engaging in tax avoidance. In addition, profitable firms have

greater incentives to be socially responsible and act ethically. We therefore control the return on assets as measured by the ratio of net income to total assets (Wang et al., 2022).

Regression model

The study applied the following regression model to estimate the relationship between CEO attributes and tax avoidance.

$$TA_{it} = \beta_0 + \beta_1 FA_{it} + \beta_2 FS_{it} + \beta_3 ROA_{it} + \beta_4 LEV_{it} + \beta_5 CEO\ age_{it} + \beta_6 CEOten_{it} + \beta_7 CEOexp_{it} + \beta_8 CEOgen_{it} + \varepsilon_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots Model\ 1$$

Where

ETR is cash effective tax rate; FA is firm age; FS, firm size; ROA, return on assets; LEV, leverage; CEO age, age of the CEO; CEO tenure, CEO tenure; CEOexp, CEO expertise; CEOgen; CEO gender, eit, is an error term. β_0 *is the constant.* β_1 ……. β_7 *are the beta coefficients*

RESEARCH RESULTS

Descriptive statistics

Table II presents sample descriptive statistics. As shown by the mean of Cash_ETR of 0.234 and the standard deviation of 0.152, respectively. The mean ETR is below the 30% charged in the region, suggesting on average the selected firms engage in tax avoidance. The mean CEO expertise is 0.710, implying most CEOs have expertise in finance and accounting. The average CEO age is 3.971 (natural logarithm of age). This implies that the average age of CEO is approximately 49 years (e3.971). The mean CEO tenure (natural logarithm of CEO tenure in a firm) is 1.766, implying that the average CEO tenure is 6 years (e 1.77). The average CEO gender of 0.098 suggests low female representation in corporate executive positions. The table further reports an average ROA of 0.076 and a standard deviation of 0.087, confirming large variation in firm performance. The average leverage of 0.465 is an indicator of judicious use of external borrowing among the selected firms. The average firm size was 10.608 (logarithm of total assets).

Table II. Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
ETR_CTA	564	.2342218	.152103	.0015174	.450
FS	564	10.6082	.5161521	9.656974	11.76807
ROA	564	.0759339	.0872359	-.1621376	.3854168
LEV	564	.4647693	.2693991	.0008219	.9630926
FA	564	3.787841	.2247099	2.995732	4.290459
CEOexp	564	.7102473	.4536475	0.000	1.000
CEOage	564	3.971329	.1457532	3.465736	4.330733
CEOten	564	1.766862	.7674665	1.000	3.401197
CEOgen	564	.0989399	.3101902	0.000	1.000

Source: authors' own computation

Correlation results

The study applied the Pearson pairwise correlation to examine the nature and strength of association between the research variables. The results are presented in Table III. The matrix reveals a positive and significant correlation between CEO_age and CEO_ten, ROA, firm age, and leverage with

Cash_ETR at a 5% threshold. The correlation between CEO_exp and firm size and Cash_ETR is both significant and negative, while the correlation between CEO_gen and Cash ETR is positive but insignificant. These results further provide preliminary evidence suggesting that the variables do not suffer from multicollinearity because all the coefficients are below 0.8.

Table III. Pairwise correlation

	ETR_CTA	FS	ROA	LEV	FA	CEOexp	CEOage	CEOten	CEOgen
ETR_CTA	1.0000								
FS	-0.2696*	1.0000							
ROA	0.2771*	-0.2211*	1.0000						
LEV	0.1083*	0.1770*	-0.1061*	1.0000					
FA	0.2142*	-0.1410*	0.0504	0.1767*	1.0000				
CEOexp	-0.1077*	0.0960*	-0.0314	0.1824*	0.0702	1.0000			
CEOage	0.2691*	-0.0817	0.0415	0.1498*	0.1765*	-0.1218*	1.0000		
CEOten	0.1436*	-0.1937*	-0.0445	0.0275	0.2608*	0.1068*	0.1639*	1.0000	
CEOgen	0.0225	0.1757*	-0.1384*	0.0403	0.0923*	-0.1353*	0.1479*	-0.0448	1.0000

Note: *p<0.05

Source: authors' own computation

Regression analysis

The findings indicate a negative association between CEO expertise (CEOexp) and Cash ETR. Therefore, the results support hypothesis H1 and corroborate the findings of Huang and Zhang (2019). When faced with intricate tax problems, CEOs may depend on their specialized knowledge. CEOs with expertise in accounting and finance may prioritize a company's tax plan as part of their overall financial strategy. The findings indicate a positive correlation between cash ETR and CEO age, thereby providing support for H2. However, Huang and Zhang (2019) reported an insignificant relationship. This suggests that CEOs who are older are less prone to use tax avoidance strategies. From a neurophysiologic perspective, ageing may make it harder for people to handle challenging circumstances. First, as people age, their capacity to reason, think, and perform complex tasks decreases (Haug & Eggers, 1991; Raz et al., 2004; Resnick et al., 2003; Schaie, 1996), and this drop is particularly pronounced for those who are 60 years of age and older. Second, ageing makes it more difficult for people to process new information (Mutter & Pliske, 1994) and to multitask (Verhaeghen & Cerella, 2002). Finally, Mata et al. (2007) discover that older people typically use simpler tactics, search up less information, and take longer to absorb information. We expect age-related cognitive impairment to compound, making it more challenging for CEOs to determine the overall course of their companies' tax policies. Numerous empirical studies demonstrate that the age of the CEO has a big impact on business policy. According to Li et al. (2017), younger CEOs are more likely to make acquisitions, expand and divest their companies in daring ways, and enter new business sectors and leave existing ones. Serfling's (2014) research indicates that younger CEOs tend to borrow more, make fewer acquisitions to diversify their company's portfolio, invest more in R&D, and experience higher stock return volatility. According to Yim (2013), younger CEOs are more likely to carry out acquisitions.

CEO tenure had a positive and significant effect on ETR. Longer tenured CEOs are less inclined to participate in tax avoidance activities. Hence, H3 is supported. However, Noviawan & Utamie (2020) and Huang & Zhang (2019) found no association. According to Dryeng et al. (2010) in Hariyanto dan Utomo (2019), a CEO with a long tenure will cultivate loyalty to the company, preventing them from making tax avoidance decisions for short-term benefits. The new CEO, with a shorter tenure, will use tax avoidance to demonstrate his capacity to boost the company's profit and cash flow (Goldman et al., 2017). Agency theory outlines the disparity in interests between the principal and the agent. In this case, the tax authorities are the principals, and the CEO is the agent. Short tenure CEOs (new CEOs) will take tax avoidance actions to increase the company's profit and cash flow. In this case, the CEO's interest is to show his best ability. Therefore, the shorter the CEO's tenure, the higher the likelihood of tax avoidance (Goldman et al., 2017). Meanwhile, the tax authorities' interest is to obtain maximum tax revenue from taxpayers.

We rejected H4 because CEO gender had no significant effect on tax avoidance. Studies that looked at how the gender of the CEO affected tax aggressiveness (measured by the effective tax rate) found that female CEOs didn't have a big effect on it (Dewi & Hermawan, 2024; Zirgulis et al., 2021; Sawssan et al., 2021; Anissa, 2021; Tuyen et al., 2019; Ahmed, B., & Mounira, 2021). Based on the empirical results, the gender of the CEO does not have a significant effect on the level of corporate tax avoidance. Moreover, the study period observed a mere 9.9% of women serving as CEOs, a percentage significantly lower than that of corporations in the United States or European Union. The findings suggest that female CEOs may defy the feminine stereotype and exhibit goals, reasons, and behaviours similar to those of their male counterparts. Our findings expand upon the notion of socialist feminism by suggesting that female and male CEOs in EAC partner nations will exhibit equal performance because of their shared experiences in socialization. The under-representation of women in leadership positions confirms the prevalence of sexism in the economic world. However, this disparity does not imply that women are inherently more risk-averse than males in top leadership roles. As regards the control variables, firm size had a negative and significant effect on ETR (β=-.141, ρ<0.05). This implies large firms engage more in tax avoidance. Rego (2003) and Belz et al. (2019) argue that larger firms can achieve economies of scale via tax planning and have resources and incentives to decrease group tax. SIZE is measured as the natural log of total assets. The size of a company reflects its resources, which can influence its ability to fulfill tax obligations and potentially contribute to tax avoidance (Muda et al., 2020). According to Nicodeme (2007) in Darmadi & Zulaikha (2013), small companies struggle with tax management due to a lack of skilled human resources, whereas large companies typically have more skilled and competent human resources. According to agency theory, the agent, in this case the company, will optimize its performance by reducing the tax burden, thereby maximizing company profits. Merslythalia & Lasmana (2017) state that the larger the size of the company, the more complex the transactions are. This makes it possible that the tax authorities do not find tax avoidance in transactions in complex financial reports. This encourages companies to exploit existing loopholes or weaknesses in statutory provisions, enabling them to engage in tax avoidance actions with every transaction. Leverage had a positive and significant effect on ETR (β=0.143, ρ<0.05). This implies firms using more debt capital engage less in tax avoidance. Firms that have higher debt-to-equity ratios are more efficient at reducing corporate taxes. Rego (2003) finds that higher-leveraged firms have lower ETRs, as they use debt deductions to significantly decrease the amount of corporate

taxes they pay. We measure LEV by scaling long-term debt by total assets. Profitability had a positive and significant effect on ETR (β=0.209, ρ<0.05). This implies that highly profitable firms engage less in tax avoidance (Gupta and Newberry, 1997). Firm age had a positive and insignificant effect on ETR (β=0.088, ρ<0.05). This implies that both young and old firms have equal likelihood to engage less in tax avoidance.

Table IV. Regression analysis

ETR_CTA	FE	RE	S-GMM
	Coef.	Coef.	Coef.
L1	-	-	.040(0.044)
FS	-.141(0.024)**	-.098(0.018)**	-.097(0.034)**
ROA	.209(0.065)**	.230(0.059)**	.248(0.079)**
LEV	.143(0.041)**	.124(0.032)**	.162(0.053)**
FA	.088(0.045)	.070(0.038)	-.014(0.019)
CEOexp	-.066(0.023)**	-.053(0.019)**	-.064(0.028)**
CEOage	.055(0.016)**	.058(0.016)**	.093(0.024)**
CEOten	.037(0.0123)**	.033(0.012)**	.05490.017)**
CEOgen	-.018(0.027)	-.004(0.024)	-.021(0.039)
_cons	1.212(0.308)**	.826(0.249)**	1.058(0.375)**
R-squared	0.1883	0.2039	-
F/wald chi2 value	13.42	83.83	94.65
Prob>F/chi2	0.000	0.000	0.000
Hausman	11.94	-	-
Prob>chi2	0.1539	-	-

Notes: **p<0.05; Standard Error (Std. Err.) in parentheses

Source: authors' own computation

Further analysis

The presence of endogeneity poses significant challenges in the field of empirical finance. Time-invariant factors like country culture, business complexity, managers' competence, ownership structure, and other similar variables can influence tax avoidance in this study. However, due to their time-invariant nature, the model did not incorporate these variables for quantification. Disregarding them may result in the omission of a variable bias. Similarly, the prior period's ETR may have influenced the present period's ETR, indicating the need to consider its impact. System GMM enables the incorporation of a lagged dependent variable (DV) as a control variable in order to capture the impact of the preceding period's ETR. Researchers commonly employ the System GMM estimator in the analysis of firm-level variables and tax avoidance research (Dang & Nguyen, 2022; Khlifi et al., 2024). In order to address the potential issues related to causation, Ammann et al. (2011) proposed the use of lagged variables as instruments to represent the current values of those variables. To account for the endogenous effect of the lagging DV, the system GMM estimator used the lagged differences of the dependent variable (DV) as instruments for the equation in levels, and the lagged levels of the DV as instruments for the equation in first differences (Arellano & Bover, 1995). The study employed the GMM method to analyze the relationship between the

outcome variables and the predictor variables, as well as the control variables. Table IV displays the analysis's findings, which clearly confirm the baseline results of the fixed effect model.

Conclusion

The main objective of this study was to examine the effect of CEO attributes on corporate tax avoidance among listed firms in EAC. The study used panel data for the period between 2012 and 2023, drawn from 47 listed firms. Regression results revealed that CEO tenure and age had a negative impact on tax avoidance, whereas CEO expertise acted as a positive driver. In addition, the study found that CEO gender had no effect on tax avoidance practices. In summary, our study has shown that the age, tenure, and expertise of CEOs significantly influence the tax strategies of companies listed in the EAC. Our research aims to address the current gap in the literature on the qualities of CEOs in tax-related decisions by examining this link. In terms of the conclusions derived from our research, the findings indicate that older CEOs and CEOs who have held their positions for a longer period of time may view tax avoidance as a potentially risky endeavor, resulting in decreased rates of involvement. CEOs with expertise in finance and accounting are more prone to participating in aggressive tax planning. This emphasizes the significance of taking CEO attributes, such as age, length of service, and experience, into account in order to comprehend the possible consequences of a firm's involvement in tax avoidance practices. Policymakers and tax authorities could potentially use these findings to establish corporate governance guidelines aimed at enhancing corporate tax compliance. Although this study offers important insights into the connection between CEO characteristics and tax avoidance by listed companies in the EAC, it is important to acknowledge a few potential limitations. We specifically conducted the study within the EAC environment, and its findings might not apply to other regions with distinct cultural contexts and diverse legal and institutional frameworks. Furthermore, this study uses financial reports to calculate the ETR as an indicator of tax avoidance, which could contain errors. Future research should incorporate corporations specifically identified for their tax avoidance participation, along with other tax avoidance indicators like the GAAP ETR. Ultimately, the study relied on secondary data sources and did not gather primary data through surveys or interviews, perhaps restricting its ability to encompass a wide array of factors that impact tax avoidance. Therefore, future research endeavors may choose to employ a qualitative methodology. Future research should investigate the impact of additional CEO qualities, such as marital status, religion, narcissism, and other personality factors, on a company's tax avoidance strategies, based on the findings of this study.

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