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Corporate control, tax practices, and gender diversity: Evidence from France

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Abstract---This study investigates the relationship between ownership concentration and corporate tax avoidance using a panel of 242 French listed firms from 2009 to 2022. Employing Prais–Winsten regression, we find that firms with concentrated ownership display a significantly higher propensity for tax avoidance, consistent with the entrenchment perspective of agency theory. Controlling shareholders appear to exploit their dominant position to pursue aggressive tax strategies that enhance private benefits, often to the detriment of minority stakeholders an effect amplified in the French institutional environment characterized by weak investor protections and highly concentrated ownership structures. Building on Social Identity Theory, we further examine the moderating role of board gender diversity. Our results reveal that gender-diverse boards act as a critical counterbalance to the opportunistic tax behaviors associated with controlling shareholders. Gender-diverse boards significantly weaken the positive association between ownership concentration and tax avoidance. These findings carry important implications for regulators, policymakers, and corporate governance practitioners. Strengthening investor protections and encouraging board gender diversity may serve as effective governance mechanisms to curb entrenched behaviors and reduce aggressive tax strategies.

Keywords---Tax avoidance, Ownership concentration, gender diversity, entrenchment perspective.

1. Introduction

Ownership structure is a cornerstone of corporate governance, profoundly influencing firms' strategic decisions, including tax planning. Taxation serves as a critical mechanism for fiscal revenue generation but also imposes substantial costs on governments and corporations (Balakrishnan *et al.*, 2019). To alleviate these costs, firms employ various strategies, ranging from lawful tax minimization to aggressive practices bordering on illegality (Brock and Russell, 2015). Tax

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avoidance, in particular, involves retaining resources that would otherwise be paid as taxes, potentially enhancing firm value and benefiting shareholders (Kamaruzaman *et al.*, 2019; Tang, 2020).

However, the ethical and financial implications of tax avoidance introduce a complex interplay of interests among governments, managers, and shareholders, highlighting the pivotal role of corporate governance mechanisms. The relationship between tax avoidance and corporate governance is shaped by both internal and external factors. Internally, ownership structure (Chen *et al.*, 2010; Gaaya *et al.*, 2017; Khan *et al.*, 2017; Dakhli, 2022; Benkraiem *et al.*, 2024) and board composition (Lanis and Richardson, 2011) significantly influence firms' tax strategies. Additionally, firm-specific characteristics (Wilson, 2009; Lisowsky, 2010; McClure *et al.*, 2018), executives' personal traits (Olsen and Stekelberg, 2016; Kubick *et al.*, 2016), executive compensation plans (Rego and Wilson, 2012; Armstrong *et al.*, 2015), CEO overconfidence (Hsu and Lee, 2024) are recognized determinants of tax avoidance. Externally, institutional factors (Atwood *et al.*, 2012), market dynamics (Edwards *et al.*, 2016; Dyreng *et al.*, 2019), external governance mechanisms, and social network effects (Kim and Zhang, 2016; Cen *et al.*, 2017) significantly shape corporate tax planning behaviors. The dynamics of corporate governance and tax avoidance differ considerably across legal systems. In common law countries, characterized by robust shareholder protections and dispersed ownership structures, the risk of minority shareholder expropriation is relatively low (La Porta *et al.*, 1999, 2002).

Conversely, civil law countries like France exhibit weaker minority shareholder protections and more concentrated ownership structures, providing fertile ground for rent extraction by controlling shareholders, often at the expense of minority investors. These governance differences result in tax avoidance practices being more prevalent in civil law contexts, where controlling shareholders may prioritize personal benefits over collective firm value.

Ownership concentration, a defining feature of corporate governance in civil law systems, plays a dual role in shaping corporate tax strategies. This dynamic is best explained through two competing theories: the alignment effect and the entrenchment effect. The alignment effect suggests that concentrated ownership can mitigate agency costs by aligning the interests of large shareholders with those of the firm. This alignment incentivizes profit maximization and discourages opportunistic behaviors, including tax avoidance, particularly in weaker legal and institutional environments where concentrated ownership often substitutes for formal governance mechanisms (Shleifer and Vishny, 1986).

Conversely, the entrenchment effect posits that high ownership concentration exacerbates agency problems. Controlling shareholders may exploit their dominant position to prioritize personal gains at the expense of minority shareholders (La Porta *et al.*, 1999; Claessens *et al.*, 2002). In this scenario, tax avoidance can serve as a tool for entrenched owners to obscure mismanagement or conceal unfavorable financial outcomes, ultimately undermining transparency and harming firm performance (Desai and Dharmapala, 2008). The identity of controlling shareholders whether families, financial institutions, or corporations further complicates this dynamic, as each group wields different influences on

governance and tax strategies. This study seeks to address the following question: Does ownership concentration affect tax avoidance?

In addition, governance mechanisms, such as board diversity, may significantly influence this relationship. Gender diversity on corporate boards, in particular, has been shown to enhance ethical oversight and reduce the likelihood of opportunistic behaviors. Female directors, due to their heightened ethical sensitivity and community-oriented decision-making, are less likely to endorse aggressive tax strategies that prioritize the private benefits of controlling shareholders over collective firm value (Liu, 2018). Consequently, gender-diverse boards may weaken the link between ownership concentration and tax avoidance by fostering greater transparency, accountability, and adherence to ethical corporate governance standards.

Using a panel of 242 French listed firms from the CAC All Shares index over the period 2009 to 2022, this study investigates the relation between ownership concentration and tax avoidance, incorporating key moderating factors. The findings reveal a positive and statistically significant relationship between tax avoidance and ownership concentration, suggesting that firms with concentrated voting rights may prioritize strategies that reduce their tax liabilities. The analysis is further enriched by exploring moderating factors. Notably, gender diversity is found to play a critical role in weakening the relationship between ownership concentration and tax avoidance, underscoring the influence of diverse perspectives in mitigating aggressive tax practices. Additionally, the independence of the audit committee emerges as a vital governance mechanism, effectively dampening the link between ownership concentration and tax avoidance. However, the analysis also uncovers a concerning trend: the COVID-19 pandemic amplifies the positive relationship between ownership concentration and tax avoidance. Our results are robust to potential endogeneity issues, including generalized method of moments (GMM) regression. The results remain unchanged.

This study makes several important contributions. First, it addresses a gap in the literature by focusing specifically on concentrated ownership, a dominant feature of French firms, and its impact on tax avoidance a topic less explored compared to other ownership forms such as family, institutional, or dual-class structures (Mills & Newberry, 2001; Chen *et al.*, 2010; Gaaya *et al.*, 2017; McGuire *et al.*, 2012; Khan *et al.*, 2017). Second, France provides a unique context characterized by concentrated ownership, stringent tax regulations, and governance practices such as dual-board structures and mandatory gender quotas, which allows for a nuanced examination of how governance mechanisms shape tax strategies. Third, this study also contributes theoretically by drawing on Social Identity Theory (Tajfel, 1978) to explain the moderating role of board gender diversity. According to this perspective, individuals derive part of their identity from group membership, which influences attitudes and behaviors within decision-making bodies. Finally, the study captures a period that includes major external shocks, such as the COVID-19 pandemic, providing insights into how crises can influence the relationship between ownership concentration and tax avoidance. Moreover, it highlights the moderating role of audit committee independence, showing how robust governance mechanisms can constrain the opportunistic behavior of

controlling shareholders and shape corporate tax strategies during periods of heightened uncertainty.

The remainder of the article is structured as follows: Section 2 provides a comprehensive literature review and develops hypotheses based on previous research. Section 3 describes the sample and research design adopted in this study. In Section 4, we present and discuss the findings of our analysis. Finally, the last section concludes the study, summarizing the main findings and discussing their implications.

2. Literature Review and Hypotheses

2.1 Ownership Concentration

Ownership concentration has been a central theme in corporate governance research, particularly regarding its implications for tax avoidance. Theoretical and empirical studies present two contrasting views: the entrenchment hypothesis and the alignment hypothesis.

The entrenchment hypothesis, grounded in agency theory (Shleifer & Vishny, 1986), argues that large controlling shareholders may prioritize their private benefits over the interests of minority investors, especially in institutional environments with weak legal protection. Seminal contributions such as La Porta et al. (1999) emphasize how poor investor protection exacerbates expropriation risks, enabling dominant shareholders to utilize opaque mechanisms including aggressive tax avoidance to extract rents. Desai and Dharmapala (2006) further contend that tax avoidance can act as a veil that obscures financial information, thereby facilitating tunneling and managerial or shareholder opportunism. Empirical work by Badertscher *et al.* (2013) supports this view, showing that in weak governance settings, firms with high ownership concentration engage more frequently in aggressive tax planning. More recent evidence Velté (2024) documents that concentrated or dominant blockholders are more likely to pursue aggressive tax strategies when governance systems or enforcement mechanisms are weak. Conversely, the alignment hypothesis offers a different interpretation. Shleifer and Vishny (1997) and Gomes (2000) argue that concentrated ownership may reduce agency conflicts by aligning the incentives of controlling shareholders with firm performance. Since dominant owners bear a larger portion of the consequences of risky or illegitimate behavior, they may avoid aggressive tax strategies to preserve long-term firm value and safeguard reputation. Empirical findings by Masripah *et al.* (2017) provide a more nuanced view, suggesting that while concentrated shareholders can mitigate certain opportunistic behaviors, they may also restrain excessively aggressive tax planning, resulting in a mixed entrenchment effect. Supporting this perspective, Chen *et al.* (2010) and Cho *et al.* (2024) show that concerns over regulatory sanctions and reputational costs can deter controlling shareholders from adopting aggressive tax-avoidance strategies. Collectively, these studies reveal the dual nature of ownership concentration, where the propensity to engage in tax avoidance depends on the tradeoff between short-term gains and long-term risks.

The entrenchment mechanism is particularly relevant in the French institutional context, which is characterized by relatively weak investor protections and a

corporate landscape dominated by concentrated ownership, often controlled by families, banks, corporations, or the state (Gedajlovic & Shapiro, 1998). In such settings, controlling shareholders can exercise substantial influence over strategic and financial decisions, including tax planning. This environment facilitates resource diversion and increases the likelihood of using tax-saving strategies for private benefit extraction, consistent with patterns observed in other weakgovernance environments (Rego & Wilson, 2012). Thus, in France, ownership concentration may serve as a significant driver of tax avoidance, as powerful shareholders exploit informational advantages and limited external monitoring.

Drawing on these competing theoretical perspectives and institutional dynamics, we propose the following hypotheses:

H1: Ownership concentration is positively associated with corporate tax avoidance.

H2: Ownership concentration is negatively associated with corporate tax avoidance.

2.2 Moderating Role of Board Gender Diversity

A growing body of research highlights the crucial role of board composition in shaping corporate governance and ethical behavior. Among its key dimensions, board gender diversity has received significant attention for its influence on monitoring quality, strategic oversight, and ethical decision-making, particularly in matters related to corporate tax practices (Liu, 2018; Jarboui *et al.*, 2020 ; Budiana, and Kusuma, 2022). Female directors are often characterized by higher ethical sensitivity, greater prudence, and a stronger stakeholder orientation than their male counterparts, making them particularly effective in constraining opportunistic behaviors such as corporate tax avoidance (Elgharbawy *et al.*, 2025).

Building on this perspective, ownership concentration emerges as another structural factor that shapes firms' tax behavior. When controlling shareholders hold substantial power, they are better positioned to influence fiscal decisions and may direct the firm toward aggressive tax planning to extract private benefits, thereby increasing agency costs and exacerbating opportunistic behavior (Ying *et al.*, 2017; Yahaya, 2025). High ownership concentration also intensifies information asymmetry and power imbalances, creating an environment in which tax avoidance becomes easier to implement and more difficult to monitor. However, recent evidence indicates that board gender diversity can counteract these risks. Yahya *et al.* (2021) show that gender-diverse boards mitigate the positive association between ownership concentration and tax aggressiveness by constraining the capacity of dominant shareholders to impose overly risky tax strategies. Similarly, Ahmed *et al.* (2022) demonstrate that the interaction between ownership concentration and female board membership significantly influences firms' use of tax havens. Their findings reveal that greater female representation weakens the likelihood that concentrated owners will channel operations toward tax-haven subsidiaries, highlighting the governance-enhancing role of women directors.

Drawing on Social Identity Theory (Tajfel, 1978), group composition is expected to shape internal dynamics and decision outcomes. Applied to boards of directors,

this theory implies that dominant shareholders can steer decisions toward private benefits including aggressive tax planning especially in firms with high ownership concentration. However, the inclusion of women introduces minority perspectives characterized by heightened ethical sensitivity and collective orientation. Cohen *et al.* (1998) show that female decision-makers exhibit stronger ethical awareness, which helps reduce tax aggressiveness (Lanis *et al.*, 2017). Moreover, empirical research suggests the presence of a threshold effect: the moderating influence of female directors becomes particularly significant when their representation reaches critical levels typically between 40% and 60% which enhances board oversight, audit quality, and reduces the excessive influence of controlling shareholders (Jarboui *et al.*, 2020).

Taken together, the literature indicates that female directors can mitigate the positive association between ownership concentration and corporate tax aggressiveness by strengthening governance mechanisms, promoting ethical decision-making, and enhancing transparency.

H3. Board gender diversity moderates the relationship between ownership concentration and corporate tax avoidance.

3. Research design

3.1 Data sources and research design

We collect data from multiple sources. Table 1 provides an overview of the sample, which consists of French listed firms belonging to the CAC All Shares index on Euronext. Tax avoidance data and firm characteristics were extracted from financial statements available either on company websites or the French Stock Market Website. Ownership structure data were manually collected from the annual reports of listed companies. The final dataset comprises 3,388 firm-year observations, derived from 242 firms from 2009 to 2022. To mitigate the influence of outliers, all continuous variables were winsorized at the 1st and 99th percentiles. Additionally, firm-year observations with missing values were removed to ensure the robustness of the regression results. This study focuses on France due to its adoption of a civil law (code law) legal system, which amplifies agency conflicts between shareholders and managers (Charlier and Lambert, 2013).

Table 1. Sample selection procedure

<i>Selection criteria</i>	<i>Number of companies</i>
French companies listed CAC ALL SHARES	525
Exclude observations with missing information for other variables	89
Exclude observations without sufficient information to calculate ownership	91
Exclude observations from financial sector	27
Exclude Companies introduced on the stock exchange or delisted during the period	76
Sample total	242
Retained observations	3388

3.2 Measures of variables

3.2.1 Dependent variable measures

We utilize two measures to capture different dimensions of corporate tax avoidance. The first measure is the firm's effective tax rate *ETR*, defined as total tax expense divided by pre-tax income. This measure is widely used in the literature (e.g., Minnick and Noga, 2010; Lanis and Richardson, 2011; Dyreng *et al.*, 2017; Ladhari *et al.*, 2025) and is particularly suitable for assessing firms' tax avoidance behavior. It is an inverse proxy for tax avoidance, as lower *ETR* values indicate greater engagement in corporate tax avoidance activities (Frank *et al.*, 2009). We multiply *ETR* by -1 so that measure become an increasing function of tax avoidance. The purpose of this measure is to identify the extent to which firms use strategies to reduce taxable income relative to financial accounting income. The second measure is the book-tax difference *BTD*, which is calculated as the firm's pre-tax book income minus taxable income, scaled by total assets (Wilson, 2009). *BTD* serves as a positive proxy for tax avoidance practices, providing a comprehensive perspective on tax avoidance strategies. This measure captures a broader range of tax avoidance behaviors and highlights the variations in tax practices across different firms.

3.2.2 Independent Variable Measures

Following Xu *et al.* 2020, we measure ownership concentration by Percentage of Shares Held by the Largest Shareholder: A straightforward measure where ownership concentration is determined by the percentage of shares held by the largest shareholder. This is often considered concentrated if the largest shareholder holds more than 10% of the voting rights (Hamadi and Heinen, 2015; Mavruk *et al.*, 2020).

3.2.3 Control Variables

Several control variables are incorporated to account for firm-level characteristics that may influence tax avoidance. *Firm size (SIZE)*, measured as the natural logarithm of total assets, is included because larger firms typically possess greater social and economic influence, enabling them to engage more effectively in tax planning strategies (Lin *et al.*, 2014; Richardson *et al.*, 2013). *Leverage (LEV)*, computed as the ratio of total long-term debt to total assets, is also controlled for, as higher leverage is often associated with lower effective tax rates due to the tax deductibility of interest expenses (Badertscher *et al.*, 2013; Dyreng *et al.*, 2010). Return on assets (*ROA*), measured as pre-tax income divided by total assets, captures firms' incentives to reduce their tax burdens, with more profitable firms generally exhibiting stronger motivations to engage in tax avoidance (Lanis & Richardson, 2012; Minnick & Noga, 2010). Growth opportunities, proxied by the *market-to-book ratio (MTB)*, are included because firms with higher growth prospects often rely on tax avoidance to preserve internal financial resources for future investments (Richardson *et al.*, 2015). Finally, *audit committee independence (INDAC)*, defined as the proportion of independent directors on the audit committee, is incorporated to control for governance quality, as independent audit committees enhance oversight and typically constrain aggressive tax practices (McGuire *et al.*, 2012).

3.3. Model specification

To empirically examine the relationship between ownership structure and corporate tax avoidance, as outlined in our hypotheses, we employ Prais-Winsten regression models. The following regression models are tested:

$$Tax_{it} = \beta_0 + \beta_1 CO_{it} + \beta_2 ROA_{it} + \beta_3 MTB_{it} + \beta_4 LEV_{it} + \beta_5 SIZE_{it} + \beta_6 INDAC_{it} + \sum Yearfixedeffect + \sum Industryfixedeffect + \epsilon_{it}. \quad (1)$$

$$Tax_{it} = \beta_0 + \beta_1 CO_{it} + \beta_2 CO_{it} * GENDER_{it} + \beta_3 ROA_{it} + \beta_4 MTB_{it} + \beta_5 LEV_{it} + \beta_6 SIZE_{it} + \beta_7 INDAC_{it} + \sum Yearfixedeffect + \sum Industryfixedeffect + \epsilon_{it}. \quad (2)$$

4. Result and analysis

4.1 Descriptive statistics

Table 2 presents the summary statistics for the dependent and independent variables in our study. As for our tax avoidance proxies, the mean (median) of *ETR* and *BTD* are 0.234 (0.292), 0.234 (0.266) and 0.015 (0.019), respectively. The difference between the mean and median of all the three proxies is not large. The averages of *ETR* and *BTD* in our sample are about 23% and 15%, which are lower than the statutory French tax rate of 33.33%, indicating a widespread use of tax avoidance strategies. This disparity suggests that the statutory tax rates do not fully capture the actual tax payments made by listed French firms, potentially reflecting tax optimization strategies. For instance, the 75th percentile of *ETR* is 31%, consistent with prior studies such as Dyreng *et al.* (2008). The data also reveal that French companies exhibit a relatively concentrated ownership structure. The average voting rights held by the largest shareholder, a measure of the controlling shareholder's influence, is 25.12%. Regarding governance characteristics, the analysis shows that, on average, 66.3% of audit committee members are independent, underscoring a strong emphasis on maintaining board objectivity and oversight.

Table 2. Descriptive statistics

Variables	Mean	SD	Q25	Median	Q75	Min	Max
CO	25.126	18.989	10.993	14.330	55.594	0.000	75.654
ETR	0.234	0.159	0.156	0.266	0.314	0.005	0.695
BTD	0.015	0.079	-0.001	0.019	0.055	-1.085	0.528
ROA	0.044	0.066	0.014	0.044	0.066	-0.195	0.444
MTB	2.001	0.452	2.261	2.284	3.260	2.028	3.577
LEV	0.211	0.156	0.084	0.192	0.303	0.000	0.890
SIZE	17.23	5.001	16.446	18.441	20.104	4.077	26.029
INDAC	0.663	0.022	0.019	0.048	0.569	0.002	0.982
GENDER	24.133	16.89	0.000	17.22	22.86	15.68	77.55

Notes: Table 1 displays descriptive statistics for a sample of 3388 firm-year observations. All variables are defined in Appendix A.

4.2. Bivariate Analysis

Table 3 presents the Pearson correlation matrix, showing that all correlations remain below the critical threshold of 0.8, as noted by Gujarati (2003). Moreover, the variance inflation factors (VIF) for each variable range from 1.01 to 2.11, well below the critical value of 10 established by Neter et al., (1996). This indicates that multicollinearity is not a significant concern in our multivariate analyses. Table 3 reports the Pearson pairwise correlations among the variables used in our empirical regressions. Table 3 indicates that the leverage and the size are strongly correlated at 44.5 % at the significant level of 1 %.

Table 3. Correlation matrix

	ETR	BTD	CO	ROA	MKTB	SIZE	LEV	INDAC	B_GENDER
ETR	1								
BTD	0.035*	1							
CO	0.104***	-0.185***	1						
ROA	0.170***	0.130***	0.023*	1					
MTB	-0.025*	0.042*	0.012*	0.061**	1				
SIZE	0.048*	0.385*	0.095**	0.112***	0.041*	1			
LEV	-0.082**	0.012*	0.225***	0.175***	0.023 *	0.445***	1		
INDAC	0.094**	-0.113***	-0.527*	-0.037*	0.142 ***	0.025*	0.014*	1	
VIF	1.07	2.11	1.08	1.04	2.05	1.01	1.09	1.05	1.04

Notes: Table 3 presents the Pearson correlations between the main variables of interests in our analysis.***, **, and * represent statistical significance at the 1%, 5%, and 10% level respectively. All variables are defined in Appendix A.

4.3. Multivariate Analysis

4.3.1 The effect of ownership structure on tax avoidance

Table 4 shows that the voting rights concentration of the majority shareholder (CO) is positively and significantly associated with both measures of tax avoidance (ETR and BTD) at the 5% significance level. These results provide strong empirical support for H1 and are consistent with the entrenchment hypothesis. Specifically, in firms with concentrated ownership appear to prioritize their own interests, leveraging tax avoidance strategies to maximize personal gains at the expense of minority shareholders.

This finding aligns closely with agency theory and prior empirical evidence showing that dominant owners in environments with weak legal protections often exploit their position to extract rents (Velte, 2024). In this context, tax avoidance serves as a mechanism that can obscure financial information, facilitating opportunistic behavior and reducing transparency, which is particularly relevant in the French institutional setting. France's corporate landscape, characterized by concentrated ownership and relatively weak investor protections (Gedajlovic & Shapiro, 1998), provides fertile ground for such entrenched behaviors, as controlling shareholders can exercise substantial influence over strategic and financial decisions with limited external scrutiny (Rego & Wilson, 2012).

Overall, when dominant shareholders hold significant power, tax avoidance can be used as a tool to pursue private benefits, emphasizing the need for regulatory

oversight, board monitoring, and governance practices that enhance transparency and accountability.

Table 4. Relation between Tax Avoidance and Ownership Concentration

Dependent variables	ETR	BTD
Independent variable		
CO	0.108** (0.025)	0.057** (0.001)
Control Variables		
SIZE	0.004*** (0,011)	0.005*** (0,002)
ROA	0.000*** (0.870)	0.000*** (0.846)
MTB	0.000*** (0.002)	0.000*** (0.012)
LEV	0.000*** 0.075	0.000*** 0.067
INDAC	-0,013** (0.159)	-0.023** (0.010)
Constante	0.000*** (0,184)	0.000*** (0,168)
Observations	3388	3388
Year and Industry FE	YES	YES

Notes: This table presents the results of the effect of ownership concentration on tax avoidance. All variables are defined in Appendix A. Standard errors are in parentheses. *** $p < 0.01$. ** $p < 0.05$. * $p < 0.1$.

4.3.2. Moderating role of gender diversity

The analysis in Table 5 investigates how gender diversity on corporate boards influences the relationship between ownership concentration and tax avoidance. The findings reveal that higher board gender diversity is significantly associated with reduced tax avoidance, consistent with prior studies by Jarbouï et al. (2020), providing strong empirical support for Hypothesis 2. Female directors appear to play a pivotal role in curbing agency costs and managerial opportunism in tax-related decisions. Notably, the interaction term between ownership concentration and gender diversity ($CO * Gender$) indicates that the positive relationship between ownership concentration and tax avoidance shifts to negative with greater gender diversity. This result highlights the ability of gender-diverse boards to mitigate the tendency of firms with concentrated ownership to engage in tax avoidance.

The statistically significant negative coefficient for the interaction term reinforces the importance of female directors in promoting ethical governance and prioritizing long-term value creation over short-term financial gains. Gender-diverse boards strengthen the negative relationship between ownership concentration and tax avoidance, fostering transparency and ethical corporate practices. Aligned with Social Identity Theory, these findings suggest that female directors bring diverse perspectives and values to board discussions, emphasizing

ethics, accountability, and corporate social responsibility. In the French context, where governance standards are rigorous, and public scrutiny is high, the presence of gender-diverse boards aligns corporate behavior with societal expectations. This underscores the critical role of female representation in enhancing governance practices and reducing tax avoidance in firms with concentrated ownership.

Table 5. Ownership concentration, Gender diversity and tax avoidance

Dependent variables	ETR	BTD
Independent variable		
CO	0.172*** (0.044)	0.501*** (0.711)
Moderate variable		
GENDER	-0.057*** (0.021)	-0.044* (0.023)
CO*GENDER	-0.009**	-0.019***
Control Variables	(0.043)	(0.064)
SIZE	0.090*** (0.011)	0.053*** (0.013)
ROA	0.079*** (0.019)	0.488** (0.219)
MTB	-0.050 (0.037)	-0.027*** (0.424)
LEV	0.051** (0.023)	0.067** (0.028)
INDAC	-0.020* (0.012)	-0.018*** (0.016)
Constante	-0.083*** (0.030)	-0.267*** (0.358)
Observations	3388	3388
Year and Industry FE	YES	YES

Notes: this table reports the results of the effect of gender diversity. All variables are defined in Appendix A. Standard errors in parentheses *** p < 0.01. ** p < 0.05. *p < 0.1.

4.4. Robustness checks

4.4.1 Alternative measure of tax avoidance

We employed an alternative measure of tax avoidance, *CASHETR5*, which is calculated as the sum of cash taxes paid over five years, scaled by the sum of pre-tax income minus special items over the same period (Dyreng et al., 2008; Goh et al., 2016). Table 5 presents the regression results examining the impact of controlling shareholders on corporate tax avoidance, using *CASHETR5* as the dependent variable. The results indicate that the ownership concentration is positively and significantly associated with tax avoidance at the 1% level.

Table 6. Alternative measure of tax avoidance CASHETR5

Dependent variable	CASHETR5
Independent variable	
CO	0.115***
Controls variables	(0.258)

SIZE	0.005*** (0.043)
ROA	0.024** (0.027)
MTB	0.100*** (0.266)
LEV	0.250** (0,102)
INDAC	-0.792** (0.074)
Constante	0.000*** (0.044)
Observations	3388
Year and Industry FE	YES

Notes: this table presents regressions results for alternative measure of tax avoidance. All variables are defined in Appendix A. Standard errors are in parentheses. *** p < 0.01. ** p < 0.05. *p < 0.1

4.4.2 The GMM regression

The Generalized Method of Moments (GMM) modeling is employed in our study to address potential endogeneity issues and mitigate omitted variable biases that could affect the validity of our findings. The results presented in Table 7 demonstrate that our main findings remain qualitatively unchanged when utilizing the GMM estimator.

Table 7. Regression results of GMM

Dependent variable	ETR	BTD
Independent variable CO	0.082** (0.140)	-0.028** (0.036)
Controls variables SIZE	0.088*** (0.021)	0.050*** (0.023)
ROA	-0.080*** (0.0190)	0.450** (0.220)
MTB	-0.050 (0.036)	-0.030*** (0.437)
LEV	0.034** (0.015)	0.038** (0.018)
INDAC	-0.025* (0.032)	-0.022*** (0.025)
Constante	-0.098*** (0.033)	-0.248*** (0.348)
Arellano-Bond : AR (1)	0.000	0.000
Arellano-Bond : AR (2)	0.125	0.132
Observations	3388	3388

Notes: this table presents regression results of GMM estimations. All variables are defined in Appendix A. Standard errors in parentheses *** p < 0.01. ** p < 0.05. *p < 0.1.

4.4. Additional analyses

4.4.1 Moderating role of audit committee independence

The presence of an independent audit committee plays a crucial role in curbing tax avoidance strategies within organizations. Prior research by Sriyono et al., (2022) and Gunawan et al., (2021) underscores that greater independence and larger size of audit committees are associated with reduced tax aggressiveness. Zheng et al., (2019) further emphasize that such committees act as a critical governance mechanism, enhancing oversight and promoting transparency in corporate financial practices. In the French context, these findings hold particular significance given the country's corporate governance framework, characterized by a traditionally concentrated ownership structure. Table 8 of our study reveals that the independence of audit committee mitigates the link between ownership concentration and tax avoidance. This suggests that independent audit committee effectively constrain controlling shareholders from engaging in aggressive tax strategies that could prioritize short-term gains over long-term sustainability.

The reduction in tax avoidance practices can be attributed to the enhanced accountability and oversight that independent audit committees bring to governance processes. By limiting managerial opportunism and exerting scrutiny over financial decisions, these committees act as a counterbalance to the influence of dominant shareholders. Moreover, the French legal and regulatory framework mandates significant independence within audit committees, aligning with broader European Union directives on corporate governance.

Table 8 Ownership concentration, independence of audit committee and tax avoidance

Dependent variable	ETR	BTD
Independent variable CO	0.165*** (0.034)	0.501*** (0.711)
Moderate variable INDAC	-0.067*** (0.011)	-0.044*** (0.023)
CO*INDAC	-0.009** (0.043)	-0.020*** (0.074)
Controls variables SIZE	0.092*** (0.011)	0.060*** (0.023)
LEV	-0.085*** (0.020)	0.588** (0.119)
ROA	-0.055 (0.047)	-0.029*** (0.434)
MKTB	0.024* (0.022)	0.018*** (0.012)
Constante	-0.088*** (0.030)	-0.365*** (0.358)
Observations	3388	3388
Year and Industry FE	YES	YES

This table reports the results of the effect of the independence of the audit committee. All variables are defined in Appendix A. Standard errors in parentheses *** p < 0.01. ** p < 0.05. *p < 0.1.

4.4.2 Moderating role of COVID-19 pandemic

The COVID-19 pandemic triggered a global financial crisis, disrupting supply chains, reducing demand, and destabilizing financial markets. This unprecedented event provided a unique context to test corporate tax avoidance strategies, as its adverse effects were felt across all economies worldwide (Ariff et al., 2023). To explore the impact of the COVID-19 pandemic on the relationship between ownership concentration and tax avoidance, we introduced a binary variable, COVID, which takes the value of 1 for the year 2020 and 0 for the years prior to 2019 (Athira and Ramesh, 2023). Our analysis, presented in Table 9, reveals that the pandemic amplifies the positive relationship between ownership concentration and tax avoidance. This finding suggests that during times of heightened uncertainty, controlling shareholders intensified tax avoidance efforts to preserve cash flows and maintain financial stability. The streamlined decision-making processes characteristic of firms with concentrated ownership likely facilitated quicker adaptations to exploit tax-saving opportunities. Additionally, governments worldwide introduced tax deferral and relief policies in response to the crisis. Controlling shareholders may have leveraged these measures aggressively to minimize tax liabilities. Moreover, firms with concentrated ownership often possess greater access to resources and expertise, enabling them to implement sophisticated tax strategies more effectively. Such capabilities would be particularly advantageous during periods of economic disruption, allowing these firms to navigate the challenges of the pandemic while optimizing their tax positions. These results underscore the significant role that ownership concentration plays in shaping corporate responses to crises, particularly in the context of tax strategy adjustments.

Table 9 Ownership concentration, COVID_19 and tax avoidance

Dependent variable	ETR	BTD
Independent variable CO	0.242** (0.040)	0.026** (0.094)
Moderate variable COVID_19	0.023*** (0.070)	0.050** (0.030)
CO*COVID_19	0.485*** (0.025)	0.121*** (0.011)
Controls variables SIZE	0.095*** (0.015)	0.055*** (0.015)
ROA	-0.083*** (0.0290)	0.489** (0.209)
LEV	-0.055 (0.039)	-0.029*** (0.434)
MTB	-0.055** (0.024)	-0.068** (0.028)
INDAC	-0.024* (0.015)	-0.019*** (0.017)
Constante	-0.085*** (0.033)	-0.255*** (0.258)
Observations	3388	3388
Year and Industry FE	YES	YES

Notes: this table reports the results of the effect of Covid_19. All variables are defined in Appendix A. Standard errors in parentheses *** p < 0.01. ** p < 0.05. *p < 0.1.5.

Conclusion

This paper examines the effect of ownership concentration on the tax avoidance practices of French listed firms over the period 2009–2022. The findings indicate a positive and statistically significant relationship, suggesting that firms with concentrated voting rights are more likely to engage in strategies aimed at minimizing their tax liabilities. These results provide empirical support for the entrenchment hypothesis, highlighting the potential for dominant shareholders to prioritize personal gains at the expense of minority investors, particularly in institutional contexts characterized by weaker investor protections.

The study also identifies key governance mechanisms that can mitigate this relationship. Gender diversity on corporate boards is shown to weaken the positive association between ownership concentration and tax avoidance, emphasizing the role of diverse perspectives in promoting ethical decision-making and constraining opportunistic behaviors. Similarly, the independence of the audit committee emerges as a crucial internal control mechanism, effectively dampening the influence of concentrated ownership on aggressive tax strategies. Notably, the analysis reveals that during the COVID-19 pandemic, the positive relationship between ownership concentration and tax avoidance is amplified, indicating that periods of economic uncertainty may exacerbate opportunistic behavior by dominant shareholders.

This study makes several contributions to the literature. First, it deepens understanding of the complex dynamics between ownership concentration and tax avoidance in civil law contexts, such as France, where concentrated ownership and weaker minority protections are common. Second, by highlighting the moderating roles of gender diversity and audit committee independence, it underscores the importance of governance mechanisms in shaping corporate fiscal behavior. Third, the findings integrate insights from Social Identity Theory, illustrating how minority representation on boards can influence decision-making and ethical oversight.

From a practical perspective, the results have important implications for both policymakers and corporate managers. Policymakers should consider strengthening governance regulations and oversight mechanisms to limit the risks associated with concentrated ownership, particularly during periods of economic stress. Firms can benefit from fostering inclusive leadership and ensuring the independence of audit committees to promote ethical tax practices and enhance transparency. Despite these contributions, the study has limitations. Its focus on a single country France may restrict the generalizability of the findings to other institutional contexts. Future research could extend this analysis to other civil law and common law countries, enabling crosscountry comparisons and examining how variations in governance structures, investor protections, and cultural norms influence the relationship between ownership concentration and tax avoidance. Additionally, future studies could explore other moderating factors, such as corporate social responsibility initiatives or board expertise, to further unpack the mechanisms that constrain or amplify tax avoidance behaviors.

In sum, this study highlights the dual role of ownership concentration in shaping tax strategies and underscores the pivotal function of governance mechanisms in promoting ethical and transparent corporate behavior, particularly during periods of uncertainty.

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Appendix A. Variable definitions and construction

Variables	Measures
Independent variable	
CO	The Percentage of Shares Held by the Largest Shareholder.
Dependent variables	
ETR	The ratio of total tax expense over one year to pre-tax income.
BTD	The difference between pre-tax book income and taxable income, scaled by total assets.
Control variables	
SIZE	The natural logarithm of total assets.
ROA	The pre-tax income scaled by total assets.
LEV	The long-term debt divided by total assets.
MTB	The market value of equity divided by the book value of equity.
INDAC	The proportion of independent members within the audit committee.
GENDER	The proportion of female directors on the board.
CASHETR5	The sum of cash taxes paid over 5 years divided by the sum of its total pre-tax income over the same period.
COVID-19	It takes the value of 1 for the year 2020 and 0 for the years prior to 2019.