The effect of family ownership on tax avoidance: Evidence from Turkey

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ABSTRACT

This study investigates the relationship between family ownership and corporate tax avoidance using panel data analysis. Drawing on a dataset of 2,369 firm-year observations from Turkey, the research focuses on publicly traded companies and explores how family control influences firms' tax behavior. Family firms in Turkey represent a significant portion of the corporate landscape, often characterized by concentrated ownership, and intergenerational control, which can influence their financial and tax-related decisions. The findings reveal a statistically significant and positive association between family ownership and tax avoidance. This result is consistent with the entrenchment hypothesis, suggesting that family owners may use their control to pursue tax-saving strategies that benefit their private interests. These results also align with prior literature, which document higher tax avoidance levels in firms with concentrated ownership or weak external governance mechanisms.

This study contributes to the literature by adding new insights into how ownership structures affect corporate tax behavior. The findings have implications for policymakers and regulators, highlighting the need to strengthen transparency and corporate governance practices in family firms to reduce aggressive tax planning. Comparative studies involving multiple countries with different institutional and tax enforcement environments could offer broader insights into how the relationship between family ownership and tax avoidance varies across contexts. Including variables related to board independence, or audit quality may help to explore the moderating effects of corporate governance on the association of family ownership and tax avoidance.

Keywords: effective tax rate, expropriation, ownership structure, panel data analysis, tax planning