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IMPACTS OF STATE OWNERSHIP AND BUSINESS CHARACTERISTICS ON TAX AVOIDANCE: EVIDENCE IN VIETNAM

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Abstract

The study analyzes the level of state ownership and control variables affecting the tax avoidance behavior of 45 Vietnamese power enterprises in the period 2013 - 2022. The data in the research sample were collected by the author from financial statements of businesses. From there, an unbalanced panel data model was built. Pooled regression estimation method (Pooled OLS), fixed effects model (FEM), random effects model (REM) are performed by the author, respectively. Finally, the general squares estimation method (FGLS) is used to correct the defects of the model and give the final regression result. Research results show that the level of state ownership has a negative effect on tax avoidance behavior, the higher the state ownership level, the lower the level of tax avoidance. In addition, the firm's characteristic variables such as financial leverage, age of the business, audit quality have a negative relationship, tangible fixed assets of the business have a positive relationship with tax avoidance.

Keywords: *Effective tax rate, Tax avoidance, State-ownership, Corporate.*

JEL classification: C00, C01, G00, G30

1. Introduction

Electricity is an input for most production, business and consumption activities. The electricity sector is also a key infrastructure industry in most of the world's economies. According to Mr. Nguyen Tuan Anh - Deputy Director of the Department of Electricity and Renewable Energy (Ministry of Industry and Trade), the national power transmission system is the backbone and lifeblood of the national electricity system, so it must be managed by the Government, if not due to the State monopoly, unfortunately, during the investment process, the quality is not guaranteed, leading to problems on the national power transmission system, seriously affecting the assurance of electricity supply and directly threaten energy security and national security. Therefore, most of the electricity enterprises in Vietnam are owned by the State. In order to identify and evaluate the impact of factors related to tax avoidance behavior, this article focuses on tax avoidance behavior of Vietnamese electric enterprises listed on the stock exchange in the period 2013 to 2022, thereby providing useful recommendations for tax authorities as well as business managers.

2. Literature review

2.1 The concept of tax avoidance

Tax avoidance involves an organization withholding cash resources within the company that would otherwise be remitted to the State Budget. These resources can lead to enhanced company (including shareholder) value. However, this tax avoidance/shareholder value relationship can be weakened by agency problems associated with separation between shareholders and managers for a number of reasons including: an opportunity for managers to exploit tax evasion to engage in self-seeking behavior; enterprises can disguise their tax-related activities with secret and complicated transactions to avoid being exposed by tax authorities for tax evasion; lasting reputational damage; tax avoidance may not be consistent with socially responsible behavior (Sikka, 2010).

2.2 Impact of tax avoidance on firm value

According to Jimenez and Angueira (2008), the trade-off theory states that the tax avoidance behavior of firms should be scrutinized by analyzing the trade-off between the marginal benefit from tax avoidance (minimizing the cost of tax revenues income) and marginal costs from tax avoidance (marginal costs from tax avoidance include: political costs, the larger the firm, the more control and supervision it will receive from the State and external investment; transaction costs; non-compliance costs; tax administration costs; ...). Specifically, this theory suggests that there exists an optimal value for the relationship between tax avoidance behavior and firm value.

2.3 Impact of state ownership on tax avoidance

Previous studies have shown that SOEs receive preferential treatment in dealing with the government because they have a strong form of political connection. Thus, they are more likely to receive loans from state-owned banks or to receive government bailout in case of financial difficulties (Johnson and Mitton, 2003; Cull and Xu, 2005 and Faccio et al, 2006). The executives of state-owned companies, who are constantly monitored and evaluated by the government, must have convinced the government that their companies offer a lot of tax benefits. It has to do with their promotion opportunities. Furthermore, the tax payment of SOEs often reflects the efficiency of state investment as well as operational efficiency. However, it has been argued that a company's political connections can also help reduce the likelihood of tax checks and limit penalties that would be imposed if their company is found guilty of tax evasion. Thus, executives of state-owned companies have an incentive to take advantage of tax avoidance to a greater extent because tax savings can be used as cash for personal privileges and it can increase the earnings of management (Huai et al, 2013).

2.4 Empirical Researches

Xia et al (2017) used the data of companies listed on the Chinese stock market for the period 2000 - 2014 to examine the impact of state ownership on tax avoidance strategies of these enterprises. The authors have found that enterprises with the state as a controlling shareholder have less tax avoidance measures than the rest. The author argues that, in China, enterprises with state-controlled shareholders are often those in strategic industries, and often focus on political and social strategies, not necessarily must be to maximize the firm's value. Consequently, less emphasis is placed on tax avoidance strategies.

Besides, the evidence of Hoi et al (2013) also supports the results of Xia et al (2017). In the study of Hoi et al (2013), the author has regressed panel data to find out the relationship between ownership structure and corporate tax of enterprises listed on the Chinese stock exchange in the period from 2003-2009. The results show that state-owned enterprises have a higher effective tax rate than private enterprises, so the level of tax avoidance of state-owned enterprises is lower than that of private enterprises. To explain this, the author argues that: in China, private enterprises are often more efficient and contribute more to the local economic growth. Therefore, local governments often use local policies to support private enterprises. And those policies are tax related. Thus, private enterprises have more incentives and tools to avoid taxes.

For enterprises in Vietnam that have been listed on UPCOM from 2015 to 2019, Nguyen Hoang Anh and Vu Hoang Phuc (2021) seek to understand and quantify the impact of business characteristics on tax avoidance behavior. The study sample consisted of 3,105 observations collected over a 5-year period from a sample of 621 enterprises. The analytical methods used are GLS estimation model, FEM-REM, OLS and linear regression analysis. Research results demonstrate that, firm size, age of the business, financial leverage, profitability and audit quality all have an impact on tax evasion behavior. Financial leverage has a favorable effect on tax avoidance behavior while the remaining components have a negative effect on corporate tax avoidance behavior.

Nguyen Tran Thai Ha and Phan Gia Quyen (2017) examine the relationship between the degree of tax avoidance and state ownership in enterprises in Vietnam. Thereby answering the question: how does state ownership affect the tax avoidance behavior of Vietnamese enterprises. By using panel data regression on a dataset of 462 enterprises listed on the Vietnamese stock exchange in the period from 2009 to 2015, the results show that the degree of state ownership is related to the level of state ownership. Inversely with the degree of tax avoidance, accordingly, the higher the level of state ownership, the less tax avoidance behavior will be. The results of this study are relatively solid using the state ownership dummy variable. In addition, size, profitability, tangible assets and leverage have a positive relationship with the degree of tax avoidance of Vietnamese enterprises.

Bui Ngoc Toan (2017) uses research data of 198 businesses in Ho Chi Minh City in the period from February 20, 2016 to March 25, 2016 to review tax compliance behavior of the companies. The method of exploratory factor analysis (EFA) was applied by the author to analyze the data. The research results show that factors include operating characteristics of enterprises, characteristics of tax authorities, social factors, economic factors, psychological characteristics of enterprises, corporate factors, political Tax policies and industry characteristics have a positive impact on tax compliance behavior of enterprises.

From the above research results, it can be seen that the relationship between state ownership and tax avoidance is still unclear. This relationship depends much on the economic and political characteristics of the country. Accordingly, the relationship is positive for Malaysia and negative for China. In Vietnam, there have not been many studies on the relationship between state ownership and tax avoidance, although there have been many cases of tax evasion by enterprises in Vietnam. Therefore, the author realizes that it is very necessary to determine the impact of state ownership on tax avoidance behavior, in particular, of Vietnamese power companies.

3. Model and Hypothesis

3.1 Research Model

The specific model built by the author including 7 independent variables affecting the dependent variable is the tax avoidance behavior of Vietnamese electricity enterprises in the period of 2013 - 2022 is presented as follows:

$$\mathbf{CTA_{it} = \beta_i + \beta_1 GOVT_{it} + \beta_2 SIZE_{it} + \beta_3 ROA_{it} + \beta_4 LEV_{it} + \beta_5 TANG_{it} + \beta_6 AGE_{it} + \beta_7 AUDIT_{it} + u_{it}}$$

In which: CTA_{it} is the dependent variable, showing the level of tax compliance of the business, the higher the CTA_{it}, the lower the level of tax avoidance; $GOVT_{it}$ is the independent variable showing the degree of state ownership; $SIZE_{it}$ is the independent variable representing the size of the enterprise; ROA_{it} is the independent variable that represents the profit of the business; LEV_{it} is an independent variable representing the financial leverage of the enterprise; $TANG_{it}$ is an independent variable representing tangible fixed assets of the enterprise; AGE_{it} is the independent variable representing the number of years of establishment of the enterprise; $AUDIT_{it}$ is an independent variable that represents audit quality.

3.2 Research hypothesis

Dependent variable

In this study, the author uses 4 ways to measure the level of tax avoidance of enterprises used in previous studies. Measure 1, CTA1 is measured by the ratio of corporate income tax to profit before tax of the company as used in the study of Zimmerman (1983), Chen et al. (2010), Dyreng et al (2010), Minnick & Noga (2010), Huseynov & Klamm (2012), Armstrong & et al (2012), Salihu et al (2014) and Ribeiro et al (2015).

$$\text{CTA1} = \frac{\text{Corporate income tax}}{\text{Profit before tax}}$$

Measure 2, CTA2 is the ratio of current corporate income tax to pre-tax profit of the enterprise as calculated by Chen et al (2010), Dyreng et al (2010), Hanlon & Heitzman (2010), Hope et al (2013), Huseynov & Klamm (2012), Armstrong et al (2012), Salihu et al (2014).

$$\text{CTA2} = \frac{\text{Current corporate income tax}}{\text{Profit before tax}}$$

Measure 3, CTA3 is the ratio of corporate income tax to the operating cash flow of the business as calculated by Zimmerman (1983), Lanis and Richardson (2012), Salihu et al (2014) and Ribeiro et al 2015).

$$\text{CTA3} = \frac{\text{Corporate income tax}}{\text{Operating cash flow}}$$

Measure 4, CTA4 is the ratio of current corporate income tax to the operating cash flow of the business as calculated by Hanlon & Heitzman (2010), Salihu et al (2014).

$$\text{CTA4} = \frac{\text{Current corporate income tax}}{\text{Operating cash flow}}$$

Independent variables

State ownership – GOVT: State ownership is represented through 2 variables GOVT1 and GOVT2. Based on the research of Tran Thi Thuy Linh (2015), the author uses a representative dummy variable according to the levels of state ownership. The dummy variable is representative of enterprises with over 50% state ownership, the dummy variable is representative of enterprises with less than 50% state ownership (the 50% threshold used by the author to determine control, according to Clause 11 Article 4 of the Enterprise Law 2020).

Xia et al (2017) and Phan Gia Quyen (2017) argue that enterprises with state-controlled shareholders are often enterprises in strategic industries, and often focus on political and social strategy, not necessarily the maximization of corporate value. Consequently, less emphasis is placed on tax avoidance strategies.

Hypothesis H_1: State ownership has a positive effect on tax compliance.

Firm Size – SIZE: The complexity of commercial transactions increases with the size of the company. This creates an opportunity for companies to exploit loopholes or flaws in the law and adapt their tax evasion strategies (Merslythalia & Lasmana, 2016). Therefore, the research results of Putri & Suryarini (2017) and Nguyen Tan Tien (2017) show that the larger a business, the less tax it can pay and the more money it earns. However, studies by Alfina et al (2018) and Jihene & Moez (2019) indicate that the size factor can have an adverse effect on tax evasion. As a result of these studies, large businesses do not practice tax avoidance because doing so may expose them to public and government scrutiny. To the public, the benefits of tax evasion do not outweigh the risks faced by the company. Furthermore, many other studies (Permata et al., 2018; Yuniarwati et al., 2017; Gulzar et al., 2018) demonstrate that firm size has no impact on tax avoidance behavior.

SIZE = Log (Total Assets)

Hypothesis H_2: Firm size has a positive effect on tax compliance.

Profitability – ROA: Research by Aminah et al (2018), Rego (2003) and Jihene & Moez (2019) show that profit margin has a positive impact on tax avoidance behavior. In contrast, Putri & Suryarini (2017) and Widiayani et al (2019) use multiple linear regression models to determine returns that are negatively correlated with tax avoidance. They explain that a high ROA value indicates that the business has utilized its assets effectively to be able to pay off its burdens including tax burden. Businesses with a high ROA value will choose to pay tax costs rather than engage in tax avoidance practices. Besides, the study of Permata et al (2018) and Zeng (2010) shows that the profitability factor does not affect tax avoidance.

$$\mathrm{ROA} = \frac{\text{Profit after tax}}{\text{Total assets}}$$

Hypothesis H_3: Profitability has a positive effect on tax compliance.

Financial leverage – LEV: Alfina et al (2018) and Widiayani et al (2019) suggest that leverage has a favorable effect on tax evasion. Conversely, tax avoidance behavior will also be limited, according to Desai and Dharmapala (2009), if firms use debt more often to gain the benefit of tax shields from interest. In addition, research by Wilson (2009) shows that a firm uses less debt when avoiding taxes, so firms with low leverage often evade taxes to a greater extent. Research results from Jihene & Moez (2019) and Nguyen Tan Tien (2017) agree that financial leverage has a negative relationship with tax evasion. In addition, many studies demonstrate that leverage has no impact on tax evasion (Zeng, 2010).

$$\mathrm{LEV} = \frac{\text{Total Debts}}{\text{Equity}}$$

Hypothesis H_4: Financial leverage has a positive effect on tax compliance.

Tangible fixed assets – CAPINT: In the study of Phan Gia Quyen (2017), the author found a negative correlation between tangible assets and tax compliance. Agreeing with this point of view, the authors Salihu et al (2014), Richardson et al (2015) explain that companies often buy machinery and equipment to increase the cost of the business and easily lead to the reduction of corporate income tax payable.

$$\mathrm{CAPINT} = \frac{\text{Tangible assets}}{\text{Total Assets}}$$

Hypothesis H_5: Tangible fixed assets have a negative effect on tax compliance.

Age of an enterprise - AGE: Mahanani & Titisari (2016) show that tax avoidance is affected by the age of the firm. According to research by Nguyen Tan Tien (2017), company age is negatively correlated with tax avoidance. Businesses that have been operating for a long time in the market will not change their names and brands for profit.

AGE = Log (Current year - Year of establishment)

Hypothesis H_6: Firm age has a positive effect on tax compliance.

Audit quality – AUDIT: Audit quality is coded with 2 if the business is audited by Big4, equal to 1 if the business is audited by Non Big4. According to empirical research, financial statements audited by Big Four (Big4) or Non-Big Four corporations can have an impact on tax evasion behavior. According to Law et al (2012), the auditor's ability to detect and disclose problems in a client's accounting system is called audit quality. DeAngelo (1981) asserted that the audit quality of the Big Four audit firms is better than that of the Non-Big Four group. That is to say, businesses using the services of Big Four auditing firms will have less tax evasion (Fadhilah, 2014; Lestari & Nedya, 2019).

Hypothesis H_7: Audit quality has a positive impact on tax compliance.

Table 1: Description of variables

Variables		Formula	Impact
Dependent variable			
Tax avoidance 1	CTA1	Corporate income tax/Profit before tax	
Tax avoidance 2	CTA2	Current corporate income tax/Profit before tax	
Tax avoidance 3	CTA3	Corporate income tax /Operating cash flow	
Tax avoidance 4	CTA4	Current corporate income tax/ Operating cash flow	
Independent variables			
State ownership	GOVT	Code: = 2 if State ownership > 50% = 1 if State ownership < 50%	+
Firm size	SIZE	Log (Total assets)	+
Profitability	ROA	Profit after tax/Total assets	+
Financial leverage	LEV	Total debts/Equity	+
Tangible fixed assets	CAPINT	Tangible fixed assets / Total assets	-
Firm age	AGE	Log (Current year - Established year)	+
Audit quality	AUDIT	Code: =2 if audited by Big4, =1 if audited by NonBig	+

Source: Compiled by the author

4. Research results

4.1 Descriptive statistics

The data used in the research is collected from 45 power companies in Vietnam in the period 2013 - 2022, including 406 observations. The descriptive statistical analysis method helps the author to have a more general view of the number of observations and variables. The statistical results are shown below:

Table 2: Descriptive statistics

Variables	Obs	Mean	Std. Dev	Min	Max
CTA1	406	0.0940	0.0766	0.0000	0.3881
CTA2	406	0.0916	0.0761	0.0000	0.3341
CTA3	406	0.0859	0.1183	0.0000	0.9814
CTA4	406	0.0851	0.1189	0.0000	0.9814
GOVT	406	0.4822	0.2904	0.0000	0.9993
SIZE	406	9.1915	0.6718	7.7621	10.9324
ROA	406	0.0896	0.0833	-0.0768	0.4649
LEV	406	0.9497	4.7525	-76.7500	21.6361
CAPINT	406	0.6746	0.2395	0.0004	0.9687
AGE	406	1.1551	0.2107	0.3010	1.7076
Audit	406	1.6749	0.4690	1.0000	2.0000

Source: Extracted from Stata 16

There are 406 observations in the period from 2013 to 2022 of 45 Vietnamese electricity enterprises. Due to some data on observed variables that were not collected in the period 2013 - 2022, the research data is in the form of unbalanced panel data.

4.2 Correlation matrix

The correlation coefficient r is a statistical indicator of the correlation relationship between variables. The correlation coefficient has a value from -1 to 1, often these coefficients have a value of 0 or close to 0 indicating that the two variables are not related to each other (Tran Lieu, 2019).

Table 3: Correlation matrix

	CTA1	**CTA2**	**CTA3**	**CTA4**	**GOVT**	**SIZE**	**ROA**	**LEV**	**CAPINT**	**AGE**	**Audit**
CTA1	1.0000										
CTA2	0.9462	1.0000									
CTA3	0.5720	0.5778	1.0000								
CTA4	0.5572	0.5870	0.9967	1.0000							
GOVT	0.0904	0.0892	0.0547	0.0563	1.0000						
SIZE	0.0336	0.0355	-0.0355	-0.0348	0.4624	1.0000					
ROA	0.1448	0.1660	0.2016	0.2049	-0.1910	-0.4197	1.0000				
LEV	0.0232	0.0171	0.0493	0.0475	0.0355	0.1220	-0.0483	1.0000			
CAPINT	-0.5367	-0.5211	-0.3768	-0.3744	0.0028	0.0196	-0.2470	0.0128	1.0000		
AGE	0.5445	0.5359	0.3775	0.3758	-0.1505	-0.1275	0.2780	-0.0854	-0.4883	1.0000	
Audit	-0.2050	-0.1963	-0.1831	-0.1834	-0.2324	-0.4526	-0.0138	-0.0324	0.2308	-0.2462	1.0000

Source: Extracted from Stata 16

Based on the results table of the correlation matrix, it can be seen that the correlation coefficient of the pairs of dependent and independent variables or the pairs of independent and independent variables are all less than 0.8, so the model has no correlation among independent variables (Farrar & Glauber, 1967).

4.3 Multicollinearity test

The study uses the variance exaggeration factor VIF to test the phenomenon of multicollinearity among the independent variables. This coefficient is used to consider which independent variables are strongly correlated with each other, which is the cause of multicollinearity. When the model has multicollinearity, the model will violate the principle of a classical linear regression model.

Table 4: Multicollinearity test

Variables	VIF	1/VIF
SIZE	1.93	0.5183
Audit	1.49	0.6694
AGE	1.48	0.6764
CAPINT	1.37	0.7289
ROA	1.37	0.7302
GOVT	1.30	0.7703
LEV	1.02	0.9780
Mean VIF	**1.42**	

Source: Extracted from Stata 16

The results from Table 4 show that the VIF coefficient has a low value, ranging from 1.02 to 1.93. The mean VIF value is 1.42. The VIF coefficients are all less than 4, so it can be concluded that the independent variables used in the research model have a non-serious multicollinearity. That shows that these variables are independent and separate, suitable for inclusion in the research model.

4.4 Regression model

Through the multicollinearity test and the correlation coefficient test, the research model shows that the multicollinearity phenomenon is not serious and the low correlation shows that the variables in the model are suitable. Next, the author will select the appropriate regression model through the panel data regression models including Pooled OLS, FEM and REM.

The results of estimating the impact of state ownership represented by the variables Govt1, Govt2 and the characteristic variables of enterprises on the degree of tax avoidance of enterprises are presented in Table 5. With the test results of Hausman, Lm and Wald, it is shown that (i) compared with the random effects model (REM), the fixed effect model (FEM) is more suitable because the results of Hausman test reject the hypothesis H_0: REM is suitable; (ii) there is a phenomenon of variance in the FEM model because the results of the Lm test reject the hypothesis H_0: there is no variance; (ii) the results from the FGLS estimation method are more suitable than the results from the FEM model. Therefore, the results analyzed by the author in this study are the results of regression by the FGLS estimation method, thereby obtaining suitable and highly reliable research results.

Table 5: FGLS regression

Variable	**CTA1**		**CTA2**		**CTA3**		**CTA4**	
	Coef	P-value	Coef	P-value	Coef	P-value	Coef	P-value
GOVT	**0.0343**	**0.000**	**0.0367**	**0.001**	**0.0478**	**0.019**	**0.0486**	**0.018**
GOVT1	0.0296	0.289	0.0329	0.235	0.0696	0.134	0.0710	0.126
GOVT2	**0.0866**	**0.010**	**0.0699**	**0.038**	0.0010	0.984	0.0079	0.880
SIZE	0.0036	0.413	0.0056	0.353	-0.0109	0.312	-0.0105	0.331
ROA	-0.0249	0.329	0.0198	0.630	0.1101	0.132	0.1186	0.106
LEV	0.0006	0.174	0.0008	0.220	**0.0019**	**0.078**	**0.0019**	**0.087**
CAPINT	**-0.0991**	**0.000**	**-0.1033**	**0.000**	**-0.1093**	**0.000**	**-0.1082**	**0.000**
AGE	**0.1617**	**0.000**	**0.1486**	**0.000**	**0.1391**	**0.000**	**0.1390**	**0.000**
Audit	**0.0119**	**0.020**	0.0060	0.431	-0.0172	0.204	-0.0173	0.205
_cons	-0.1020	0.042	-0.0922	0.189	0.0928	0.457	0.0870	0.488
P-value	**0.0000**		**0.0000**		**0.0000**		**0.0000**	

Source: Extracted from Stata 16

Regression results by FGLS method presented in Table 5 show that P-value=0.0000, so the model has statistical significance at 1% level. Thus, the research model is appropriate and can be used to examine the impact of state ownership and control variables on corporate tax avoidance behavior.

The coefficients of the state ownership variable are positive in all four measures of tax avoidance and are statistically significant at 1% and 5%. This shows that enterprises with lower state ownership tend to avoid tax more than enterprises with higher state ownership. This result is consistent with the findings of previous studies such as Chan et al (2013).

4.5 Discussions

State ownership: Minh Ha et al (2021) argue that state-owned enterprises are less likely to evade tax payments than other enterprises. These shareholders are often focused on social and political policies rather than maximizing the company's profits. Therefore, they are less interested in tax avoidance policies. In Vietnam, according to government policy, state-owned enterprises are gradually privatizing and becoming profit-encouraging enterprises.

In order to reinforce the research results of the GOVT variable, the author divides enterprises into 2 groups, including: companies with less than 50% state ownership into GOVT1 group and enterprises with more than 50% state ownership into group. GOVT2 group. Regression results show that companies in the GOVT1 group have a positive impact on tax compliance, but it is not statistically significant. For companies in the GOVT2 group, the author finds a positive effect of the level of state ownership on tax compliance at the 5% significance level in measuring CTA1 and CTA2. This shows that enterprises with a state ownership level of over 50% tend to comply with the payable CIT more, limiting tax evasion.

Financial leverage: According to Desai and Dharmapala (2009), tax evasion will also be limited if firms use debt more often to access tax shelters. Because the amount of third-party debt financing used by the company and the interest expense incurred on this loan increases proportionally to the value of the leverage ratio. The capital structure trade-off theory predicts that this will lead to a lower tax burden for the firm. In addition, research by Wilson (2009) shows that a firm uses less debt when avoiding taxes, so firms with low leverage often evade taxes to a greater extent.

Tangible fixed assets: When profits after tax and interest are reinvested in fixed assets by the company, it will contribute to reducing average production costs and improving profits for shareholders and businesses. Depreciation costs of these fixed assets will contribute to reduce the amount of CIT payable, so businesses will have no incentive to avoid tax. This result is consistent with the study of Phan Gia Quyen (2017), the author found a negative correlation between tangible assets and tax compliance. Agreeing with this point of view, the authors Salihu et al (2014), Richardson et al (2015) explain that businesses often purchase machinery and equipment to increase costs and easily lead to CIT payment is reduced.

Age of enterprise: The relationship between firm age and tax avoidance behavior can be explained by political cost theory. According to Scott (2006), the older a company's business is, the higher its reputational risk. In addition, businesses will try to minimize risk and choose actions that are not related to it. Old enterprises often fully contribute CIT to the State Budget.

Audit quality: From an audit perspective, an external audit firm is required to confirm the accuracy of financial statements to protect the public interest. Previous research by Dunn and Mayhew (2004), Reichelt and Wang (2010) shows that independent auditors' industry expertise is associated with higher quality and enhanced financial reporting. As a result, Big4 audit firms may require their clients to record additional tax reserves offsetting some or all of the benefits on the financial statements associated with the most tax avoidance strategies. to ensure that the customer's total tax costs are accurately estimated. As a result, clients of Big4 companies are less likely to engage in tax avoidance because they know they will not be allowed to recognize all or part of the tax benefits associated with certain tax strategies.

5. Conclusions

The study analyzes the degree of state ownership and control variables affecting tax avoidance behavior of 45 Vietnamese power enterprises in the period 2013 - 2022. The data in the research sample were collected by the author from the financial report. From there, build an unbalanced panel data model. Pooled regression estimation methods (Pooled OLS), fixed effects model (FEM), random effects model (REM) are performed by the author. Then, Hausman test was also performed to choose the best fit model. Finally, the general squares estimation method (FGLS) is used to correct the defects of the model and give the final regression result. Research results show that the degree of state ownership has a negative effect on tax avoidance behavior, the higher the level of state ownership, the lower the level of tax avoidance. In addition, the firm's characteristic variables such as financial leverage, age of the business, audit quality have a negative relationship, tangible fixed assets of the business have a positive relationship with tax avoidance.

5.1 Recommended for businesses

About financial leverage: Financial leverage is closely related to the enterprise's use of debt financing in its capital structure. Within the scope of the study, the results show that financial leverage has a negative impact on tax avoidance behavior. Therefore, managing, controlling and restructuring the debt-to-equity ratio at an appropriate level, especially loans, will help businesses reduce the pressure on the amount of CIT payable due to tax shields from loan interest. The use of financial leverage within a certain level will reduce the average cost of capital of the enterprise, and the enterprise will have many advantages to maximize profits. However, this is only appropriate when using leverage in high and stable growth businesses with low interest costs, which will bring significant effects. In addition, the risk of default will be very high and may lead to bankruptcy if the business uses large leverage but the profit is not enough to pay the debt and interest.

Regarding capital intensity: Enterprises should regularly inspect and review tangible assets. This will help businesses grasp the current status of assets, so that they can repair and upgrade in time to limit depreciation to the lowest level. In addition, in the context of economic integration more and more, having more and more fixed assets will lead to more long-term debt and less short-term debt. This will increase the risk of bankruptcy costs for businesses when they cannot keep a balance between balance of payments and capital mobilization. Once the capital cannot be rotated, businesses will take out loans, reducing the capital structure. Therefore, businesses must use tangible assets for the right purposes.

About the age of the business: The older the company, the more diversified its business activities and the greater the reputational risk. Therefore, company managers will tend to minimize risks and choose safer actions. Therefore, both young businesses and established businesses should comply with tax not only to maintain the company's reputation and brand but also to create a healthy and sustainable business environment.

Regarding audit quality: Independent auditing firms provide tax services to businesses, the auditing firm's tax experts will become business advocates in order to develop favorable views on audits. Tax is within the scope of tax law. To the extent tax professionals possess unsurpassed knowledge of the tax planning opportunities available, tax professionals are capable of developing tax planning strategies that benefit businesses. Therefore, businesses should choose audit firms with higher credibility such as Big4 audit firms.

5.2 Recommendations for the Government and Tax authorities

First of all, in order to promote tax compliance behavior of enterprises, the state must create a complete tax system structure in the direction of meeting the requirements of enterprises through tax rates, use and monitoring of revenues from tax administrative procedures, fairness in sanctioning and the level of technology application in tax declaration to create the most favorable conditions for businesses when making transactions.

It is necessary to develop a flexible tax enforcement mechanism suitable for many types of customers. First of all, tax authorities need to classify enterprises based on business characteristics (such as organizational structure, number of owners, size, duration and performance) and industry (in terms of fertility rate, industry benefits, industry competitiveness, revenue and cost control) is essential to have the right specific solutions to increase the tax compliance of enterprises.

Improve the quality of tax services and the quality of public administration in line with the conditions and psychology of most businesses. The psychology of taxpayers can be unpredictable if they are treated unfairly and there are opportunities for tax avoidance. Therefore, along with providing adequate information and knowledge for businesses, tax authorities need to pay special attention to fairness among taxpayers so that they do not perceive bias towards taxpayers. This requires not only a fair tax policy, but also the establishment of a tax supervision mechanism, strict and economic tax management, and the establishment of a mechanism to monitor tax officials so that they do not have natural opportunities in tax collection.

The state and tax authorities also need to pay attention to businesses in different economic conditions. In addition to assessing the cost of compliance with factors such as bank interest rates, inflation, ... in order to have appropriate regulatory policies, creating many sources of financial support for businesses can access. It is essential not only to help businesses operate better, but also to increase tax compliance.

Finally, there is perhaps no greater punishment than social criticism for corporate tax non-compliance. Therefore, in addition to the issue of creating fairness for tax obligations and the tax rate payable between businesses must be clearly enforced, the tax authorities and the state need to pay more attention to creating for the people. and a culture of tax compliance.

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