Corporate Tax Avoidance and Social Responsibility: An International Perspective

Abstract :

Purpose: This paper examines the impact of Corporate Social Responsibility on corporate tax avoidance offering insights into how socially responsible firms evolve and adapt their tax practices over time and across different countries.

Study design/methodology/approach: Based on an international sample over the period 2002-2021, we use OlS regression models on panel data estimated with robust standard errors.

Finding: Our study show that corporate social responsibility has a negative effect on corporate tax avoidance. This finding suggests that companies might prioritize long term objectives through better reputation establishing trust within the community by meeting stakeholders' expectations instead of short term gains from tax avoidance.

Originality/value: The findings support stakeholder and legitimacy perspectives suggesting that, companies should align their practices with all stakeholders needs. Firms use CSR to prove their commitment to the society norms and values, building a positive image and eliminating the costs associated with tax avoidance practices.

Practitioner/Policy Implications: Investors should closely evaluate a company's CSR practices alongside its tax practices. Socially responsible firms are less willing to engage in tax avoidance activities. Practitioners may encourage and enhance CSR activities considering it as strategy affecting corporate tax behavior.