Unpacking the corporate social responsibility–Tax Avoidance Puzzle: The role of Board Expertise and Economic Policy Uncertainty

Rihem SOUSSI FATHALLAH

Institute of Higher Commercial Studies of Sousse, Doctoral School of economic sciences and management of Sousse, University of Sousse, Sousse, Tunisia

Email: soussirihem@gmail.com

Hamza NIZAR

PRESTIGE Labo, Institute of Higher Commercial Studies of Carthage, University of Carthage, Tunis, Tunisia

Email: hamza.nizarr@gmail.com

Houssam BOUZGARROU

Higher Institute of Finance and Taxation of Sousse, University of Sousse, Sousse, Tunisia

Email: h.bouzgarrou@hotmail.fr

Abstract

Purpose: This paper examines the impact of corporate social responsibility (CSR) 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 of 42,632 observations over the period 2002-2021, we use OlS regression models on panel data estimated with robust standard errors.

Finding: Our findings show that corporate social responsibility negatively affects corporate tax avoidance. This finding suggests that socially responsible companies do not engage in tax avoidance to maintain legitimacy and stakeholder trust. Avoiding taxes could be seen as contradicting their commitment to societal welfare.

Originality/value: The findings support stakeholder and legitimacy perspectives suggesting that, companies reduce tax avoidance to secure legitimacy, foster stakeholder trust, and ensure long-term sustainability.

Practitioner/Policy Implications: Investors can use a CSR as a signal of ethical and transparent financial behavior. Policymakers should consider encouraging or mandating CSR initiatives, not only as instruments for advancing social welfare but also as effective mechanisms to promote responsible tax practices. Managers should be aware that embedding CSR principles into strategic decision-making processes is imperative to mitigate tax avoidance risks.

Keywords: Corporate social responsibility; corporate tax avoidance; Board Skills; Economic Policy uncertainty.

JEL Classification: G30, F38, H26, M14.

1. Introduction

Corporate social responsibility (hereafter, CSR) has gained a momentous increase in nature and scope in the last two decades (Farooq et al. 2025). CSR initiatives have grown significantly worldwide, as an increasing number of businesses have begun incorporating environmental, social, and governance considerations into their operational practices (Dyck *et al.*, 2019). The recent surge in corporate social responsibility has sparked numerous studies examining its various pros and cons. Yet, this line of researches has produced conflicting results. Corporate social responsibility can lead to agency problems when corporate managers and controlling shareholders prioritize excessive investment in CSR initiatives to fulfill psychological needs, such as enhancing their reputation (Cronqvist and Yu, 2017; Tran et al. 2025). Alternatively, corporate social responsibility can facilitate strategic differentiation in the product market (Lin *et al.*, 2017), improved financial performance (Chen et al. 2024)and reduced cost of equity (Lynch et al. 2024).

Given the conflicting views on CSR, the primary objective of this study is to examine the relationship between CSR and tax avoidance. According to Goh *et al.* (2016), tax avoidance refers to strategies that minimize a company's explicit tax obligations in relation to its pretax accounting income. Taxation is a principal and fundamental way for countries to generate public revenue[1]. It is an essential source of providing communal funds in modern civilizations, the precursor of modern taxation in the 1880s which extend to the rest of the World (OECD 2021a;2022). Furthermore, a World Bank study indicates that complex tax systems are responsible for high levels of tax evasion, corruption, and reduced investment levels[2].Tax avoidance, has brought the attention of academicians over the last few years (e.g., Mkadmi and

[1]https://www.oecd-ilibrary.org/fundamental-principles-of-taxation_5jxv8zhcggxv.pdf
[2]https://documents1.worldbank.org/curated/pt/427711468140953709/pdf/379620DB1Paying1Taxes.pdf

Ali, 2024; Xu and Ren, 2025; Xiang et al. 2025). Equally important, tax avoidance has also been subject of media attention (Financial times, 2024)[3], which reports on governmental efforts to clamp down on tax evasion and avoidance, highlighting the scale of the issue and the public interest in ensuring tax compliance.

Two competing views can explain the relationship between CSR and tax avoidance. First, first view is rooted in stakeholder theory (Freeman, 1984) and legitimacy theory (Suchman 1995; Dowling and Pfeffer, 1975) which together provide a strong theoretical foundation for understanding how CSR influences corporate tax behavior. Legitimacy theory posits that firms must operate within the bounds of societal norms and values to maintain their social permit to operate (Desoky, 2025). Since aggressive tax avoidance is generally viewed negatively by society, firms committed to CSR are motivated to comply with tax laws to preserve their legitimacy and public trust (Pipatnarapong et al., 2025). Tax compliance becomes part of the broader ethical conduct expected from socially responsible companies (Preuss, 2010). The Stakeholder theory complements this by emphasizing that companies have responsibilities to various stakeholder groups—including government, customers, investors, employees, and regulators—who increasingly demand ethical behavior in all aspects of business, including taxation (Hichri and Ltifi, 2021). Firms that engage in CSR actively seek to satisfy these stakeholders by demonstrating accountability and transparency, which naturally extends to responsible tax practices (Rashid et al. 2024). By avoiding aggressive tax strategies, these socially responsible firms reduce reputational risks and strengthen stakeholder relationships, aligning their tax behavior with their CSR commitment (Pipatnarapong et al., 2025; Rashid et al. 2024). Conversely, the alternative perspective is based on agency theory, which holds that a

[3]https://www.ft.com/tax-evasion-avoidance

firm's primary goal is to maximize shareholder wealth (Jensen and Meckling, 1976). A core principle in corporate finance is that companies have a fiduciary responsibility to prioritize shareholder value (Friedman, 1970). Tax avoidance, when conducted in accordance with the law, enables companies to retain greater earnings, enhance cash flow, and increase profits available for distribution to shareholders (Halioui et al., 2016; Kovermann and Velte, 2021). From this viewpoint, minimizing tax obligations is considered a rational business strategy rather than an unethical behavior. Studies by Qu et al. (2020) and Jia and Gao (2021) provide evidence that tax avoidance can increase firm value, supporting the view that managers are motivated to reduce taxes to fulfill shareholder expectations. Previous research has also shown that CSR positively influences tax avoidance and suggested that tax avoidance can be a rational business strategy aligned with the goal of maximizing shareholder wealth (Almutairi and Abdelazim, 2025; Giannarou and Tzeremes, 2025; Abid and Dammak, 2022; Kovermann and Velte, 2021).

Using an international sample of 42,632 observations over the period 2002 to 2021, our findings show that CSR has a negative effect on corporate tax avoidance. This finding suggests that socially responsible companies do not engage in tax avoidance to maintain legitimacy and stakeholder trust. Avoiding taxes could be seen as contradicting their commitment to societal welfare. The findings support stakeholder and legitimacy perspectives suggesting that, companies reduce tax avoidance to secure legitimacy, foster stakeholder trust, building a positive image and ensure long-term sustainability. Additional analysis shows that the negative impact of CSR on tax avoidance is less likely when the board includes members with financial and industry expertise. This finding suggests socially responsible firms with skilled board are better at identifying tax-saving opportunities. Specifically, board members with financial and industry expertise can empower socially responsible firms to optimize taxes more effectively through income shifting, transfer pricing, and tax-efficient corporate structures. Additionally, we found that the negative of CSR on tax avoidance is more likely in the presence of economic policy uncertainty. This finding suggests that under uncertain policy environments CSR-focused firms reduce tax avoidance more aggressively to maintain legitimacy and avoid scrutiny.

This paper has several contributions to existing literature. First, previous studies conducted by (e.g., Wen *et al.* 2020, Hasan *et al.* 2021; Dang and Nguyen, 2022; Qu and Jing, 2025; Xu and Ren, 2025; Qawqzeh and Al Zobi, 2025) show that factors such as director with foreign experience, organizational capital, artificial intelligence, natural disaster, gender diversity and audit committee can shape corporate tax avoidance. We expand this existing literature by applying the stakeholder and legitimacy perspectives to explain the impact of CSR on corporate tax avoidance. Second, our study advances the debate on CSR and tax avoidance by identifying and empirically testing two specific transmission channels that have been largely overlooked in prior research (e.g., Ghorbel and Boujelben, 2025; Rashid et al, 2024; Rakia et al. 2024; Abid and Dammak, 2022). In particular, we focus on (i) the presence of board members with financial and industry expertise, and (ii) the level of economic policy uncertainty faced by the firm. By integrating these organizational and external environmental factors into a unified framework, we offer a clearer explanation for the previously mixed findings on the CSR–tax avoidance relationship. For instance, Rashid et al. (2024);Ghorbel and Boujelben (2025); Rakia et al. (2024) found that CSR reduces tax avoidance. Conversely, Almutairi and Abdelazim (2025);Giannarou and Tzeremes (2025); Marques et al. (2024) found that CSR increases tax avoidance. In this regard, our approach provides a practical roadmap for both firms and policymakers to effectively address and reduce tax avoidance.

The remainder of this paper is structured as follows: Section 2 reviews the relevant literature and develops our hypotheses, Section 3 describes the data and methodology, Section 4 presents the empirical findings, and Section 5 concludes with implications and directions for future research.

2. Literature review and hypotheses development

2.1. Corporate social responsibility and corporate tax avoidance

Although corporations have both legal and social obligations to pay taxes, tax avoidance remains a widespread practice aimed at reducing tax liabilities (Oussii and Klibi, 2024; Abdelfattah and Aboud, 2020; Saragih and Ali, 2023). Tax avoidance serves as a tool to raise shareholder wealth by lowering corporate expenses (Saragih and Ali, 2023; Hanlon and Heitzman, 2010; Mills et al., 2010; Hanlon and Slemrod, 2009). However, the losses caused by corporate tax avoidance have significant negative impacts on society, both economically and in terms of social welfare, as governments lose revenue that could be invested in public infrastructure (Salihu et al., 2015). Consequently, tax avoidance is often regarded as socially irresponsible behavior (Dowling, 2014) because corporations fail to fulfill their role as responsible citizens by avoiding the payment of their fair share of taxes (Huseynov and Klamm, 2012).Since both CSR and tax payments stem from a firm's economic, legal, and moral duties to society as part of corporate citizenship, this study investigates whether there are contradictions between a company's CSR activities and its tax avoidance behavior. Specifically, the research examines whether firms meet the expectations of diverse stakeholders by complying with tax regulations while engaging in CSR, or if they engage in "organized hypocrisy" by avoiding taxes while presenting themselves as socially responsible. We develop two competing perspectives to explain the relationship between CSR and tax avoidance.

Following the stakeholder theory (Suchman, 1995) and the legitimacy theory (Freeman, 1984), firms that are committed to being socially responsible are more likely to comply with tax laws and avoid aggressive tax strategies, because maintaining legitimacy and satisfying stakeholders means acting ethically in all areas, including taxes.CSR serves as a means to protect the interests of all stakeholders (Jemiolo and Farnsel, 2023). Because aggressive tax avoidance is generally viewed unfavorably by society, firms committed to CSR are motivated to comply with tax laws in order to maintain their legitimacy and public trust (Pipatnarapong et al., 2025). Companies that engage in aggressive tax avoidance are often perceived as free riders, benefiting from public services such as roads, education, and healthcare without making a fair contribution (Sikka, 2012). Firms that are committed to CSR tend to avoid aggressive tax practices in order to maintain their legitimacy (Suchman, 1995) and protect their reputation (Hoi et al., 2013). Supporting this, Hoi et al. (2013) show that, in the US context, companies with poor CSR ratings are more likely to engage in corporate tax avoidance (CTA). According to Preuss (2010), firms cannot genuinely claim to be socially responsible if they avoid paying taxes, as taxes are essential for funding social welfare. Similarly, Lanis and Richardson (2015), in their study of US firms, find that higher CSR performance is associated with a lower likelihood of engaging in CTA. Their earlier research in Australia (Lanis & Richardson, 2012) also reveals a negative relationship between CSR and tax aggressiveness. Consistent with these findings, Muller and Kolk (2015) report that foreign multinational subsidiaries in India known for strong CSR practices tend to exhibit lower levels of tax avoidance. Additionally, Zeng (2016) finds a negative correlation between CSR rankings and tax aggressiveness among Canadian firms. Pipatnarapong et al. (2025),Giannarou and Tzeremes (2025), Qutait and Salem (2025), Jemiolo and Farnsel (2023), Mukaromahet al. (2019) assert that when a company demonstrates high compliance with CSR, it is less likely to engage in tax avoidance activities in order to maintain legitimacy from society. A strong commitment to CSR signifies a heightened sense of responsibility to comply with regulations (Buhmann, 2006). Lin *et al.* (2017) highlight the importance of maintaining a balance among corporate ethics, economic welfare, and social responsibility.

Based on the preceding discussion, aggressive tax avoidance is seen as unethical, harming a firm's legitimacy and stakeholder trust. Consequently, we formally present the following hypothesis:

H1a: CSR has a negative effect on corporate tax avoidance.

Conversely, certain researchers contend that firms participating in corporate social responsibility initiatives may continue their engagement in aggressive tax avoidance, motivated by the tenets of agency theory (Jensen & Meckling, 1975). Following this perspective, a company's principal responsibility is to enhance shareholder value (Laguir et al., 2015), which may encourage the adoption of tax avoidance practices that comply with the formal requirements of tax legislation while undermining its future purpose (Baudot et al., 2020; Whait et al., 2018; Landry et al., 2013). This framework potentially explains the worldwide increase in corporate tax aggressiveness (Lanis & Richardson, 2012; Fallan & Fallan, 2019).

Empirical studies have increasingly indicated a positive correlation between CSR and tax avoidance (Almutairi and Abdelazim, 2025; Giannarou and Tzeremes, 2025). Specifically, Landry et al. (2013) and Davis et al. (2016) demonstrate that firms with robust CSR engagements may pursue tax avoidance strategies as a means to redirect resources in favor of enhancing shareholder value. Similarly, Lanis and Richardson (2012) suggest that firms focused on corporate social responsibility may consciously reduce their tax payments to balance social expectations with financial goals, thereby protecting shareholder interests (Affes and Jarboui, 2023). Common methods include shifting profits to subsidiaries in low-tax countries through transactions within the company (Dharmapala, 2014) and using debt financing to take advantage of the tax deductibility of interest expenses (Modigliani and Miller, 1963).

Based on the preceding discussion, firms engaged in CSR are more likely to engage in aggressive tax avoidance strategies, as they prioritize shareholder wealth maximization (agency theory) and seek to reconcile societal expectations with financial performance, often through profit-shifting and tax-deductible financing methods. Therefore, we formally present the following hypothesis:

H1b: CSR has a positive effect on corporate tax avoidance.

3. Research design

3.1. Sample selection and data

The sample of the study includes 42,632 firm-year observations from 57 countries over the period 2002-2021. The research sample consisted of observations from 2002 since the data was available from that year onward, and we capped the observations in 2021 as it was the latest year for which the data were available when we started this research. Firm-level data (i.e., accounting data, corporate tax) were extracted from the Compustat. Data about CSR were retrieved Thomson Reuters Eikon/Refinitiv database. Our sample includes nine sectors based on the single digit industry classification benchmark (ICB[4], 2021). We excluded companies operating in the financial sector since financial firms often use specialized accounting practices and report financial metrics differently than non-financial firms. This disparity can make it challenging to

[4] https://classification.codes/classifications/industry/icb#:~:text=ICB%20provides%20four%20levels%20of,45%20sectors

compare their performance directly with other industries or sectors in a meaningful way within a study focused on general economic or business topics. After combining the data from the different sources, we also removed observations with missing information. These restrictions yield a final sample of 42,632firm-year observations with all available information to estimate Equation (1).

Panel A of Table I reports the distribution of the observations by country. The most represented country in the sample is the United States of America, which comprises over a third of the sample (31.49%), followed by Japan with 8.04%. Of all represented countries in the sample, Ukraine has the lowest ratio, 0.026%. Panel B of Table I report the distribution of observations by year and shows that the ratios ranged between a minimum of 0.202%in 2002 and a maximum of 13.483%in 2020 with an increasing trend per year. Regarding the sector-level distributions, Panel C of Table I reports the ratios of the sample ranged between 1.98% (Utilities) and 18.89% (Consumer Cyclical).

[INSERT TABLE I ABOUT HERE]

3.2. Variables

3.2.1. Corporate tax avoidance

Our dependent variable is corporate tax avoidance (*ETR_CASH)*. We follow Abdelfattah and Aboud (2020); Pertiwi and Prihandini (2021); Bataineh (2025);Sanoran (2025) and we use the cash Effective Tax Rate which is calculated as follows:

$$ETR\_CASH = \frac{Cash\ tax\ paid}{Pre-Taxincome}$$

According to Dyreng et al. (2008), cash taxes paid make the measure robust to changes in estimates, because cash taxes paid could include tax payments of previous periods as it contains all taxes paid in one year. According to Astuti & Aryani (2016), if the *ETR_CASH* level is low, the level of tax avoidance is high, and vice versa. Since a higher *ETR_CASH* indicates lower corporate tax avoidance, we multiply *ETR_CASH* by (−1) to transform it into a direct measure of tax avoidance for empirical analysis. This approach is consistent with prior research (Austin and Wilson, 2017; Chen et al., 2010; Dyreng et al., 2008; Hope et al., 2013).

3.2.2. Corporate social responsibility

The CSR variable is proxied by the aggregate environmental and social and governance scores (Govindan et al., 2021) from Thomson Reuters Asset4. The environmental pillar (E) contains innovation, emissions, and resource use. The social pillar (S) includes the workforce, human rights, community, and product responsibility. The governance pillar (G) comprises the management, shareholders and CSR strategy.

3.2.3. Control variables

Following previous studies (e.g., Graham and Tucker, 2006; Frank *et al.*, 2009; Wilson, 2009; Idzniah and Bernawati, 2020; Kolias and Koumanakos, 2022; Yahaya et al., 2025)

ROA: is the Income before tax over total assets. *LEVERAGE*: is the ratio of total debt over total assets. Firm_*SIZE:* is the natural logarithm of total assets. *Current_Ratio:* current assets over current liabilities.*CEO_Duality*: a binary variable which gets 1 if CEO and board chair are the same person, 0 if not. *Board_Gender*: is the proportion of female directors on board. *Board_Size*: is the Number of directors on board. *GDP*: is the Natural logarithm of gross domestic product per capita. *Audit_Committee*: is a binary indicator that denotes the presence of an Audit committee within a firm. *Governance_Committee*: A binary indicator that denotes the presence of a corporate governance committee within a firm.

[Insert appendix A]

3.3. Model specification

3.3.1. The effect of corporate social responsibility on corporate tax avoidance

To examine the association between corporate social responsibility disclosures on corporate tax avoidance, we use the following ordinary least squares (OLS) model:

$ETR\_CASH_{it} = \alpha_0 + \alpha_1 (CSR_{it}) + \alpha_2 (ROA_{it}) + \alpha_3 (LEVERAGE_{it}) + \alpha_4 (Firm\_Size_{it}) + \alpha_5 (Current\_Ratio_{it}) + \alpha_6 (CEO\_Duality_{it}) + \alpha_7 (CAPex_{it}) + \alpha_8 (Board\_Gender_{it}) + \alpha_9 (Board\_Size_{it}) + \alpha_{10} (GDP_{it}) + \alpha_{11} (Audit\_Committee_{it}) + \alpha_{12} (Governance\_Committee_{it}) + \alpha_{13}$ Country fixed effect $+ \alpha_{14}$ Year fixed effect $+ \alpha_{15}$ Industry fixed effect $+ \varepsilon_{it}$

Where, the dependent variable wascorporate tax avoidanceproxied by ETR_CASH. The independent variable of *CSR* denotes the *CSR*.The control variables are firm profitability (*ROA),firm leverage (LEVERAGE), firm size (Firm_SIZE), firm liquidity (Current_Ratio), CEO duality (CEO Duality), gender diversity (Board_Gender), board size(Board_Size), Gross Domestic Product(GDP), Audit committee (Audit_Committee), and governance committee) Governance_Committee.* Country-year and industry fixed effects were also used to control for unobserved heterogeneity and improve the accuracy of causal inference. Here's why they are important:

3.4. Descriptive statistics

Table II presents the descriptive statistics for all the variables in our main tests using the entire sample of 42,632observations from 2002to 2021. We winsorize all continuous variables at the 1st and 99th percentiles of their respective distributions to reduce the influence of outliers. In terms of corporate social responsibility, the average value of CSR was42.686. Also, regarding the dependent variable, the average value of the tax avoidance (*ETR_CASH*) is -0.171. The descriptive statistics of other control variables are generally consistent with previous studies (e.g., Graham and Tucker, 2006; Frank *et al.*, 2009; Wilson, 2009; Idzniah and Bernawati, 2020; Kolias and Koumanakos, 2022; Yahaya et al., 2025).

[INSERT TABLE II ABOUT HERE]

3.5. Correlation matrix

Table III presents the Pearson correlation matrix between our dependent, independent, and control variables. We do not find high correlations between the explanatory variables, which suggest that multicollinearity is not a serious concern in our regressions. All correlations are below the critical value of 0.8 (Gujarati, 2009). We also calculate the variance inflation factors (VIFs). The variance inflation factors for each variable varied between 1.12 and 1.69, far under the critical value of 10, indicating that our sample does not exhibit significant issues related to multicollinearity.

[INSERT TABLE III ABOUT HERE]

4. Empirical results and discussion

4.1. The impact of corporate Social responsibility on corporate tax avoidance

The results on the effect of corporate social responsibility on corporate tax avoidance reported in Table IV. Analyzing the impact of corporate social responsibility on corporate tax avoidance reveals a captivating trend. In Column 1, our findings indicate a negative relationship between CSR and corporate tax avoidance. This result suggests that firms with stronger CSR engagement are less inclined to adopt aggressive tax planning practices. Such behavior aligns with the stakeholder and legitimacy theories, which posit that companies committed to societal welfare aim to maintain public trust and legitimacy by behaving ethically, including in tax matters.

Avoiding taxes may be perceived as inconsistent with a firm's social responsibility objectives, potentially undermining stakeholder confidence and damaging reputation. Therefore, socially responsible firms may deliberately avoid tax avoidance practices to maintain their legitimacy, strengthen stakeholder relationships, and ensure long-term sustainability. These findings are consistent with our first **Hypothesis (H1a)** as well as with prior research that supports the view that CSR-oriented firms are more transparent and accountable in their financial practices, and seek to align their actions with the expectations of broader society (Pipatnarapong et al., 2025;Giannarou and Tzeremes, 2025; Qutait and Salem, 2025; Jemiolo and Farnsel, 2023; Mukaromah et al., 2019).

[INSERT TABLE IV ABOUT HERE]

4.2.Additional analysis

4.2.1. Board skills Effect

A company's board of directors is crucial in shaping corporate strategies (Kelly and Gennard, 2007). Dass et al. (2014) contend that directors with specific skills can provide industry knowledge, expertise, and valuable connections, thereby enhancing the quality of information presented in the boardroom. In this study, we argue that while CSR commitments discourage aggressive tax avoidance (Lanis & Richardson, 2012; Hoi et al., 2013), boards with financial and industry expertise can help firms navigate complex tax regulations more effectively. Such boards ensure tax efficiency without crossing ethical or legal boundaries, striking a balance between fiscal responsibility and compliance (Armstrong et al., 2011; Khan et al., 2019). Thus, skilled directors may act as a moderating force, enabling firms to optimize tax outcomes while upholding CSR principles. In this study, we follow Nizar et al. (2025), considering board skills as the percentage of board members with industry-specific skills or financial skills within the board room. The first column in Table V shows that the negative effect of CSR on tax avoidance is less likely in the presence of board skills. This suggests that financially and industry skilled directors can interpret tax laws more effectively, ensuring the firm takes advantage of legitimate deductions, credits, and incentives.

[INSERT TABLE V ABOUT HERE]

4.2.2. Economic Political Uncertainty Effect

Although tax payments represent the largest and most significant contribution that relate businesses to government (Lanis and Richardson, 2015), it is crucial to appreciate how firms adjust their tax avoidance activities in an economic policy uncertain environment. Economic policy uncertainty exacerbates firms' operational and reputational risks, leading to greater scrutiny from regulators and stakeholders (Baker et al., 2016). In such environments, CSR-focused firms may prioritize legitimacy and long-term sustainability over short-term tax benefits. Prior studies suggest that firms reduce tax avoidance under high EPU to avoid regulatory backlash and maintain stakeholder trust (Kang and Wang, 2021; Nguyen and Nguyen, 2020). This conforms with legitimacy theory, which posits that firms adjust their strategies to conform to societal expectations in uncertain conditions (Suchman, 1995). Column 2 in Table V shows that the negative effect of CSR on tax avoidance is more likely in the presence of economic policy uncertainty. This finding recommends that under uncertain policy environments CSR-focused firms reduce tax avoidance more aggressively to maintain legitimacy and avoid scrutiny.

[INSERT TABLE V ABOUT HERE]

4.3. Robustness checks

4.3.1. Alternative corporate social responsibility metrics

According to (Lin et al., 2017), it is more reasonable not to include the corporate governance category within the CSR in the main tests, because governance is generally not part of a firm's CSR scope. Therefore, in Table VI, we excluded the governance component from our CSR proxy in column 1 and we used the natural logarithm of CSR score in column 2. CSR is measured using only the environmental and social dimensions of the CSR score. Our findings remain robust, table VI show that CSR negatively affect tax avoidance activities even when eliminating the governance effect.

[INSERT TABLE VI ABOUT HERE]

4.3.2. Endogeneity concerns: Two-Stage Least Squares (2SLS)

To address potential endogeneity concerns related to reverse causality and omitted variable bias, we employed an instrumental variable regression using the two-stage least squares (2SLS) method. Following preceding studies (Cui *et al.*, 2016); an instrumental variable was utilized in the 2SLS regression analysis: (i) the industry average of CSR performance score. A firm's CSR level in a specific industry might be influenced by other firms' corporate social responsibility levels in the same industry (relevancy condition). The industry average of level CSR performance score is also unlikely to be endogenous to the firms' corporate tax avoidance (the exclusion restriction). The findings from both the first and second stages of the analysis are presented in Table VII and align with the primary regression results of a negative relationship between CSR and tax avoidance. The significance and the sign of the CSR did not change, which validates our primary findings[5].

---

[5]To address concerns about potential misspecification of the structural model, we examined the endogeneity of the regressors—specifically, corporate social responsibility disclosure—and assessed the validity of the instruments used. The Wu–Hausman endogeneity test rejects the null hypothesis of exogeneity, indicating that corporate social responsibility disclosure is endogenous. Additionally, the Basmann over-identification test (Basmann, 1960) fails to reject the null hypothesis, confirming the validity of the instruments, including the industry average of corporate social responsibility disclosure. These results support the correct

[INSERT TABLE VII ABOUT HERE]

4.3.3. Excluding US Companies:

Among the 57 countries included in our database, the United States constitutes the largest share at 31.49%. To mitigate its significant influence on our findings, we sought to exclude American companies and re-examine the impact of CSR on tax avoidance. Table VIII presents the results of our regression analysis following the exclusion of US companies. Utilizing two distinct measures of tax avoidance (*ETR_CASH* and *ETR_Current*), the significance and negative coefficient of the CSR score further demonstrate the robustness of our findings. Even after removing the largest proportion of companies from a similar environmental context (U.S. firms), Corporate Social Responsibility continues to mitigate tax avoidance.

[INSERT TABLE VIII **ABOUT HERE]**

5. Discussion and conclusions

The primary objective of this paper is to examine the effect 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. Based on an international sample of 42,632observations over the period 2002 to 2021, our findings show that CSR has a negative effect on corporate tax avoidance. This finding suggests that socially responsible companies do not engage in tax avoidance to maintain legitimacy and stakeholder trust. Avoiding taxes could be seen as contradicting their commitment to societal welfare. The findings support stakeholder and legitimacy perspectives suggesting that, companies reduce tax avoidance to secure legitimacy, foster stakeholder trust, building a positive image and ensure long-term

specification of our structural model and reinforce the primary finding of a positive relationship between corporate social responsibility disclosure and corporate tax avoidance..

sustainability. Additional analyses show that the negative impact of CSR on tax avoidance is less likely when the board includes members with financial and industry expertise. This finding suggests socially responsible firms with skilled board are better at identifying tax-saving opportunities. Specifically, board members with financial and industry expertise can empower socially responsible firms to optimize taxes more effectively through income shifting, transfer pricing, and tax-efficient corporate structures. Additionally, we found that the negative of CSR on tax avoidance is more likely in the presence of economic policy uncertainty. This finding suggests that under uncertain policy environments CSR-focused firms reduce tax avoidance more aggressively to maintain legitimacy and avoid scrutiny.

Our study has several implications. Investors can use a CSR performance as a signal of ethical and transparent financial behavior. Policymakers should consider encouraging or mandating CSR initiatives, not only as instruments for advancing social welfare but also as effective mechanisms to promote responsible tax practices. Managers should be aware that embedding CSR principles into strategic decision-making processes is imperative to mitigate tax avoidance risks. Firms should disclose the skills and expertise of board members enabling stakeholders to assess the board's capability to reduce tax avoidance.

Our study is not free from limitations. First, our study is mainly constrained by the availability of corporate social responsibility and corporate tax avoidance data. Second, the sample is unbalanced due to the differing number of observations across countries. Drawing upon our investigation, exploring the relationship between CSR practices and climate risk exposure, as well as carbon performance, could yield valuable insights into how firms manage environmental risks and contribute to sustainability goals.

References

Abdelfattah, T., & Aboud, A. (2020). Tax avoidance, corporate governance, and corporate social responsibility: The case of the Egyptian capital market. *Journal of International Accounting, Auditing and Taxation*, *38*, 100304.

Abid, S., &Dammak, S. (2022). Corporate social responsibility and tax avoidance: the case of French companies. *Journal of Financial Reporting and Accounting*, *20*(3/4), 618-638.

Affes, W., &Jarboui, A. (2023). The impact of corporate governance on financial performance: a cross-sector study. *International Journal of Disclosure and Governance*, 1.

Almutairi, A. M., & Abdelazim, S. I. (2025). The Impact of CSR on Tax Avoidance: The Moderating Role of Political Connections. Sustainability, 17(1), 195.

Armstrong, C. S., Blouin, J. L., &Larcker, D. F. (2011). "Tax avoidance, tax aggressiveness, and corporate governance". Journal of Financial Economics, Vol.102, No.3, pp.271-303.

Bataineh, H. (2025). The Moderating Effect of Female Directors on the Relationship Between Ownership Structure and Tax Avoidance Practices. Journal of Risk and Financial Management, 18(7), 350.

Buhmann, K. (2006). "Corporate social responsibility: what role for law? Some aspects of law and CSR". Corporate Governance: The international journal of business in society, Vol.6, No.2, pp. 188- 202.

Chen, H. Y., Lin, M. C., & Lin, Z. H. (2024). Do corporate social responsibility activities enhance firm value? An empirical evidence from Taiwan. Cogent Economics & Finance, 12(1), 2344228.

Chen, S., Chen, X., Cheng, Q., & Shevlin, T. (2010). "Are family firms more tax aggressive than non-family firms?". Journal of Financial Economics, Vol. 95, No.1, pp. 41-61.

Cronqvist, H., & Yu, F. (2017). "Shaped by their daughters: Executives, female socialization, and corporate social responsibility". Journal of Financial Economics, Vol.126, No.3, pp. 543-562.

Dang, V. C., & Nguyen, Q. K. (2022). "Audit committee characteristics and tax avoidance: Evidence from an emerging economy". Cogent Economics & Finance, Vol.10, No.1, pp.2023263.

Davis, A. K., Guenther, D. A., Krull, L. K., & Williams, B. M. (2016). “Do socially responsible firms pay more taxes?”. The accounting review, Vol.91, No.1, pp. 47-68.

Desoky, A. M. (2025). The influence of board and audit committee characteristics on CSR reporting in Bahrain: the legitimacy perspective. Journal of Financial Reporting and Accounting, 23(1), 417-435.

Dyck, A., Lins, K. V., Roth, L., & Wagner, H. F. (2019). “Do institutional investors drive corporate social responsibility? International evidence”. Journal of financial economics, Vol.131, No. 3, pp. 693-714.

Dyreng, S. D., Hanlon, M., & Maydew, E. L. (2008). Long-run corporate tax avoidance. *The accounting review*, *83*(1), 61-82.

Farooq, M., Khan, I., Kainat, M., & Mumtaz, A. (2025). Corporate social responsibility and firm value: the role of enterprise risk management and corporate governance. Corporate Governance: The International Journal of Business in Society, 25(3), 631-663.

Frank, M. M., Lynch, L. J., & Rego, S. O. (2009). “Tax reporting aggressiveness and its relation to aggressive financial reporting”. The accounting review, Vol.84, No.2, pp. 467-496.

Friedman, M. (1970). “The social responsibility of business is to increase its profits”. The New York Times Magazine, 13 September 1970.

Ghorbel, I., &Boujelben, S. (2025). Corporate ethics and tax avoidance: the mediating role of good corporate governance. International Journal of Ethics and Systems.

Giannarou, L., & Tzeremes, P. (2025). CSR performance and corporate tax avoidance in the hospitality and tourism industry: do women directors moderate this relationship?. International Hospitality Review.

Dowling, G. R. (2014). The curious case of corporate tax avoidance: Is it socially irresponsible?. *Journal of Business Ethics*, *124*(1), 173-184.

Austin, C. R., & Wilson, R. J. (2017). An examination of reputational costs and tax avoidance: Evidence from firms with valuable consumer brands. *The Journal of the American Taxation Association*, *39*(1), 67-93.

Baker, S. R., Bloom, N., & Davis, S. J. (2016). Measuring economic policy uncertainty. *The quarterly journal of economics*, *131*(4), 1593-1636.

Baudot, L., Johnson, J. A., Roberts, A., & Roberts, R. W. (2020). Is corporate tax aggressiveness a reputation threat? Corporate accountability, corporate social responsibility, and corporate tax behavior. *Journal of business ethics*, *163*(2), 197-215.

Cai, L., Cui, J., & Jo, H. (2016). Corporate environmental responsibility and firm risk. *Journal of Business Ethics*, *139*(3), 563-594.

Dass, N., Kini, O., Nanda, V., Onal, B., & Wang, J. (2014). Board expertise: Do directors from related industries help bridge the information gap?. *The Review of Financial Studies*, *27*(5), 1533-1592.

Dharmapala, D. (2014). What do we know about base erosion and profit shifting? A review of the empirical literature. *Fiscal Studies*, *35*(4), 421-448.

Dowling, J., & Pfeffer, J. (1975). Organizational legitimacy: Social values and organizational behavior. *Pacific sociological review*, *18*(1), 122-136.

Fallan, E., & Fallan, L. (2019). Corporate tax behaviour and environmental disclosure: Strategic trade-offs across elements of CSR?. *Scandinavian Journal of Management*, *35*(3), 101042.

Goh, B. W., Lee, J., Lim, C. Y., & Shevlin, T. (2016). "The effect of corporate tax avoidance on the cost of equity". The Accounting Review, Vol. 91, pp. 1647–1670.

Govindan, K., Kilic, M., Uyar, A., & Karaman, A. S. (2021). Drivers and value-relevance of CSR performance in the logistics sector: A cross-country firm-level investigation. *International Journal of Production Economics*, *231*, 107835.

Graham, J. R., & Tucker, A. L. (2006). "Tax shelters and corporate debt policy". Journal of financial economics, Vol.81, No.3, pp. 563-594.

Gujarati, D. N. (2009). "Basic econometrics".

Halioui, K., Neifar, S., & Ben Abdelaziz, F. (2016). Corporate governance, CEO compensation and tax aggressiveness: Evidence from American firms listed on the NASDAQ 100. *Review of Accounting and Finance*, *15*(4), 445-462.

Hanlon, M., & Heitzman, S. (2010). A review of tax research. *Journal of accounting and Economics*, *50*(2-3), 127-178.

Hanlon, M., &Slemrod, J. (2009). What does tax aggressiveness signal? Evidence from stock price reactions to news about tax shelter involvement. *Journal of Public economics*, *93*(1-2), 126-141.

Hasan, M. M., Lobo, G. J., & Qiu, B. (2021). "Organizational capital, corporate tax avoidance, and firm value". Journal of Corporate Finance, Vol.70, pp. 102050.

Hichri, A., &Ltifi, M. (2021). Corporate social responsibility and financial performance: bidirectional relationship and mediating effect of customer loyalty: investigation in Sweden. *Corporate Governance: The International Journal of Business in Society*, *21*(7), 1495-1518.

Hoi, C. K., Wu, Q., & Zhang, H. (2013). "Is corporate social responsibility (CSR) associated with tax avoidance? Evidence from irresponsible CSR activities". The accounting review, Vol.88, No.6, pp. 2025-2059.

Hope, O. K., Ma, M. S., & Thomas, W. B. (2013). Tax avoidance and geographic earnings disclosure. *Journal of accounting and economics*, *56*(2-3), 170-189.

Huseynov, F., & Klamm, B. K. (2012). Tax avoidance, tax management and corporate social responsibility. *Journal of Corporate Finance*, *18*(4), 804-827.

Idzniah, U. N. L., &Bernawati, Y. (2020). Board of directors, audit committee, executive compensation and tax avoidance of banking companies in Indonesia. JASF: Journal of Accounting and Strategic Finance, 3(2), 199-213.

Jemiolo, S., &Farnsel, C. (2023). Complements, substitutes or neither? A review of the relation between corporate social responsibility and corporate tax avoidance. *Journal of Accounting Literature*, *45*(3), 474-496.

Jia, Y., & Gao, X. (2021). Is managerial rent extraction associated with tax aggressiveness? Evidence from informed insider trading. *Review of Quantitative Finance and Accounting*, *56*(2), 423-452.

Kang, W., & Wang, J. (2021). Corporate tax effects of economic policy uncertainty. *Accounting & Finance*, *61*, 2577-2600.

Kelly, J., & Gennard, J. (2007). Business strategic decision making: the role and influence of directors. *Human Resource Management Journal*, *17*(2), 99-117.

Khan, I., Khan, I., & Saeed, B. B. (2019). Does board diversity affect quality of corporate social responsibility disclosure? Evidence from Pakistan. *Corporate social responsibility and environmental management*, *26*(6), 1371-1381.

Kim, T. N., & Lee, P. S. (2023). "Product market threats and tax avoidance". International Review of Financial Analysis, Vol.86, pp. 102528.

Kolias, G., &Koumanakos, E. (2022). CEO duality and tax avoidance: Empirical evidence from Greece. *Journal of International Accounting, Auditing and Taxation*, *47*, 100465.

Kovermann, J., & Velte, P. (2021). CSR and tax avoidance: A review of empirical research. Corporate Ownership and Control, 18(2), 20-39.

Laguir, I., Staglianò, R., & Elbaz, J. (2015). Does corporate social responsibility affect corporate tax aggressiveness?. *Journal of cleaner production*, *107*, 662-675.

Landry, S., Deslandes, M., & Fortin, A. (2013). "Tax aggressiveness, corporate social responsibility, and ownership structure". Journal of Accounting, Ethics & Public Policy, Vol.14, No.3, pp. 611-645.

Lanis, R., & Richardson, G. (2012). "Corporate social responsibility and tax aggressiveness: An empirical analysis". Journal of Accounting and Public policy, Vol.31,No.1, pp. 86-108.

Lanis, R., & Richardson, G. (2015). Is corporate social responsibility performance associated with tax avoidance?. *Journal of Business Ethics*, *127*(2), 439-457.

Lin, K. Z., Cheng, S., & Zhang, F. (2017). "Corporate social responsibility, institutional environments, and tax avoidance: Evidence from a subnational comparison in China". The International Journal of Accounting, Vol.52,No.4, pp.303-318.

Lynch, B., & O'Hagan-Luff, M. (2024). Relative corporate social performance and cost of equity capital: International evidence. International Journal of Finance & Economics, 29(3), 2882-2910.

Marques, M., Montenegro, T. M., & Brás, F. A. (2024). Tax avoidance and corporate social responsibility: A meta-analysis. Journal of the American Taxation Association, 46(1), 137-156.

Mills, L. F., Robinson, L. A., & Sansing, R. C. (2010). FIN 48 and tax compliance. *The Accounting Review*, *85*(5), 1721-1742.

Mkadmi, J. E., & Ali, W. B. (2024). "How does tax avoidance affect corporate social responsibility and financial ratio in emerging economies?". Journal of Economic Criminology, Vol.5, pp. 100070.

Mukaromah, R., Alfie, A. A., &Mahanani, S. (2019). "Insentif Pajak dalamMemoderasiPengaruhPengungkapan Corporate Social Responsibility TerhadapAgresivitas Pajak". AKSES: JurnalEkonomi dan Bisnis, Vol.17, No.1, pp.54–65.

Muller, A., & Kolk, A. (2015). Responsible tax as corporate social responsibility: The case of multinational enterprises and effective tax in India. *Business & Society*, *54*(4), 435-463.

Nguyen, M., & Nguyen, J. H. (2020). Economic policy uncertainty and firm tax avoidance. *Accounting & Finance*, *60*(4), 3935-3978.

Nizar, H., Uyar, A., Lakhal, F., & Karaman, A. S. (2025). Does the Corporate Lifecycle Affect Board Structure? International Evidence. *Corporate Governance: An International Review*.

Oussii, A. A., &Klibi, M. F. (2024). The impact of CEO power on corporate tax avoidance: the moderating role of institutional ownership. *Corporate Governance: The International Journal of Business in Society*, *24*(4), 725-742.

Pertiwi, S. R., &Prihandini, W. (2021). "Gender diversity as the moderating effect on tax avoidance, economic value added, and firm value: a study of companies listed on Indonesia stock exchange 2015-2019". International Journal of Economics, Business and Accounting Research (IJEBAR), Vol.5, No.1, pp. 435-449.

Pipatnarapong, J., Beelitz, A., & Jaafar, A. (2025). Corporate social responsibility and tax avoidance: evidence from BRICS countries. Corporate Governance: The International Journal of Business in Society.

Preuss, L. (2010). Tax avoidance and corporate social responsibility: you can't do both, or can you?. *Corporate Governance: The international journal of business in society*, *10*(4), 365-374.

Qawqzeh, H. K., & Al Zobi, M. T. K. (2025). The effect of female percentage and audit committee characteristics on tax avoidance: audit quality as a moderating variable. Accounting Research Journal.

Qu, G., & Jing, H. (2025). Is new technology always good? Artificial intelligence and corporate tax avoidance: Evidence from China. International Review of Economics & Finance, 98, 103949.

Qu, W., Kang, S., & Wang, L. (2020). Saving or tunnelling: value effects of tax avoidance in Chinese listed local government-controlled firms. *Accounting & Finance*, *60*(5), 4421-4465.

Qutait, Z., & Salem, S. (2025). The role of corporate social responsibility in the tax avoidance of Palestinian companies. Asian Review of Accounting.

Rakia, R., Kachouri, M., &Jarboui, A. (2024). The moderating effect of women directors on the relationship between corporate social responsibility and corporate tax avoidance? Evidence from Malaysia. Journal of Accounting in Emerging Economies, 14(1), 1-24.

Rashid, M. H. U., Begum, F., Hossain, S. Z., & Said, J. (2024). Does CSR affect tax avoidance? Moderating role of political connections in Bangladesh banking sector. Social Responsibility Journal, 20(4), 719-739.

Salihu, I. A., Annuar, H. A., &Obid, S. N. S. (2015). Foreign investors' interests and corporate tax avoidance: Evidence from an emerging economy. *Journal of Contemporary Accounting & Economics*, *11*(2), 138-147.

Sanoran, K. (2025). Corporate tax avoidance during the COVID-19 pandemic and the moderating role of audit firm tenure: evidence from Thailand. Journal of Financial Reporting and Accounting.

Saragih, A. H., & Ali, S. (2023). The impact of managerial ability on corporate tax risk and long-run tax avoidance: empirical evidence from a developing country. *Corporate Governance: The International Journal of Business in Society*, *23*(5), 1117-1144.

Sikka, P. (2012). Smoke and mirrors: Corporate social responsibility and tax avoidance. In *Corporate social responsibility* (pp. 53-84). Routledge.

Singla, M., & Singh, S. (2019). "Board monitoring, product market competition and firm performance." International Journal of Organizational Analysis, Vol.27, No.4, pp.1036-1052.

Suchman, M. C. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of management review*, *20*(3), 571-610.

Tran, H. T., Pham, H. S. T., & Doan, H. Q. (2025). Agency problem-a missing link between corporate social responsibility reporting and firm performance. International Journal of Business Governance and Ethics, 19(1), 112-130.

Wen, W., Cui, H., &Ke, Y. (2020). "Directors with foreign experience and corporate tax avoidance". Journal of Corporate Finance, Vol.62, pp. 101624.

Whait, R. B., Christ, K. L., Ortas, E., & Burritt, R. L. (2018). What do we know about tax aggressiveness and corporate social responsibility? An integrative review. *Journal of cleaner production*, *204*, 542-552.

Wilson, R. J. (2009). "An examination of corporate tax shelter participants". The accounting review, Vol.84, No.3, pp. 969-999.

Xiang, J., Shao, Q., & Fan, Y. (2025). Innovation Incentives and Corporate Tax Avoidance: Evidence from China. Economic Analysis and Policy.

Xu, R., & Ren, L. (2025). Natural disaster, tax avoidance, and corporate pollution emissions: Evidence from China. Journal of Business Ethics, 197(1), 195-217.

Yahaya, M. B., Oon, E. Y. N., & Jusoh, R. (2025). Board structure, executive attributes and corporate tax avoidance: a systematic literature review. Asian Review of Accounting.

Zeng, T. (2016). Corporate social responsibility, tax aggressiveness, and firm market value. *Accounting Perspectives*, *15*(1), 7-30.

Table I. Sample distribution

Panel A. Sample distribution per country		
Country	**N**	**percentage**
Argentina	86	0.202
Australia	1937	4.544
Austria	187	0.439
Belgium	278	0.652
Bermuda	143	0.335
Brazil	104	0.244
Canada	1951	4.576
Cayman Islands	36	0.084
Chile	226	0.530
China	3235	7.588
Colombia	45	0.106
Cyprus	32	0.075
Denmark	329	0.772
Egypt	48	0.113
Finland	388	0.910
France	1004	2.355
Germany	1149	2.695
Greece	126	0.296
Hong Kong	1145	2.686
Hungary	38	0.089
India	908	2.130
Indonesia	326	0.765
Ireland	383	0.898
Isle of Man	11	0.026
Italy	365	0.856
Japan	3429	8.043
South Korea	734	1.722
Kuwait	28	0.066
Luxembourg	139	0.326
Macau	33	0.077
Malaysia	510	1.196
Malta	9	0.021
Mexico	300	0.704
Morocco	10	0.023
Netherlands	465	1.091
New Zealand	318	0.746
Norway	280	0.657
Oman	13	0.030
Panama	13	0.030

Peru	99	0.232
Philippines	200	0.469
Poland	215	0.504
Portugal	81	0.190
Qatar	11	0.026
Russia	293	0.687
Saudi Arabia	99	0.232
Singapore	545	1.278
South Africa	859	2.015
Spain	301	0.706
Sweden	925	2.170
Switzerland	874	2.050
Thailand	405	0.950
Turkey	102	0.239
Ukraine	11	0.026
United Arab Emirates	22	0.052
United Kingdom	3403	7.982
United States of America	13426	31.493
Total	**42632**	**100.000**
Panel B. Sample distribution per year		
Year	**N**	**Percentage**
2002	86	0.202
2003	179	0.420
2004	344	0.807
2005	490	1.149
2006	536	1.257
2007	836	1.961
2008	1145	2.686
2009	1353	3.174
2010	1609	3.774
2011	1733	4.065
2012	2072	4.860
2013	2223	5.214
2014	2266	5.315
2015	2756	6.465
2016	3216	7.544
2017	3819	8.958
2018	4356	10.218
2019	5133	12.040
2020	5748	13.483
2021	2732	6.408
Panel C. Sample distribution per industry	**42632**	**100.000**
Industry	**N**	**Percentage**

Basic Materials	5208	12.216
Consumer Cyclicals	8057	18.899
Consumer Non-Cyclicals	4105	9.629
Energy	3063	7.185
Healthcare	3668	8.604
Industrials	8435	19.786
Real Estate	2433	5.707
Technology	6817	15.990
Utilities	846	1.984
Total	**42632**	**100.000**

This table reports the sample distribution by country (Panel A), per year (Panel B) and per industry (Panel C). The sample comprises 42,632 firm–year observations from 2002 to 2021. See Table A1 in the Appendix for variable definitions.

Table II. Descriptive statistics

	N	Mean	Median	SD	p25	p75	Min	Max
ETR_CASH	42632	-0.127	-0.171	0.269	-0.292	0.000	-0.608	0.527
CSR	42632	43.915	42.686	19.837	27.141	59.878	12.806	78.828
ROA	42632	0.067	0.062	0.078	0.024	0.111	-0.099	0.230
LEVERAGE	42632	0.244	0.236	0.166	0.110	0.360	0.000	0.574
FIRM_SIZE	42632	21.500	21.554	1.561	20.422	22.637	18.471	24.245
CURRENT_RATIO	42632	1.857	1.532	1.110	1.090	2.271	0.575	4.929
CEO DUALITY	42632	0.368	0.000	0.482	0.000	1.000	0.000	1.000
BOARD_GENDER	42632	15.865	14.286	12.527	6.250	25.000	0.000	40.000
BOARD_SIZE	42632	9.710	9.000	3.167	8.000	11.000	1.000	33.000
GDP	42632	10.481	10.748	0.727	10.509	10.966	8.733	11.160
AUDIT_COMMITTEE	42632	0.917	1.000	0.276	1.000	1.000	0.000	1.000
GOVERNANCE_ COMMITTEE	42632	0.459	0.000	0.498	0.000	1.000	0.000	1.000

This table reports descriptive statistics of the regression variables. The sample comprises 42,632 firm–year observations from 2002 to 2021. See Table A in the Appendix for variable definitions.

Table III. Correlation matrix

Variables	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
(1) ETR_CASH	1.000											
(2) CSR	-0.138***	1.000										
(3) ROA	-0.178***	0.029***	1.000									
(4) LEVERAGE	0.038***	0.087***	-0.276***	1.000								
(5) FIRM_SIZE	-0.158***	0.441***	0.105***	0.134***	1.000							
(6) CURRENT_RATIO	-0.004	-0.168***	0.118***	-0.394***	-0.294***	1.000						
(7) CEO DUALITY	-0.093***	-0.054***	0.043***	-0.007	0.116***	0.066***	1.000					
(8) BOARD_GENDER	-0.016***	0.312***	-0.015***	0.062***	0.016***	-0.076***	-0.016***	1.000				
(9) BOARD_SIZE	-0.145***	0.271***	0.023***	0.108***	0.460***	-0.164***	0.058***	0.006	1.000			
(10) GDP	-0.182***	0.042***	-0.088***	-0.008	0.018***	0.089***	0.141***	0.175***	-0.137***	1.000		
(11) AUDIT_COMMITTEE	-0.010**	0.081***	-0.007	0.067***	-0.051***	-0.036***	0.091***	0.179***	-0.015***	0.097***	1.000	
(12) GOVERNANCE_COMMITTEE	-0.086***	0.023***	-0.048***	0.062***	0.079***	0.094***	0.290***	0.107***	0.026***	0.309***	0.253***	1.000
MEAN VIF	**1.28**											
VIF VALUE		**1.45**	**1.13**	**1.28**	**1.69**	**1.33**	**1.13**	**1.20**	**1.32**	**1.19**	**1.12**	**1.28**

This table reports correlation matrix of the regression variables. The sample comprises 42,632 firm–year observations from 2002 to 2021, ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. See Table A1 in the Appendix for variable definitions.

Table IV. Corporate social responsibility and tax avoidance

	Main tax avoidance metric	Alternative tax avoidance metric
	(1)	**(2)**
	ETR_CASH	**ETR_CURRENT**
CSR	**-0.000*** **	**-0.000*** **
	(-5.003)	**(-5.650)**
ROA	-0.621***	-0.222***
	(-39.973)	(-20.576)
Leverage	0.013*	0.024***
	(1.652)	(4.371)
Firm_Size	-0.008***	-0.016***
	(-7.378)	(-21.483)
Current_Ratio	0.001	0.000
	(0.818)	(0.483)
CEO_Duality	-0.015***	0.005**
	(-5.643)	(2.567)
Board_Gender	0.000	0.000
	(0.476)	(0.451)
Board_Size	0.000	-0.000
	(0.973)	(-1.014)
GDP	0.083***	0.092***
	(6.667)	(10.638)
Audit_Committee	-0.041***	0.007**
	(-7.994)	(2.040)
Governance_Committee	-0.019***	0.004
	(-5.234)	(1.377)
Constant	-0.631***	-0.388***
	(-5.372)	(-4.757)
Country	Yes	Yes
Industry	Yes	Yes
Year	Yes	Yes
Observations	42,632	42,632
Adj. R-squared	0.290	0.194

This table reports main results regarding the impact of corporate social responsibility on tax avoidance. The sample comprises 42,632 firm–year observations from 2002 to 2021. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. See Table A1 in the Appendix for variable definitions.

Table V. The role of board skills and economic policy uncertainty

	Board financial and industry skills	Economic policy Uncertainty
	(1)	(2)
	ETR_CASH	ETR_CASH
CSR	**-0.001***** **(-4.817)**	**-0.000*** **(-1.810)**
BOARD SKILLS	-0.001*** (-6.163)	
CSR*BOARD SKILLS	**0.000***** **(3.024)**	
HIGHEPU		0.036*** (5.791)
CSR*HIGHEPU		**-0.000***** **(-3.496)**
ROA	-0.620*** (-39.925)	-0.620*** (-39.924)
Leverage	0.012 (1.492)	0.014* (1.775)
Firm_Size	-0.008*** (-7.669)	-0.008*** (-7.387)
Current_Ratio	0.001 (1.015)	0.001 (0.849)
CEO _Duality	-0.014*** (-5.290)	-0.015*** (-5.643)
Board_Gender	0.000 (0.008)	0.000 (0.222)
Board_Size	0.000 (0.556)	0.000 (0.961)
GDP	0.083*** (6.677)	0.065*** (5.034)
Audit _Committee	-0.040*** (-7.788)	-0.039*** (-7.689)
Governance _Committee	-0.019*** (-5.138)	-0.019*** (-5.075)
Constant	-0.602*** (-5.105)	-0.490*** (-4.080)
Country	Yes	Yes
Industry	Yes	Yes
Year	Yes	Yes
Observations	42,623	42,623
Adj. R-squared	0.291	0.290

This table reports main results regarding the impact of board skills on the relationship between corporate social responsibility and tax avoidance. The sample comprises 42,632 firm–year observations from 2002 to 2021. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. See Table A1 in the Appendix for variable definitions.

Table VI. Alternative corporate social responsibility metrics

	Excluding the governance pillar	Logarithm of CSR Score
	(1)	**(2)**
	ETR_CASH	**ETR_CASH**
ES_Score	**-0.000*** **	
	(-4.280)	
Ln_CSR		**-0.017*** **
		(-6.191)
ROA	-0.622***	-0.621***
	(-40.047)	(-39.962)
Leverage	0.013*	0.013
	(1.655)	(1.635)
Firm_Size	-0.008***	-0.007***
	(-7.618)	(-7.156)
Current_Ratio	0.001	0.001
	(0.830)	(0.829)
CEO _Duality	-0.014***	-0.015***
	(-5.370)	(-5.733)
Board_Gender	0.000	0.000
	(0.044)	(0.674)
Board_Size	0.001	0.000
	(1.121)	(0.951)
GDP	0.082***	0.084***
	(6.609)	(6.769)
Audit _Committee	-0.042***	-0.040***
	(-8.262)	(-7.820)
Governance _Committee	-0.020***	-0.019***
	(-5.576)	(-5.087)
Constant	-0.625***	-0.606***
	(-5.319)	(-5.180)
Country	Yes	Yes
Industry	Yes	Yes
Year	Yes	Yes
Observations	42,632	42,632
Adj. R-squared	0.290	0.290

This table reports main results regarding the impact of alternative corporate social responsibility metrics on tax avoidance. The sample comprises 42,632 firm–year observations from 2002 to 2021. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. See Table A1 in the Appendix for variable definitions.

Table VII. Instrumental variable Approach

	2SLS First stage	Second stage
	(1) CSR	(2) ETR_CASH
CSR_INDUSTRY_AVERAGE	**0.666***** **(66.054)**	
CSR		**-0.002***** **(-7.258)**
ROA	4.761*** (4.889)	-0.615*** (-39.383)
Leverage	-1.276*** (-2.621)	0.010 (1.247)
Firm_Size	5.677*** (93.984)	0.001 (0.616)
Current_Ratio	0.023 (0.302)	0.001 (1.061)
CEO _Duality	-1.415*** (-8.777)	-0.016*** (-6.340)
Board_Gender	0.298*** (42.003)	0.001*** (3.643)
Board_Size	0.354*** (12.723)	0.001** (2.146)
GDP	5.020*** (6.435)	0.088*** (7.006)
Audit _Committee	5.890*** (18.549)	-0.031*** (-5.845)
Governance _Committee	5.372*** (23.421)	-0.011*** (-2.811)
Constant	-163.092*** (-22.233)	-0.834*** (-6.806)
Country	Yes	Yes
Industry	Yes	Yes
Year	Yes	Yes
Observations	42,632	42,632
Adj. R-squared	0.488	0.284
Underid. (LM)		3966.071***
Weak id. (CRAGG-DONALD WALD F)		4363.138

This table reports the robustness of our main results regarding the impact of corporate social responsibility on tax avoidance to endogeneity concerns, omitted correlated variables and reverse causality. The sample comprises 42,632 firm–year observations from 2002 to 2021. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. See Table A1 in the Appendix for variable definitions.

Table VIII. Excluding U.S Firms

	Main tax avoidance metric	Alternative tax avoidance metric
	(1)	**(2)**
	ETR_CASH	**ETR_CURRENT**
CSR	-0.000***	-0.000***
	(-4.190)	(-5.503)
ROA	-0.439***	-0.298***
	(-20.947)	(-19.010)
Leverage	0.027***	0.026***
	(2.661)	(3.310)
Firm_Size	-0.007***	-0.019***
	(-5.268)	(-19.680)
Current_Ratio	-0.001	0.001
	(-0.845)	(1.299)
CEO _Duality	-0.015***	0.007***
	(-4.544)	(2.782)
Board_Gender	0.000	0.000*
	(0.704)	(1.741)
Board_Size	0.001*	-0.000
	(1.692)	(-0.892)
GDP	0.063***	0.039***
	(4.395)	(3.653)
Audit _Committee	-0.044***	0.005
	(-8.086)	(1.325)
Governance _Committee	-0.022***	0.004
	(-5.228)	-0.000***
Constant	-0.502***	0.203*
	(-3.540)	(1.910)
Country	Yes	Yes
Industry	Yes	Yes
Year	Yes	Yes
Observations	29,206	29,206
Adj. R-squared	0.323	0.180

This table reports the robustness of our main results regarding the impact of corporate social responsibility on tax avoidance to a sample excluding U.S companies. The sample comprises 42,632 firm–year observations from 2002 to 2021. ***, **, and * indicate statistical significance at the 1%, 5%, and 10% levels, respectively. See Table A1 in the Appendix for variable definitions.

Appendix A. Variables Definitions

Variables	*Definitions*
Dependent Variable	
ETR_Cash	A proxy for corporate tax avoidance defined as the negative ratio of cash taxes paid to pre-tax income.
ETR_Current	A proxy for corporate tax avoidance defined as the negative ratio of current tax expenses to pre-tax income.
Independent Variable	
CSR	The aggregate environmental and social and governance scores from Thomson Reuters Asset4. The environmental pillar (E) includes resource use, emissions, and innovation. The social pillar (S) contains the workforce, human rights, community, and product responsibility. The governance pillar (G) comprises the management, shareholders and CSR strategy.
Additional Analysis Variables	
Board skills	Percentage of board members who have either an industry specific background or a strong financial background.
EPU	The natural logarithm of the economic public uncertainty index. The latter includes three components: the newspaper coverage of policy-related economic uncertainty, the number of federal tax expirations, and disagreements among economic forecasts
Control Variables	
ROA	Income before tax over total assets.
LEVEVERAGE	Total debt over total assets.
FIRM_SIZE	Natural logarithm of total assets.
CURRENT_Ratio	Current ratio is measured by current assets over current liabilities.
CEO DUALITY	CEO duality which takes 1 if CEO and board chair are the same person, 0 if not.
BOARD_GENDER	Proportion of female directors on board.
BOARD_SIZE	Number of directors on board.
GDP	Natural logarithm of gross domestic product per capita.
AUDIT_COMMITTEE	A binary indicator that denotes the presence of an Audit committee within a firm
GOVERNANCE_COMMITTEE	A binary indicator that denotes the presence of a corporate governance committee within a firm