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Factors Influencing Tax Payments by Multinational Enterprises in Tanzania

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Abstract

This paper examined the determinants of tax payments by Multinational Enterprises (MNEs) in Tanzania. The quantitative study applied an explanatory design on a panel sample of 107 MNEs from 2017 to 2019, making a total of 321 firm-year observations. Informed by the Coase theory of the firm and the financing model of the firm, transaction costs, leveraging, and interest expense deductibility tax incentive were independent variables. The collected and coded data were analyzed descriptively using mean score and inferentially using multiple regression technique. The study found that transaction costs and leverage positively and significantly affect tax payments and interest expense deductibility had no effect. The study concludes that MNEs transaction costs are critical as they affect tax payments. Practically, the study highlights the need for the government to address the high cost of doing business in Tanzania but keep the cost of tax avoidance high. Also, the study highlights the value of financial sector development and considerate deleveraging regulations. Empirically, the study contributes as the first to consider the impact of the cost of doing business on tax payments by MNEs. The study truncated the data observation up to 2019, and failing to analyze the Covid 19 era and shock (2020, 2021, and 2022) with a limited number of factors affecting tax payments by MNEs. Future research needs to consider addressing these gaps.

Keywords: Multinational enterprises, cost of doing business, financing model, tax incentives, debt, equity, tax payments.

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Introduction

Globally, taxation is the basic financier of government economic and social development projects that finally bring economic growth and welfare (Almanzar & Torero, 2017; William, 2021). Among others, multinational enterprises (MNEs) are an important source of government revenue in developing countries (Casella, Rigo, Bolwijn & Rigo, 2018). While MNEs contribute 55 percent of corporate income tax revenue in the United Kingdom, they contribute between 20 and 23 percent of the same in developing countries (UNCTAD, 2015; Hebous, 2020). However, developing countries, particularly in Africa are unable to collect adequate tax revenue to support public services investments (Okunogbe & Santoro, 2023). In Tanzania, total tax revenue collection as a percentage of GDP at about 13 percent of the GDP, far below the 20 percent target (IMF, 2016, 2022).

Tanzania has attracted foreign investors through multinationals particularly in communications, mining, manufacturing, construction, financial services and energy sectors. From 2017 to 2021, The FDI inflow to Tanzania grew by 33.3 percent (USD 0.9–1.2 billion), while the global average fell by 3.08 percent (Tanzania Investment Center, 2023). The growth in FDI flow to Tanzania was however well below the inflow to Africa which grew by 106 percent. Studies have shown that MNEs, though, divert government revenues through complex tax planning strategies including transfer pricing (Sebele-Mpofu, Mashiri, & Schwartz, 2021; Dyreng & Hanlon, 2023). UNCTAD (2015) found 80 percent of the MNEs affiliates operating in Africa are involved in international tax malpractices of avoidance and evasion. Further, in 2021, Africa lost an estimated \$17.1 billion in tax revenue due to tax evasion by rich countries and multinationals (Ecofin Agency, 2021). Tanzania has lost US\$ about 7.6 billion in tax revenues between 2013 and 2020 due to internal inefficiencies, tax evasion, harmful tax incentives, double taxation agreements and illicit financial flows (Policy Forum, 2022).

In transfer pricing, MNEs transact with affiliates in low tax countries which may minimize taxable incomes in high tax countries by shifting profits. The loopholes that MNEs use includes purchasing the hard to value intangibles such as trademarks, renting expensive equipment such as aircraft, overcharging management and technical fees, thin capitalization and use of tax-havens (Dharmayanti et al., 2024; Osamor, Omoregbee & Olugbenga, 2023; Sebele-Mpofu et al., 2021). One problem here is developing countries' inadequate expertise and resources to control MNEs malpractices (Sebele-Mpofu et al., 2021; Tilahun & Yihdego, 2023). However, Scholes and Wolfson (1992), as cited in Klassen, et al (2017), argue that this is a one dimensional view which does not consider other uses of transfer pricing, including enabling decentralization and coordination. Also, although there are cases of tax avoidance by MNEs, they pay significant amount of taxes, both direct and indirect (Dyreng, 2010). While profit shifting is a known government challenge, this study focuses on another problem, from the MNEs perspective. Thus, this study battles with the question of “why MNEs shift taxable income to low tax jurisdictions?” Informed by the Coase theory and the corporate financing model, this study examined the effect of transaction costs, source of capital (leveraging) and interest expense deductibility tax incentive on MNEs tax payments in Tanzania.

Literature Review

Theoretical Framework

As other enterprises, MNEs seek profit from its transactions by maximizing receipts and minimizing costs. In his theory, Ronald Coase suggested that engaging in transactions is a costly attempt (Coase, 1937). These costs are incurred in “gathering information, negotiating contracts, monitoring performance and resolving disputes” together with costs associated with different ways of organizing transactions (Rindfleisch, 2019, pp. 1). Coase’s (1937) analysis implied that firms make profit through the minimization of its transaction costs. In the context of international trade, developing countries still exhibit high transaction costs that lowers trade efficiency (Nakuja & Kerr, 2019). The knowledge about the effect of transaction costs on multinational tax payments is scant, and this study, inspired by the Coase theory, is the first to test that relationship.

Companies also raise financial capital from various sources to finance their projects. The financing model of the firm offers cogent explanation for MNEs tax payments. Modigliani and Miller (1958) asserted that with perfect capital markets and absence of taxes and transaction costs, the source of capital is irrelevant to the company’s value (Khatani & Eraji, 2018). However, in reality, transaction costs and taxation exist and companies seek to maximize their value, and thus, capital structure is relevant. The trade-off theory asserted that there is a debt–equity mix that maximizes firm value by balancing the costs and benefits of debt financing (Myers, 1984). In transfer pricing, keep debt the largest share of capital (thin capitalization). In the lenses of the trade–off theory, the MNE optimizes debt to benefit from the tax shield (Madubuike & Ebere, 2023). This theory backs analysis of the effect of choice to leverage and tax shield on MNEs tax payment.

Hypotheses Development

Transaction Costs and MNE Tax Payment

Transaction costs are organizational costs from within the firm or incurred in the market (Demsetz, 1988). The literature on the effect of transaction costs and multinational tax payment/avoidance is scarce. Existing studies are in two groups; first, discussing the costs of engaging in transfer pricing decisions, Klassen, Lisowsky and Mescall (2013) noted that companies normally trade off costs and benefits of tax avoidance. They include administrative, regulatory and reputation costs, while the benefits are tax savings. In the second group of literature, the general costs of business affect firms to engage in tax avoidance. In the first group, the costs of transfer pricing negatively lowers intention to avoid tax, thus, makes MNEs want to pay tax more. Graham et al. (2014) showed that MNEs think of profit repatriation when the financial reporting costs are lower. The similar finding emerged from Brajcich, Friesner, and Schibik (2016) that the MNEs’ ability to venture into international tax avoidance is negatively associated with the cost of tax haven investment. Nebus (2019) bring to light non-financial costs that discourage transfer pricing decisions which are reputation costs that lead to loss of sales and investments due to tax avoider label.

In the second group of literature, general costs of business drives tax avoidance decisions positively. The idea is that costs pull profits down but companies avoid tax to cut expenses and restore the declined profits. In Sebele-Mpofu et al. (2021) in the context of developing countries, MNEs are driven by the internal efficiency motives to engage in transfer pricing.

Daniel and Faustin (2019) showed that finance cost is a positive determinant of transfer pricing and intergroup transactions in developing countries. In Ghana, Amidu, Coffie and Acquah (2019) the sensitivity of tax avoidance decreases as firms increase their earnings management. Better earnings management minimizes costs, ensures profit and reduce motive to evade taxes. Mocanu, Constantin and Raileanu (2021) in Romania, shows companies with lower financial performance does tax avoidance more.

The first group of literature brings light to one cost aspect of MNEs decision to pay tax, while the focus on this study is inspired by Coase (1937) on the significant transaction costs of MNEs. None of the studies have directly analyzed the effect on tax payments, but rather on tax avoidance, which is essentially the common practice of MNEs and the problem of this study. The recurring findings from the reviewed study in the second group of literature shows that higher costs drives tax avoidance, thus, lowers MNEs tax payments. This view is supported by Vicard (2015) on the role of the trade costs in lowering tax avoidance motives, implying that high transaction costs increases tax payments.

Thus, this study hypothesizes that:-

H1: Transaction costs have a negative effect on tax payment by MNEs operating in Tanzania

Leverage and MNE Tax Payment

The company's decision to use a certain debt-equity mix is seen in literature to affect tax payments. While a few studies have focused on MNEs (Waluyo & Doktoralina, 2018; Mocanu, Constantin & Raileanu, 2021), majority offer evidence for non-MNEs (Wahyuni, Fahada & Atmaja, 2019; Eddy, Angela & Erna, 2020; Prabowo, 2020; Darsani & Sukartha, 2021). The financing model of the firm takes MNEs as value optimizers through their capital structure decision which impacts their tax liability. In Waluyo and Doktoralina (2018), it was shown that institutional ownership negatively affected tax avoidance through thin capitalization practices. Thus, showing the higher equity held by financial institutions (low leverage), the higher the tax payments; thus, high leverage, low payment. From Romania, Mocanu et al. (2021) suggested that MNEs with lower leverage ratio, are inclined to more tax avoidance implying less tax payment. In Mulyati, Juni, Subing, Fathonah & Prameela (2019), leverage is high risk, thus higher debt leads to lower burden suffered by the company thus smaller efforts to undertake tax avoidance.

Studies that focused on MNEs alone have shown inconclusive findings, with one suggesting positive and another negative effect of leverage on firm intention to avoid taxes. Wahyuni, Fahada and Atmaja (2019) found that leverage positively influence tax avoidance of the listed manufacturing companies. Also, Mulyati, Juni, Subing, Fathonah & Prameela (2019) found that leveraging influence tax avoidance. Similar finding is from Prabowo (2020) that capital structure have positive effect on tax avoidance. Suciarti, Suryani and Kurnia (2020) in automotive industry and Widyastuti, Meutia and Candrakanta (2021) in the mining sector companies, have found positive influence of leverage on tax avoidance. These studies, all based in Indonesia, offer evidence that higher leverage, leads to more tax avoidance, that is lower tax payments. These findings align with the relevance theory, that debt has a cost to be minimized, and so, firms avoid taxes to offset that cost. In high tax countries, MNEs are seen to have high debt as compared to their domestic counterparts (Egger et al, 2010), evidencing that, debt supports avoidance.

The other studies show that leverage has no effect on tax evasion, proving the irrelevance theory. These include Darsani and Sukartha (2021) in the listed mining companies in Indonesia. Another study is by Muti'ah and Ahmad (2021) who found debt to equity ratio to have no effect on tax avoidance, in Malaysia. Also, there is evidence for lack of effect of leverage on firm performance, coming from Eddy, Angela and Erna (2020), Amalia and Firmansyah (2022) in Indonesia and Tang, Xu, Yan & Yang (2021) in the United States. From the two groups of studies, none examined the effect of leverage on tax payments, but only on avoidance. However, most studies use the total debt–asset ratio and cannot distinguish between external and internal debt, due to lack internal debt data (Cooper & Nguyen, 2020). Also, the review has higher persistence of results suggesting the positive effect of leverage on tax avoidance, which draws from the relevance theory of the financing model of the firm, leading to a hypothesis that:-

H2: The leverage has a negative effect on tax payments by MNEs operating in Tanzania

Interest Deductible Tax Incentives and MNE Tax Payment

Interest cost is treated as a tax deductible expense in most countries, but each country applies its own approach to determine what expenses are treated as interest and therefore deductible for tax purposes (OECD, 2016). Due to a lack of systematic literature in the area, an existing knowledge is drawn from a variety of works, to form basis for a hypothesis for the current study. This review tables the role of tax deductibility of interest expense on tax avoidance in two groups; the companies' response to tax reforms/regulations and companies' own optimization.

Mooij and Liu (2020) assert that the interest expense deductibility tax incentive can be mitigated by restrictions imposed in transfer pricing regulations. This is because, as an incentive, it can lower governments' tax revenues (Ade, Rossow & Gwatidzo, 2018). Bilicka, Qi and Xing (2022) studied the effect of regulation that limited interest deductibility for a group of UK based MNEs and found that firms circumvented the regulations by lowering debt held in the regulated country and increased it abroad. This shows companies use interest deductibility to avoid paying taxes. Similar finding, is from De Vito and Jacob (2022) showing that laws to reduce tax avoidance tend to increase debt financing, thus substituting non-debt tax shields with debt tax shields (which are interest deductibility). In China, Xu, Chen, Deng and Yu (2022) found that mandatory deleveraging increases the degree of corporate tax avoidance through taking advantage of the non-debt tax shields. Supporting evidence to this, comes from Buettner et al. (2015), that rules to restrict deduction of interest expense lowers MNE's profitability; which implies to stir up more aggressive avoidance practices. This line of literature shows that, when laws aim to curb interest deductibility of tax, firms opt for other (non-debt) avoidance practices, and the vice-versa is true. This suggests that interest deductibility of debt lowers other forms of tax avoidance.

On the other hand, Dyreng, Jacob, Jiang and Müller. (2022) found that firm's ability to maximize its after tax profits reduces its intention to avoid taxes, only when the tax deductibility of the cost of capital (interest) is not limited. This shows the role of deductibility of interest expense in reducing more aggressive tax avoidance. Similar lack of fully effect of interest deductibility is found by Suciarti, Suryani and Kurnia (2020) in Indonesia. However, McCarthy (2021) give evidence that the deferred tax due to asset holding; through depreciation and amortization increases tax avoidance in Ghanaian listed companies. This is

supported by Widyastuti, Meutia and Candrakanta (2021) who found capital intensity increase tax avoidance as companies reduce tax burden through depreciation expense that is deductible from the income. These stand as non-interest deductibility avoidance alternatives of firms. Under the Tanzania Income Tax Act, interest expense is deductible for tax purposes. MNEs meeting the thin capitalization ratio can deduct interest incurred on borrowings from related parties for tax purposes. Since, the literature reveals MNEs ability to circumvent rules against interest deductibility and to tradeoff between deductibility and other tax avoidance practices, the study hypothesizes that: -

H3: Interest expense deductibility has no effect on tax payments by MNEs operating in Tanzania

Methods

Data, Sample and Variables

The quantitative study applied an explanatory design on a panel sample of 107 MNEs from 2017 to 2019, making a total of 321 firm-year observations. The sample was drawn from MNEs that filed returns with Business Registration and Licensing Agency (BRELA). The years 2017 to 2019 were chosen because electronic filing of annual returns was introduced in 2017 but the post 2019 observations are omitted to reserve the Covid 19 shocks for future analysis. The content analysis of income statements, balance sheets and notes and directors reports was done to collect the data.

To measure tax payments (our dependent variable), we used the effective tax rate (Guenther, (2014). We defined tax payment as the amount of cash MNEs remit to the government for corporate tax payments net of any refunds received (Dyreg, Hanlon & Maydew, 2010). The cost of doing business is measured by overall costs over turnover. We defined the cost of doing business (transaction costs) as business costs, which included salaries and wages and other administrative costs, direct costs, and sales and distribution costs, as reported in the MNEs' financial statements (Demsetz, 1988, Coase, 1937). The financing of the firm was measured by the debt to equity ratio (Nguyen & Rugman, 2014). Finally, deductible interest expenses were measured using finance costs over profit before interest and tax (Ade, Rossouw, Gwatidzo, 2018).

The researcher used Likert scales to quantify the continuous variables in the five point scales of 1 to 5. The tax payment was gauged as follows: less than 0.01=1, 0.01–0.1=2; 0.1<rate≤0.2=3, 0.2<rate≤0.3=4 and above 0.3 =5. The transaction costs: less than 0.01=1, 0.01<rate≤0.1=2, 0.1<rate≤0.2=3, 0.21<rate≤0.3=4, and above 0.3 = 5. The interest expense: less than 0.1=1, 0.1<rate≤0.2 = 2, 0.21<rate≤0.3 = 3, and 0.31<rate≤0.4 = 4, and 0.41<rate≤5 = 5. For leverage: less than 0.5=1, 0.5<rate≤0.7=2, 0.71<rate≤0.8=3, 0.8<rate≤1=4, and above 1=5. This study, thus, categorized the continuous variables, to achieve standardization for ease of analysis. According to, Savalei (2020) categorizing continuous variables, despite its flaws, requires a large sample sizes, the criteria that this study meets. Table 1 below summarizes the variable measurements.

Table 1: Operationalization of Variables

Variable	Operational Definition	Measurement	Source
Tax payments	Tax paid by MNEs measured by effective tax rate.	Effective tax rate=Income Tax Charge/Profit Before Tax	Dyreng and Hanlon (2010)
Transaction costs	All costs incurred by a business to generate profits except borrowing costs	Costs/turnover	Demsetz (1988), Coase (1937)
Financing of the Firm	Borrowings by an MNE	Debt/Equity Ratio	Nguyen and Rugman (2014); Egger et al., 2010)
Interest deductibility	Interest expense available for deduction by MNEs.	Finance Costs/Profit Before Tax	Buettner et al. (2015), Ade et al. (2018)

Results

In this study the computed Variance Inflation Factor (VIF) and Tolerance Values (TV) indicated that there was no collinearity and correlations problem among the independent variables. The VIF for all factors was less than 10 and TV greater than 0.1, as indicated in Table 2. Also zero order correlations are between -1 and 1.

Table 2: Collinearity and correlations statistics

Variable	Collinearity Statistic		Correlations		
	VIF	Tolerance	Zero-Order	Partia 1	Part
Transaction Costs	1.060	0.943	0.600	0.628	0.624
Interest expense Deductibility	1.063	0.941	0.113	0.087	0.068
Financing of the Firm	1.123	0.890	0.050	0.218	0.172

Also, Table 3 shows the results of the ANOVA and confirms that the regression model (overall) was significant at the 1 percent significance level (p-value=0.000).

Table 3: Model Fitness

Sum of squares	Df	Mean square	F	Sig.
Regression	3	20.873	23.164	0.000
Residual	103	0.901		
Total	106			

The results in the model summary in Table 4, indicate that the independent variables explained about 38.4% of the determinants of tax payments (Adjusted R²= 0.384). The adjusted-R² of the model shows that the model explains 38.4 percent of the variation in the tax payment measure. Therefore, the results suggest that the variables in the model represent a significantly more powerful set of predictors of the determinants of tax payments by MNEs.

Table 4: Model Summary

Multiple R	0.635
Coefficient of determination (R ²)	0.403
Adjusted R ²	0.385
Standard error of the estimate	0.94927
R Square Change	0.403

Table 6 shows that transaction costs has a positive significant effect on tax payments ($\beta=0.643$, $t=8.196$, $p=0.000$). Financing of the firm ($\beta =0.183$, $t=2.264$, $p>0.026$) had a positive significant effect on MNE tax payment. Lastly, the interest deductibility ($\beta=0.070$, $t=0.891$, $p=0.375$) had no effect on MNE tax payments. From the findings, the researcher rejected the first and second hypotheses, H1 and H2, but failed to reject the third hypothesis (H3).

Table 6: Multiple regression results

Variable	β	SE	t-value	p-value
Transaction Costs	0.643	0.116	8.196	0.000
Financing of the Firm	0.183	0.096	2.264	0.026
Interest Deductibility	0.070	0.073	0.891	0.375

Discussion

The study was informed by the theory of the firm by Coase (1937) to examine the effect of transaction costs on tax payments by MNEs in Tanzania. The Coase (1937) theory suggest that firms make profit because they can minimize the transaction costs. Thus, high transaction costs lowers firm profit and raises tax avoidance motives to offset the losses, which is low tax payment.

The analysis of data revealed that transaction costs positively and significantly affect the tax payment by multinational enterprises operating in Tanzania. This finding is contrary to the hypothesized relationship which was based on the extant literature, by the studies of Sebele-Mpofu et al. (2021), Twesige and Gasheja (2019) and Amidu et al. (2019) that found high costs lead to high tax avoidance by the multinationals, that implies low tax payment. In the context of developing countries, Sebele-Mpofu et al. (2021) found that MNEs are driven by the internal efficiency motives when engaging in transfer pricing. Thus, the higher internal running costs of the company push the firm not to pay taxes. Similarly, in the developing countries context, Daniel and Faustin (2019) found that the finance cost positively determine transfer pricing, revealing the high cost–low payment nexus. In Amidu et al. (2019), a similar nexus shows up, where better earnings management decreases avoidance, hence increases

payment. Better earnings management lowers costs, and therefore, the result implies that high costs decreases payments.

Several studies promote the finding that higher transaction costs leads into higher tax payments. Vicard (2015), suggests that high costs of business increases tax payments, but the study was conducted in the European MNEs contexts. This study examined the role of trade costs and found that it lowers tax avoidance mechanisms. The other literature that promotes this findings relates to the potential costs of transfer pricing, rather than the general business costs. Graham et al. (2014) showed that MNEs think of profit repatriation when the financial reporting costs are lower. In the study of Brajcich et al. (2016), MNEs are able to avoid tax when the costs of investing in tax havens is low. Finally, Nebus (2019) highlight non-financial costs that discourage transfer pricing decisions which are reputation costs that lead to loss of sales and investments due to a bad label. The less MNEs avoid taxes, the more they pay; thus, the literature support the positive effect of costs on tax payments. However, the findings of this study do not support the Coase (1937) theory, which formed the basis of the study's first hypothesis.

Further, using the financing model of the firm, the study examined the effect of leveraging on MNE tax payments. As per the trade-off theory, a company maximizes its value by a good mix of debt and equity. The study, based on extant empirical evidence and theory (high cost of debt), hypothesized that higher leverage increases tax avoidance, hence lowering tax payments. However, the effect of leveraging on MNEs tax payment was found positive and significant, contrary to the large body of literature and theory. The result are contrary to Wahyuni et al. (2019) in Indonesian manufacturing companies, Suciarti et al. (2020) in automotive industry and Widyastuti et al. (2021) in the mining sector, who found high leverage to increase tax avoidance, thus reducing payment. This study result, however, is supported by findings of Mocanu et al. (2021), who suggested lower leverage ratio increases tax avoidance, thus high leverage leads to lower tax avoidance (higher payment). The same evidence emerges from Eddy et al. (2020), Amalia and Firmansyah (2020) in Indonesia and Tang et al. (2021) in the United States.

Further, the study finds that interest deductibility does not affect tax payments by MNEs, and thus, the researcher failed to reject the third hypothesis. Studies supporting this finding includes Bilicka et al. (2022) in United Kingdom, De Vito and Jacob (2022) in Italy and Xu et al. (2022) in China. Similarly, the evidence of no effect is found by Buettner et al. (2015) and Jacob et al. (2022). In general, these studies show that interest deductibility does not affect tax avoidance. They assert that that, when the tax deductibility of interest expense is limited by transfer pricing rules or regulations, companies shift to other transfer pricing practices. In China, mandatory deleveraging increased the degree of corporate tax avoidance through alternative means including depreciation, amortization or investment tax credits (Xu et al., 2022). Bilicka et al. (2022) showed that companies circumvented the regulation by increasing debt overseas to still take advantage of the deductibility. In Italy, De Vito and Jacob (2022) showed that firms can substitute non-debt tax shields with debt tax shields. This is when the tax enforcement is stronger or where there is higher corporate tax rate.

Conclusion

The divulged influence of transaction costs, leverage and interest deductibility on tax payment of MNEs provide useful insights. Transaction costs was viewed to trigger MNEs tax avoidance to offset the reduced profitability. In Tanzanian MNEs, the data exhibited the opposite that companies avoid taxes less as cost of doing business increases. While the cost of doing business is a policy concern to be addressed, the finding should not imply the need to increase these costs. Also, contrary to the hypothesis, new evidence from Tanzania confirms that leverage increases tax payments, implying that MNEs have optimal leverage policy. That is, companies leverage choices yields the best outcome (maximum firm value) where tax avoidance incentives are lowest. The finding regarding the neutral effect of interest rate deductibility did not contradict the hypothesis.

From the findings, firstly, the study suggest to governments to set the optimal and favorable deductible interest on loans among MNEs to allow them enjoy the interest deductibility. This, makes companies to forgo other, possibly, more aggressive tax avoidance mechanisms, and that do not trigger their decision to venture into non-debt transfer pricing techniques. Secondly, the Tanzanian government needs to promote financial sector development for MNEs to optimize their capital structure efficiently. There is also a need for the government to work with MNEs to address the high costs of doing business in Tanzania.

Theoretically, the study provide evidence of the need to revisit the Coase theory of the firm, but endorses the predictions of the financing model of the firm. Empirically, the study contributes knowledge in the Tanzanian MNE context about the effect of transaction costs, leveraging and interest deductibility on tax payments. The study is limited in the time coverage of the sample, up to 2019, leaving out Covid 19 era (2020, 2021, and 2022) from the analysis, which would offer an important knowledge contribution. Further, the statement of factors influencing tax payments from MNEs covered only three factors. There could be other factors influencing tax payments by MNEs such as tax audits, political pressure, availability of comparable information for benchmarking, the relationship between MNEs with the government, tax rates, and the impact of the use of intangible property on tax payments by MNEs. Future studies need to consider analyzing the impact of Covid 19 shock in the relationship between the studied variables and inclusion of more factors.

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