Understanding corporate tax responsibility: a systematic literature review

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Abstract

Purpose – This study aims to contribute to the debate about the place of corporate taxation in corporate social responsibility (CSR) by reviewing the present state of research, offering a comprehensive understanding of the content and dimensions of corporate tax responsibility (CTR) and discussing further developments in research and action.

Design/methodology/approach – The study builds on a systematic literature review of 117 theoretical and empirical papers on tax within the broad field of CSR published in peer-reviewed academic journals and books.

Findings – The analysis unfolds and discusses the construct of CTR and proposes a unified conceptualisation that elucidates for what firms are (or should be) held accountable on tax matters and the different dimensions (i.e. instrumental, political, integrative and ethical) which justify greater tax responsibility and enable its achievement.

Practical implications – The results can provide companies with practical guidance to enhance their tax responsibility and can give stakeholders and policymakers suggestions for new mobilisation strategies to achieve more responsible tax behaviour.

Social implications – Corporate tax payments are a fundamental dimension of CSR, as they fund public goods and services and reduce the unequal distribution of wealth. Providing a more structured understanding of CTR, this paper can contribute towards attaining more responsible tax outcomes which can better serve and benefit the whole society.

Originality/value – This study offers a structured overview of the present state of tax research in CSR, while providing a comprehensive understanding and conceptualisation of the construct of CTR, thus enabling scholars to situate their work and develop further relevant research in this field.

Keywords Corporate tax responsibility, Corporate taxation, Corporate tax avoidance, CSR, Systematic literature review

Paper type Literature review

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1. Introduction

Tax payment is one of the most relevant areas of corporate engagement with society. Taxes fund the provision of public goods and services and contribute to reducing the unequal distribution of income and wealth resulting from a market-based economy (Avi-Yonah, 2006). However, the social functions of corporate taxation and the ethical issues of (not) paying taxes are rarely acknowledged by companies, which often approach tax as an operational cost to be minimized in the pursuit of profit maximisation (Cooper and Nguyen, 2020; Ftouhi and Ghardallou, 2020). Therefore, in the past decades corporate tax practices have attracted the ever-growing concern of policymakers, media, NGOs and other social actors (ActionAid, 2011; Oxfam, 2017), who transformed this topic "from a narrow technical discussion for specialists to one that is overly ethical and social" (SustainAbility, 2006, p. 12).

Central to this process is the increasing pressure to frame and approach corporate taxation as a component of corporate social responsibility (CSR) (ActionAid, Christian Aid and Oxfam, 2015; European Parliament, 2013; GRI, 2019). Indeed, CSR is seen as a mechanism that, in combination with fundamental reforms of the international tax framework, can contribute to holding firms accountable for their corporate tax behaviour and, consequently, to achieving more responsible tax outcomes, where social needs and financial interests are balanced.

The increasing attention to corporate taxation as a matter of CSR is also clearly reflected in academic literature. Although CSR scholarship was silent on corporate tax payments for decades (Christensen and Murphy, 2004), in recent years corporate taxation has become a "hot topic in the CSR debate" (Hillenbrand *et al.*, 2019, p. 418). However, CSR literature still lacks a comprehensive understanding of the essentials of corporate responsibility on tax. Achieving this awareness is a preliminary but essential step towards providing a solid basis for both companies to address their tax thinking and practices and stakeholders (including policymakers) to hold companies accountable for their tax behaviour and facilitate significant changes. Furthermore, a comprehensive and up-to-date understanding of the place of taxation in CSR is much required given the recent emergence, the rapid growth and the heterogeneity of this research stream. Therefore, this paper aims to review literature on taxation within the broad field of CSR to enhance our knowledge of corporate tax responsibility (CTR) and inspire future developments.

For this purpose, we conducted a systematic literature review (SLR) (Tranfield *et al.*, 2003) and analysed 117 theoretical and empirical publications dealing with tax and CSR.

These publications were analysed and categorised by using Garriga and Melé's (2004) CSR framework. By doing so, we offer a comprehensive understanding of CTR, which explicates for *what* firms are accountable regarding tax – payment of a fair share of tax, compliance with the "spirit" of tax law, multiple stakeholder orientation and tax transparency – and the four dimensions – instrumental, political, integrative and ethical – which justify CTR and enable its achievement.

This framework offers a guide for organising the status of tax research within the CSR field and inspiring future works, and it has practical implications for the development of new stakeholder mobilisation strategies on tax and leads companies towards a higher level of CTR.

The rest of the paper is organised as follows. Section 2 introduces the ethical and social issues of corporate tax policies. Section 3 describes our methodology, while Section 4 offers a descriptive analysis of the literature reviewed. Section 5 examines the main dimensions, and the content of CTR. Section 6 discusses the contributions, practical implications and suggestions for further research. Finally, concluding remarks are offered in Section 7.

2. Corporate tax policies and growing social interest

In the past few years, corporate tax behaviour has attracted increasing public and political attention. This mobilisation challenges many companies' interpretation of their fiscal responsibility (i.e. the view of tax as a cost to be minimized), which is considered morally doubtful as it compromises the interests and needs of broader society. Corporate tax minimisation techniques are usually distinguished according to their legal nature: while *tax evasion* entails illegal actions, deception and fraud, *tax avoidance* refers to tax strategies which lie within the legal boundaries. In this paper we focus on the latter as a discretionary but legal corporate behaviour.

Different forms of tax avoidance exist, ranging from *state-induced* (de Colle and Bennett, 2014) or *appropriate* tax reductions, which are encouraged by States to achieve socially desirable ends, to *aggressive* tax avoidance (Payne and Raiborn, 2018), which is based on a strict interpretation of the letter of the law, taking advantage of uncertain tax positions, technicalities, or mismatches between different national tax systems (European Commission, 2012).

A considerable amount of literature has been published on different tax avoidance techniques. Just to give some recent examples, in their review of literature, Ftouhi and Ghardallou (2020) identify four main international tax planning strategies to reduce the burden of taxation: transfers of revenues by geographical area (associated with transfer pricing), redevelopment or reorganisation of the company (e.g. mergers, acquisitions, divisions, etc.), use of tax havens and taking advantage of loopholes in tax legislation. While, as presented by Cooper and Nguyen's (2020) review, further mechanisms of profit shifting to low or no-tax locations include the capital structure of the firm and the use of internal debt, the location or relocation of intangible assets to low-tax jurisdictions and cash holdings in foreign subsidiaries versus profit repatriation.

Despite being technically legal, these tax avoidance techniques cause serious harm to our society. The loss in tax revenues is globally estimated to be between \$100bn and \$500bn a year (Cobham and Janský, 2018; Janský and Palanský, 2019; OECD, 2015), and this undermines governments' ability to provide public goods and services and to fulfil basic human rights, especially in the poorest countries of the world (Christian Aid, 2013; Tax Justice Network, 2020). For these reasons, tax avoidance is widely considered an "important policy and ethical issue" (Greenwood and Freeman, 2018, p. 2). From a policy perspective, national and international tax reforms are required to achieve a more sustainable tax system, whereas, from an ethical perspective, the focus is on the discretion that companies have when it comes to tax (IBE, 2013; Moon and Vallentin, 2019).

Indeed, although the payment of corporate tax cannot be considered voluntary, international tax rules are so incomplete and open to different interpretations that multinationals have considerable discretion as to how to arrange their tax affairs, and then how much tax they pay (Muller and Kolk, 2015). The Institute of Business Ethics (IBE, 2013) argued that corporate taxation "falls into the realm of ethics" exactly because "businesses have a choice about their approach to interpreting the law and hence paying taxes". Then, the blurred boundaries of the legal framework leave a "moral free space" in which managers can choose how to comply with tax laws and determine how much tax to pay. It is within this "moral free space" that companies can exhibit different interpretations of socially appropriate behaviour in tax. For example, following the existing theory on moral licencing (Blanken *et al.*, 2015), companies that are very committed to different social initiatives may feel they deserve to pay less tax, as they have already contributed adequately to society or, alternatively, companies can perceive themselves to be more effective than governments in dealing with welfare initiatives and so, saving money from taxation and investing it in "other" social activities may be perceived as the "right thing to do" for society.

Thinking of tax as an area of corporate discretion challenges the assumption that governments are the only actors responsible for achieving a fair tax system and extends this responsibility to companies. In fact, to guide companies towards an ethical and socially desirable use of their tax discretion, corporate tax policies have been increasingly "considered part and parcel of CSR" (European Parliament, 2013, p. 3). Hence, a growing number of private initiatives, launched by business associations (BIAC, 2013; CSR Europe and PWC, 2019), NGOs and civil society actors (Fair Tax Mark, 2016), responsible investors (UN PRI, 2020) and multi-stakeholder networks (B Team, 2019; GRI, 2019), have put companies under intense pressure to be transparent about their tax decisions and strategies.

This vibrant issue has also attracted the attention of academic scholars, with a growing number of studies published at the intersections between tax and CSR. In their widely cited literature review of tax research in accounting, Hanlon and Heitzman (2010) identified the relationship between tax and CSR as a relevant field of study for advancing research in the specific area of tax avoidance. Since then, much work has been done and different approaches have been adopted to frame corporate taxation as a CSR issue, but, being an emergent and heterogenous field, a comprehensive understanding of the place of tax in CSR is still lacking and, therefore, the nature and the content of corporate responsibilities in tax remain ambiguous and unclear.

To fill this gap, we conducted a systematic review of the literature on taxation within the CSR field, in order to identify, map and systematise from which dimensions CTR can be justified as well as clarify the content of this responsibility.

3. Methodology

SLR is a method "for studying a corpus of scholarly literature, to develop insights, critical reflections, future research paths and research questions" (Massaro *et al.*, 2016, p. 767). This methodology provides transparent, clear, accessible and impartially inclusive coverage of a particular research area (Tranfield *et al.*, 2003; Denyer and Tranfield, 2009; Paul and Criado, 2020). SLRs differ from traditional literature reviews because they adopt "a replicable, scientific and transparent process, in other words a detailed technology, that aims to minimize bias" (Tranfield *et al.*, 2003). For this reason, SLR methodology is referred to as "the gold standard among reviews" (Snyder, 2019, p. 334).

The methodological procedure for the SLR conducted in this paper follows previous studies in the CSR field (Mio *et al.*, 2021; Aguinis and Glavas, 2012; Osagie *et al.*, 2016) and involved the following steps:

- searching the literature to collect all relevant publications;
- analysing and categorising the articles; and
- presenting and discussing the results.

3.1 Searching and selecting the articles

As a starting point for identifying all relevant publications on tax within the field of CSR, we launched a structured keyword search in some major electronic databases of management and accounting (i.e. Business Source Premier via EBSCOhost, Emerald Insights, ProQuest, Scopus and Web of Science) and legal studies (i.e. Lexis Nexis and HeinOnline). We searched relevant articles published until 31 December 2020. The keyword search combined the words "tax" and "taxation" with "CSR" and "social* *respons*", to encompass various expressions referring to corporate social responsibility and irresponsibility. Except for HeinOnline, which offered only the search by title, all databases were searched by the title, abstract and keywords of the articles. For practical reasons only papers written in English were searched, while to ensure the quality of the data, only peer-reviewed publications in academic journals and book chapters were selected. Following this procedure, the combined database searches yielded 1,357 articles (including duplicates). After removing the duplicates, the number of papers for consideration was 857. Subsequently, all these papers were screened, by reading their abstracts and, where necessary, their full texts, to exclude irrelevant items (i.e. when the relationship between CSR and corporate taxation was not the focus of the article). After this screening, 101 relevant papers were obtained.

Furthermore, following Peloza and Shang (2011), the sampling procedure was supplemented by a search of the reference lists of the publications collected. This step produced 16 additional articles. Consequently, as shown in Figure 1, the final sample includes 117 items.

3.2 Analysis of the collected articles

The following step of the review was an analysis of the articles included in the SLR.

Consistently with previous literature reviews (Yawar and Seuring, 2017; Dembek *et al.*, 2020), to evaluate and summarise the state-of-the-art of literature, selected studies were analysed according to: year of publication; journal of publication; and research method.

In the meantime, we conducted a thematic analysis to identify, map and systematise the approaches used in literature to frame and justify CTR, as well as we analysed the research question, the main results or key arguments and any definition or case of responsible or irresponsible tax practices.

4. Descriptive analysis

The descriptive analysis provides useful insights into the formal aspects of tax research within the CSR field. In line with previous SLRs (Yawar and Seuring, 2017), we analysed the distribution of articles by year of publication, journals and research methods.

Step 1: database searches

Scopus: 569 articles
Web of Science: 336 articles
Business Source Complete: 222 articles
Pro Quest: 163 articles
Emeral Insight: 45 articles
HeinOnline: 15 articles
LexisNexis: 7 articles

→ 1,357 total articles (including duplicates)

Removal of 500 duplicates and application of inclusion criteria

→ 101 relevant articles

Step 2: search of references lists → 16 relevant articles

Final sample = 117 articles

Source: Authors' own creation

Figure 1.
Process of paper collection

4.1 Distribution over time

In terms of chronology, our analyses shows that the relationship between CSR and corporate taxation has attracted significant academic attention only in the past decade. Figure 2 represents the number of articles published per year.

Although the initial call for incorporating corporate taxation into the CSR agenda was made decades ago (Crumbley *et al.*, 1977), only 10 articles were published before 2013. Some authors attribute the scarce interest in corporate taxation on the part of CSR scholars to the fact that this topic lacks "the sensationalist, attention-grabbing nature of environmental and human rights abuses" (Fisher, 2014, p. 353), or to ideological reasons, given that "being pro-tax is obviously to be pro-government (many CSR supporters are not), but also the tax issue had not yet developed into a problem of the magnitude that we see today, enabled by the forces of financialization and globalization" (Moon and Vallentin, 2019, p. 29).

However, in the past years, the relationship between CSR and corporate taxation has received increasing academic attention. Indeed, 74 articles (63.25%) were published in the period 2017–2020. This growth is probably due to the increased attention to corporate tax strategies and their effects on society from the media, NGOs, public opinion and national and international institutions. Being such a recent topic, CSR-tax research is still far from being saturated (Hillenbrand *et al.*, 2019). So, a wealth of opportunities exists for further research, as will be discussed later in this paper.

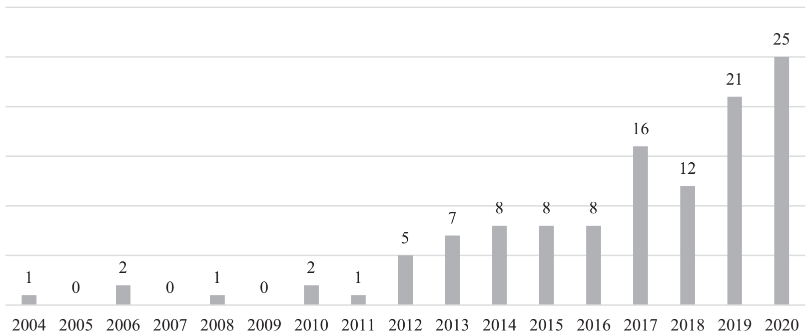
4.2 Distribution across journals

Interestingly, the 117 selected articles appeared in 67 different journals. This is a clear signal that the CSR-tax research is spanning boundaries and encompasses different academic fields, such as business and society (n = 38), accounting (n = 33), law (n = 15), general management (n = 12), finance (n = 4), international business (n = 3), economics (n = 3) and marketing (n = 1). Eight studies were published as book chapters in interdisciplinary books.

Journals with at least two publications are listed in Figure 3. Findings indicate that the *Journal of Business Ethics*, containing 15.38% of the papers, leads as the journal with the highest number of publications.

4.3 Research methods

In terms of research methods, most selected studies (60.68%) use quantitative methods, mainly to develop and support the hypothesis about the relationship between a firm's CSR



Source: Authors' own creation

Figure 2.
Distribution of publications over time

performance and its level of tax avoidance. Conversely, only 9.40% of the articles use qualitative methods, such as case studies, interviews or qualitative content analyses. This suggests that more qualitative research is required to empirically investigate how companies and their stakeholders perceive corporate taxation in the context of CSR. The high number of empirical studies indicates that the field has progressed from the state of mere reasoning to engage in empirical investigations. However, empirical research is complemented by a significant proportion of conceptual papers (28.21%). Finally, two papers (1.71%) adopt a mixed methodology. Supplementary Tables 1 and 3 illustrate the research context for empirical papers.

5. The dimensions and the content of corporate tax responsibility

To achieve a unified understanding of tax responsibility in the CSR field, we conducted a thematic analysis to identify, map and systematise the approaches used in the literature to frame, investigate and justify the relationship between CSR and tax.

We noticed that we obtained some clusters that overlap with the well-known framework developed by Garriga and Melé (2004) for categorising CSR theories. Indeed, in their prominent literature review, the authors recognise four different groups of CSR theories and related approaches, which focus on different aspects of the interaction between business and society: the instrumental theories, the political theories, the integrative theories and the ethical theories.

As emphasised above, taxation is one of the most relevant areas of business engagement with society, so Garriga and Melè's (2004) framework seems particularly suitable for analysing the different dimensions that justify CTR. Indeed, despite it was elaborated many years ago, it continues to be relevant even for mapping and categorising more recent theoretical development in the field (Garriga, 2021). Furthermore, this framework share significant connections with alternative classifications of CSR drivers and predictors (Frynas and Yamahaki, 2016; Aguinis and Glavas, 2012). For instance, Frynas and Yamahaki (2016) categorise CSR theories into theories of external drivers (including political and integrative perspectives) and internal drivers (including instrumental and ethical perspectives).

Thus, we classified the selected studies in the following clusters, representing the four dimensions of CTR:

(1) *instrumental*, which focuses on the connections between being a socially responsible (or irresponsible) corporate taxpayer and economic and financial corporate performances;

Source: Authors' own creation

Figure 3. Distribution of publications among journals

(2) *political*, which emphasises the role of tax to be good corporate citizens;
(3) *integrative*, which deals with how firms' satisfaction of social demands by integrating tax with other CSR issues; and
(4) *ethical*, which provides the normative bases for socially responsible corporate tax behaviour.

In practice, each dimension provides different motivations and arguments to justify CTR and enable its achievement.

Furthermore, our thematic analysis involves identifying and categorising the specific components constituting a responsible tax behaviour, in order to clarify the content of CTR, that is for what companies are (or should be) held accountable with regard to tax.

5.1 The instrumental dimension of corporate tax responsibility

A first group of studies focuses on the instrumental dimension of CTR and investigate connections between socially responsible (or irresponsible) tax policies and corporate economic and financial performance (see Supplementary Table 1 for an overview of these studies). This orientation reflects the strategic view of CSR (McWilliams *et al.*, 2006; Orlitzky *et al.*, 2011) and examines the extent to which CTR can be justified as a win-win situation for the achievement of firms' financial goals and the social good.

Corporate reputation is the most widely discussed "business case" for promoting CTR (van Eijsden, 2013; Narotzki, 2017), as the growing mass criticism over corporate tax avoidance is deemed "by no means good for business, and that fact alone is a good reason for a change" (Narotzki, 2016, p. 193). Despite these claims, empirical findings are mixed and controversial. Some studies reveal that managers perceive tax avoidance as a reputational threat (Graham *et al.*, 2014; Lavermicocca and Buchan, 2015) and, consequently, when firms have valuable consumer brands (Austin and Wilson, 2017), spend more on advertising (Mansi *et al.*, 2020) or cope with intense public pressure (Dyreng *et al.*, 2016; Kanagaretnam *et al.*, 2018), they are less likely to engage in tax avoidance. Nevertheless, other empirical studies report no significant relationship between tax avoidance and corporate reputation (Gallemore *et al.*, 2014; McGowan and Mahon, 2019). For instance, Baudot *et al.* (2020) conduct an exploratory study on 41 multinational US-based corporations and find that higher (lower) corporate tax rates do not necessarily mirror firms with a higher (lower) reputation. Lanis *et al.* (2019) even document that tax avoidance can enhance directors' and CEOs' personal reputations. Therefore, some companies are not vulnerable to the reputational threats of tax misconduct, probably because of their celebrity status (Baudot *et al.*, 2020) or the opacity of their tax practices (Narotzki, 2016).

A second group of instrumental studies provides consistent evidence showing that the extent to which a firm is socially responsible regarding tax can influence its relationships with two primary stakeholder categories: consumers and investors. Indeed, being perceived as a socially irresponsible taxpayer negatively affects consumers' purchase intention and willingness to pay (Hardeck and Hertl, 2014; Hardeck *et al.*, 2021), especially when tax actions are deemed as highly harmful to society (Matute *et al.*, 2021). Conversely, socially responsible tax policies can generate positive reactions, in terms of evaluation of the firm, purchase intentions and word of mouth (Antonetti and Anesa, 2017; Toder-Alon *et al.*, 2019). Furthermore, responsible tax practices have gained increasing attention from investors (Pardo and de la Cuesta-González, 2020), especially among those with strong ethical orientations (Emerson *et al.*, 2020). In fact, not only are investors increasingly concerned that tax avoidance might favour the incurrence of non-tax costs and risks that may exceed the tax savings (Jenkins and Newell, 2013; Emerson *et al.*, 2020; Rudyanto and Pirzada, 2021), but that the inconsistency between CSR and tax avoidance may damage corporate performance as well (Ling and Abdul Wahab, 2018; Inger and Vansant, 2019). A high degree of tax responsibility may signal to investors that managers are refraining from taking opportunities for value diversion (Desai and Dharmapala, 2006).

Finally, Hillenbrand *et al.* (2019) suggest that the topic of corporate tax create opportunities to improve connections with the business community.

In conclusion, despite empirical evidence suggesting that being a responsible taxpayer pays off in terms of positive stakeholder relationships, a comprehensive understanding of the business cases associated with CTR is still lacking, especially regarding the impact on corporate reputation.

5.2 The political dimension of corporate tax responsibility

Few scholars have framed CTR from the perspective of CSR political theories, focussing on the interactions and connections between business, society and the State to understand tax responsibility (see Supplementary Table 2).

In this respect, CTR is derived from the implicit and mutually beneficial social contract which binds companies to the society where they operate (Dietsch, 2011; Payne and Raiborn, 2018; Zicari and Renouard, 2018). Other scholars draw on theories of citizenship – considering corporate tax payments as the area where "corporate citizenship is most tangible and most important" Christensen and Murphy (2004, p. 37) – to maintain that corporations have duties to undertake responsible taxation as a political imperative (Moon and Vallentin, 2019).

Furthermore, Avi-Yonah (2014) and Munisami (2018) conclude that corporate tax avoidance is illegitimate and irresponsible from any of the views of the corporation (i.e. artificial entity view, real view and aggregate view), and then irrespective of how the relationship between firms and the State is conceived. Finally, the role of CSR as a complement, and not a substitute, of the legal framework has been observed (Panayi, 2015), suggesting the shared responsibility of corporations and governments to achieve a sustainable tax system (Freedman, 2006; Cerioni, 2014; Österman, 2019).

5.3 The integrative dimension of corporate tax responsibility

Integrative CSR theories look at how companies integrate social demands, arguing that businesses depend on society for their existence, continuity and growth. Accordingly, we categorised as *integrative* those studies that investigate how companies integrate tax payments with their involvement in other CSR issues. By doing so, these studies seek to establish the extent to which CTR complements firms' engagement in other social and environmental issues.

Our analysis reveals that existing findings are quite mixed and contradictory.

First, 25 integrative studies conclude that companies view CTR as complementing their overall CSR engagement based on evidence that firms with higher CSR performance are less likely to engage in tax avoidance (Lanis and Richardson, 2015; Muller and Kolk, 2015; Hoi *et al.*, 2013). Supplementary Table 3 – section a – shows that this relationship holds true in various countries across the world (Jones *et al.*, 2017; Salhi *et al.*, 2019) and for various proxy measures of tax avoidance. Although not so widely studied, this relationship also seems to work in the opposite direction. Lee (2020) documents that the level of charitable donations made by companies headquartered in tax havens is significantly lower than their US counterparts.

Furthermore, consistent with the idea that firms consider corporate tax payments as a socially responsible action, evidence was found that firms headquartered in areas with high social capital engage significantly less in tax avoidance activities than companies located in other places (Hasan *et al.*, 2017; Chircop *et al.*, 2018).

Finally, a few studies document that in companies have changed their attitude towards tax disclosure as a CSR issue over the years (Hardeck and Kirn, 2016; Zummo *et al.*, 2017; Venter *et al.*, 2017; McCredie and Sadiq, 2019; De la Cuesta-González and Pardo, 2019).

The findings discussed above are contradicted by a group of studies (n = 24) revealing that companies view corporate tax payments and CSR as substitutes (Davis *et al.*, 2016; Col and Patel, 2019). Indeed, some empirical studies covering a variety of countries (see Supplementary Table 3 – section b) show that firms with higher (lower) CSR performance are more (less) likely to engage in tax avoidance. Additionally, other studies discuss cases of tax avoiding companies making extensive claims and commitments to social responsibility (Preuss, 2010, 2012; Ylönen and Laine, 2015; De Andrade *et al.*, 2020; Cesaroni *et al.*, 2020) and document the reluctance of companies to disclose and explain tax policies in CSR/sustainability reports (Jenkins and Newell, 2013; Holland *et al.*, 2016; Reiter, 2020). To interpret these findings, some scholars note that companies may not always perceive the payment of corporate taxes as "the best means by which to accomplish their social responsibility goals" (Davis *et al.*, 2016, p. 48). Therefore, tax avoidance can be seen as a mechanism to increase the financial resources available to invest in other social and environmental issues (Davis *et al.*, 2016; Rudyanto and Pirzada, 2021). Conversely, others interpret CSR practices among tax avoiding companies as a risk management tactic to alleviate public concern arising from their tax behaviour (Preuss, 2012; Ylönen and Laine, 2015; Pratiwi and Djakman, 2017; Sikka, 2010).

Finally, 15 studies have found a mixed relationship between CSR and tax avoidance, influenced by the specific CSR dimension (Laguir *et al.*, 2015; Mohanadas *et al.*, 2019) and firm-level (i.e. family ownership, board of directors and financial performance) and country-level (i.e. the characteristics of the legal and institutional environment and the national culture) moderating and mediator variables (see Supplementary Table 3 – section c).

The contradictory results emerging from this field of research confirm the idea that corporations perceive the duty to pay tax differently and these varying perceptions shape different moral obligations and, consequently, different behaviours.

5.4 The ethical dimension of corporate tax responsibility

A last group of studies takes a normative approach to provide a moral foundation for CTR (see Supplementary Table 4). They reflect the ethical view which conceives CSR as a morally mandatory obligation for enhancing the social good, irrespective of any other direct corporate benefits (Argandoña and von Weltzien Hoivik, 2009; Payne and Raiborn, 2001; Garriga and Melé, 2004).

While some studies provide a general reflection on corporate tax payments as a moral responsibility (Gribnau, 2015; Jallai, 2017; Zicari and Renouard, 2018), other conceptual papers based on specific ethical and philosophical perspectives conclude that avoiding tax responsibility is an immoral behaviour [1]. Most of the western modernist ethical theories have been applied. For example, as far as consequentialist ethical theories are concerned, scholars argue that, from a utilitarian perspective, the societal harm caused by the lack of corporate tax payments is likely to be greater than the benefits provided to the shareholders of the individual company (Fisher, 2014; de Colle and Bennett, 2014; Payne and Raiborn, 2018; Preuss, 2012). While, moving to deontological ethical analysis, tax avoidance seems to be immoral under Kant's Categorical Imperative, since the universalisation of the maxim to minimise the tax burden cannot be logically adopted (Preuss, 2012; Lenz, 2020). Furthermore, Payne and Raiborn (2018) make use of John Rawls' deontological framework to conclude that tax avoidance strategies cannot be moral because they aggravate social and economic inequalities and favour corporate entities which are not the "least advantaged" in society. Tax avoidance also seems to be inconsistent with Virtue Ethics' emphasis on situational learning, character development and attention to the pursuit of excellence (Preuss, 2012; West, 2018).

Finally, another popular value-based construct applied to understanding CTR is "sustainable development". Bird and Davis-Nozemack (2018) argue that neglecting the fiscal responsibility will erode some common resources upon which efficient and fair social relationships are based and that need sustainable conservation. Furthermore, the shift to more responsible tax behaviour is seen as a fundamental precondition for achieving the 2030 Agenda for Sustainable Development adopted by all the United Nations Member States in 2015 (Gribnau and Jallai, 2019; Van de Vijver *et al.*, 2020).

In conclusion, various ethical and philosophical perspectives provide solid moral justifications for CTR.

5.5 The content of corporate tax responsibility

Beyond the analysis of the four dimensions of CTR, our review outlines the content of CTR, which refers to the specific duties for which businesses are (or should be) accountable regarding tax. Specifically, our findings reveal that CTR includes four main components:

- *To pay a fair share of taxes.* Socially responsible companies should pay a share of taxes that can be said to be "fair" in all the jurisdictions where they operate (Jallai, 2017; Munisami, 2018; De la Cuesta-González and Pardo, 2019). According to the horizontal view of distributive fairness, a firm's tax contribution can be deemed fair if it equates to the tax burden of "taxpayers of similar economic standing" (De la Cuesta-González and Pardo, 2019, p. 2177). Therefore, socially responsible companies should refrain from engaging in tax minimisation strategies that result in the payment of ridiculous amounts of tax as compared to other taxpayers (de Colle and Bennett, 2014; Avi-Yonah, 2014).
- *To comply with both the "letter" and the "spirit" of the law.* Mere compliance with the letter of tax laws is not enough to be socially responsible (Hansen *et al.*, 1992; Knuutinen, 2014; Lenz, 2020). Strictly literal interpretations would be classified as "opportunistic compliance" (Schwartz and Carroll, 2003, p. 510) to circumvent legislative intent. Therefore, socially responsible taxpayers should also respect the spirit of the legislation (Freedman, 2006; Cerioni, 2014), which refers "both to the legislative policy goals that inform tax law and to the balance of competing social norms expressed in the tax code" (Ostas, 2020, p. 86).
- *To manage all stakeholders' tax interests.* Socially responsible tax policies require a multi-stakeholder approach (de Colle and Bennett, 2014; Payne and Raiborn, 2018; Hillenbrand *et al.*, 2019). This implies engagement with all the actors who can affect, or are affected by, a firm's tax behaviour to understand and integrate their expectations, interests and claims. According to Payne and Raiborn (2018), as far as tax is concerned, the stakeholders of a corporation include: shareholders, employees and governments of countries in which an entity transacts business or reports profits, as well as investors, creditors, competitors, tax professionals and society at large.
- *To be transparent*. Socially responsible firms are expected to publicly disclose meaningful and understandable information about their approach to tax, tax governance and management of tax risks, as well as the specific amount of taxes paid on a country-by-country basis (Jenkins and Newell, 2013; Hardeck and Kirn, 2016). Improving tax transparency can enhance trust and credibility in organizations' tax practices and enable stakeholders to make informed judgments and decisions.

These components reveal that socially responsible tax practices embrace elements related to the actions and the outcomes of an organisation.

Figure 4 summarises our findings.

6. Contributions, implications and suggestions for future research and action

Our study contributes to establish the place of taxation in CSR, by providing a structured review of existing empirical and theoretical studies on tax in the CSR field.

As a main contribution, this research enhances the understanding of corporate responsibilities on taxation. Our findings reveal that four dimensions (i.e. instrumental, political, integrative and ethical) define, shape and justify the concept of CTR. Furthermore, we uncover the components of responsible tax behaviour, suggesting that CTR entails the duty to pay a fair share of taxes, to comply with the letter and the spirit of the law, to act in the interest of the various stakeholders to which a company is and should be held accountable and also to publicly report adequate tax disclosure.

Our conceptualisation provides guidance for companies to self-regulate their tax behaviour and for stakeholders to understand how a firm should act when it comes to tax

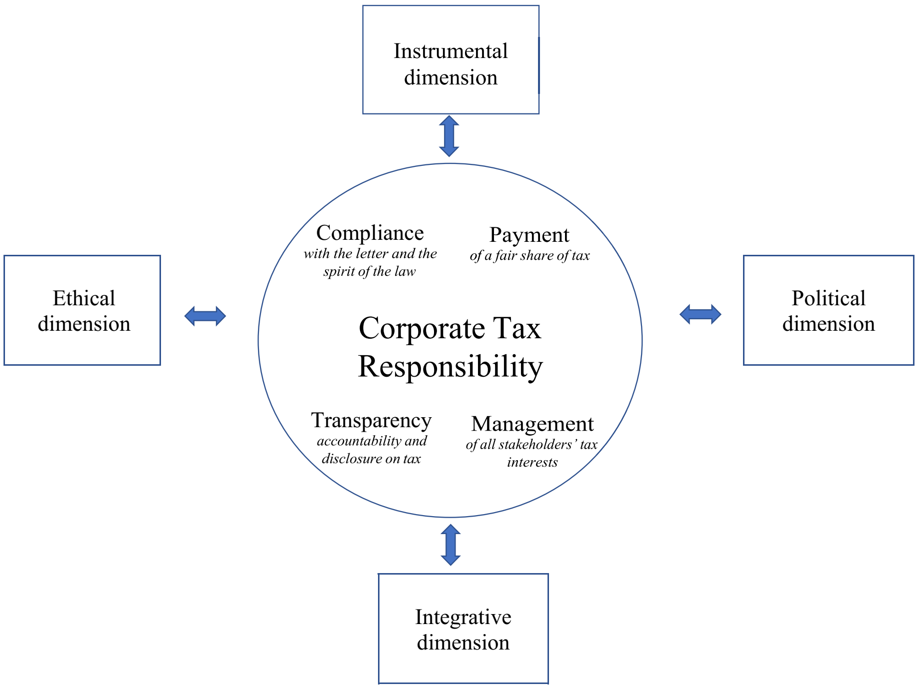


Figure 4. Dimensions and content of Corporate Tax Responsibility

Notes: Figure 4 illustrates the four dimensions that justify CTR (Sections 5.1 -5.4) and the four components of its content (Section 5.5)
Source: Authors' own creation

and how to proceed to achieve more responsible behaviour by leveraging some or all four dimensions of CTR. Our findings clarify that addressing CTR does not imply that companies should pay more taxes than the law requires or that reasonable tax planning should cease, but it makes companies responsible for self-regulating and being accountable for their tax behaviour, especially in those grey areas in which regulations are ill-defined or non-existent. The outcomes achieved (i.e. the amount of tax paid) is not the only aspect that characterises a firm's tax behaviour. The fact that a company is perceived to pay a low level of tax in a certain jurisdiction should not be deemed as socially irresponsible behaviour if that company publicly shows that both the letter and the spirit of tax law are upheld and that its tax decisions consider and balance the interests and needs of all stakeholders involved (e.g. governments, tax authorities, local communities, etc.).

As CTR entails the payment of a "fair" share of tax, but there is no universal threshold defining when a payment is "fair" or "unfair", companies' tax behaviour is strictly dependent on the different expectations of stakeholders and the moral discretion of the same companies.

This may explain why our review has uncovered evidence of CSR companies which engage in tax avoidance. Firms that are highly committed to CSR activities may consider a very low amount of tax as "fair" because they "already" perceive themselves to be good corporate citizens, deserving a "break" or a "discount" in the area of taxation. This argument aligns with the existing (and previously mentioned) theory on "moral licensing" (Blanken *et al.*, 2015) where people who view themselves as "good" feel they are entitled to do some "bad". Conversely, these socially responsible companies can interpret aggressive tax strategies as a mechanism for financing responsible initiatives in other social and environmental areas, where they consider their intervention more effective than governmental policies. This works rather like the story of Robin Hood with firms robbing the rich (i.e. the governments) to pay the poor (e.g. maybe giving to charities or helping employees) [2].

These examples suggest the need for further studies that concentrate on the intersections between two or more dimensions of CTR. Indeed, as emphasised by Garriga and Melé (2004), the social reality is much more complex than organised categories and some connections among them must exist. In a similar way, the interconnections among the four different components of CTR and the four dimensions is still under-investigated. In the following section, the contributions and implications of this study are discussed and some suggestions for future research are provided.

6.1 Interconnections between ethical and instrumental dimensions

Our research highlights the abundance of normative arguments to support the intrinsic value of CTR. We show how the most widely accepted and influential normative ethical theories prescribe that being a socially responsible taxpayer is the morally right thing to do for companies. This can have relevant practical implications. First, companies are recommended to recognise and accept the moral responsibility to pay tax. Contrariwise, the perceived ethicality of a firm may be damaged, and the credibility of its overall CSR commitment may be compromised with reputation threats. Second, moral suasion could be a powerful leverage for stakeholders, governments and policymakers' mobilisation to push companies to be more socially responsible on tax. Indeed, our review reveals consistent empirical evidence suggesting that CTR can improve and enhance a firm's relationship with primary stakeholders, such as consumers and investors, and, in this way, lead to a competitive advantage. Emphasising the ethical implications of firms' tax behaviour can increase the public awareness of socially responsible tax practices and the stakeholders' evaluation of companies' tax behaviour.

6.2 Interconnections between the instrumental dimension and the components of corporate tax responsibility

Further studies can explore more deeply stakeholders' expectations on tax topics, as well as how these expectations are communicated to, and fulfilled by, companies. Additionally, new research may focus on specific stakeholder categories, such as employees, suppliers and local communities, not yet investigated by literature in relation to tax.

Additionally, future research is needed to clarify the relationship between CTR and corporate reputation. While a growing number of managers are concerned about the reputational consequences of their firms' tax behaviour, it seems that for some companies irresponsible tax practices do not pose any reputational threats. Hence, a deeper analysis is still required. For example, scholars may explore under what conditions media, NGOs and other stakeholders' coverage and criticism over firms' tax practices negatively influence their reputation, as well as whether and how being a socially responsible taxpayer (e.g. being transparent about tax) can enhance a firm's reputation.

The opacity of the relationship between a firm's tax behaviour and its reputation or, more in general, its financial performance, suggests that corporate tax payments are not always conceived as a relevant component of companies' evaluation, or that evaluators exhibit different tax preferences (e.g. some may perceive tax avoidance positively as beneficial to themselves), or that they lack access to enough information to judge firms' tax affairs. Again, this emphasises the need to enhance corporate tax transparency and implement effective social awareness policies to achieve a shared view of CTR among all stakeholders. In this regard, future research may explore how rating agencies have included tax-related criteria in ESG ratings and/or indexes and their impact on corporate performance and tax behaviour. Furthermore, the recent introduction of the GRI standard on taxation (GRI 207: Tax) will offer new opportunities for increasing transparency and comparability of different companies' tax performances.

This standard can be of particular relevance for companies and their stakeholders since it addresses all the components of CTR as emerged from the literature. Being a reporting standard, it not only provides guidance on how to be more transparent on tax but also induces companies to consider both actions and outcomes related to their CTR, by asking for disclosure about governance, management and stakeholder engagement in relation to tax as well as details on the taxes paid in all relevant jurisdictions.

6.3 Interconnections between ethical and political dimensions

Despite the wide use of ethical theories, our review highlights the scarce use of relational ethical theories, like discourse ethics and ethics of care, to justify CTR from a normative perspective. Considering that taxation involves a commitment between at least two actors – tax authorities/governments and taxpayers – ethical theories based on relationships and responsibilities could offer a novel perspective on this debate. Indeed, taxation has often been recognised as a relationship of power not only because governments impose their decisions on taxpayers (Likhovski, 2007) but also because of the freedom that only "powerful" companies have in deciding how much tax to pay and where to pay it (Ylönen and Laine, 2015). Additionally, relational ethical theories could add an interesting point of view to the debate about the conflicting roles of companies and governments in pursuing social welfare and, therefore, in assuming a political role in society. Indeed, some authors advocate that being a socially responsible taxpayer can only increase social welfare if governments are able to use financial resources efficiently for the benefit of the community (Rudyanto and Pirzada, 2021; Davis *et al.*, 2016). In the opposite case, companies could be more effective, and then saving money by paying less tax could be considered "the best" social solution. Moreover, also in extreme situations (e.g. corrupt governments), paying taxes may not be perceived as the best means to accomplish firms' social responsibilities. Further studies could investigate these arguments more in depth.

Again, linked with the possible conflicts between companies and governments, another promising avenue for future research stems from connecting CTR to sustainable development (Bird and Davis-Nozemack, 2018). As we have underlined for social welfare, paying fewer taxes could be morally justified if companies counterbalance this behaviour with higher contributions to society, in particular with specific investments to implement sustainability-related practices (in many cases this behaviour is even induced by law through tax incentives and reliefs). On the other hand, lower revenues for governments could compromise their efforts towards sustainable development. Therefore, the role of CTR in achieving the UN 2030 Agenda for Sustainable Development needs to be discussed further, to better understand how the critical balance between the intervention of "private" vs "public" and/or "companies" vs "governments" can be found and maintained. To do so, further studies can investigate how, and to what extent, socially responsible tax policies contribute towards greater sustainability outcomes, in terms of economic, environmental and social impacts.

Finally, the study of corporate taxation from the perspective of human rights is an under-explored area (Darcy, 2017). Given the role of corporate tax payments in realising human rights, this approach may provide a powerful theoretical basis for assessing the morality of corporate tax policies based on the resulting human rights risks and impacts.

6.4 Interconnections between the political dimension and the components of corporate tax responsibility

The contribution of CSR political theories to the CTR debate is still poor. Corporate citizenship theory seems to be particularly promising in the area of corporate taxation (Moon and Vallentin, 2019) to strengthen the normative and ethical underpinning of CTR and clarify its content. Indeed, this perspective may be useful for investigating which community or communities companies owe contributions to or, in other words, where corporate taxes should be paid. This is a complex question considering that companies operate in a context where the globalisation and digitalisation of business models allow them to be everywhere and nowhere at the same time. Furthermore, a corporate citizenship perspective could also bring new insights into the meaning of "fair share of taxes". Indeed, scholars argue that whether a firm "pays its fair share of taxes" (Néron and Norman, 2008, p. 12) is relevant for corporate citizenship and also policymakers build on this concept. However, the meaning of "fair share of tax" is still somewhat undefined, and questions such as:

Q1. When can a share of tax be said to be "fair"?

Q2. Which conditions influence the fairness of a share of tax?

Q3. How can stakeholders assess which firms pay a fair share of tax?

Still require satisfactory answers. Therefore, further studies and thoughts are needed to deepen the "fair share" concept and its practical applicability.

6.5 Interconnections between the integrative dimension and the components of corporate tax responsibility

Our review reveals significant heterogeneity in the way in which firms integrate CTR with their overall CSR engagement. Indeed, while some firms consider tax as a significant component of their CSR agenda, others fail to recognise such a relationship. This has three important implications. First, it demonstrates that framing tax as a cost to be minimised has been such a dominant approach in the corporate field that it will take time to replace it with the opposite view of tax payment as a social responsibility. Thus, as noted above, a stronger commitment is required on the part of all stakeholders, and new strategies and mobilisation techniques are needed to facilitate this change. A second implication is that a firm's tax behaviour cannot be derived from its general commitment to being ethical and socially responsible, as some companies do not perceive any incongruency between professing their involvement in CSR and engaging in tax avoidance. Finally, the plurality of existing approaches highlights the need to harmonise how companies should be accountable for their CTR. The new GRI standard "207: tax" may help in this direction and studies on its implementation are needed.

6.6 Interconnections between integrative and ethical dimensions

In addition, considering the differences among companies both in terms of a moral perception of the duty to pay tax and of the different behaviours they adopt, further studies may enrich our understanding of the drivers and constraints of the recognition, judgement, intent and actual CTR behaviour. Descriptive ethical theories, especially theories on ethical decision-making, could offer an interesting contribution to further understand and foster CTR. The role of external stakeholders seems to be particularly relevant. Indeed, given the paucity of studies on this topic, different lines of research could be developed, such as the analysis of the mechanisms and the strategies used by the media, NGOs and responsible investors in their tax campaigns and the investigation of the effectiveness of tax responsibility initiatives – such as the UK Fair Tax Mark (Fair Tax Mark, 2016), the B Team's responsible tax principles (B Team, 2019), and, again, the new GRI 207 standard – in achieving CTR.

6.7 Exploring new research methods

As a final point, our findings show that most of the existing studies use quantitative methods. Hence, a comprehensive understanding of the question of whether, how and why any transformations in companies' and/or stakeholders' understanding of CTR have occurred over the years is still lacking in the literature and may be addressed through semi-structured interviews with managers and/or tax practitioners, longitudinal content analysis of corporate tax disclosures or longitudinal case studies. These studies can yield useful insights and practical implications for stakeholders and policymakers' efforts to push companies towards more responsible tax behaviour.

Furthermore, considering the heterogeneity of the current results and variables used (see Supplementary Table 3), a meta-analytic review of existing quantitative studies on CSR and tax avoidance might help to further explain this relationship.

7. Conclusions

Based on a systematic review of the literature on taxation within the broad field of CSR, this work provides a comprehensive understanding of CTR.

Our conceptualisation elucidates how a responsible taxpayer should behave and how stakeholders may act to hold firms accountable for their tax behaviour. We identify and discuss four different dimensions of CTR – instrumental, political, integrative and ethical – as well as its content (i.e. compliance with the letter and the spirit of the law, payment of a fair share of tax, stakeholder management and tax transparency).

Furthermore, our categorisation of the literature offers a structured overview of what is currently known about the CSR–tax relationship and enables researchers to better situate their work and develop rigorous and relevant research in this field. Our literature review depicts a young but vibrant research field, but it also highlights the need for a considerable amount of research to improve our knowledge about the construct of CTR and its practical applicability. Therefore, a rich research agenda is offered to provide researchers and practitioners with future avenues for the development of this field.

Like all research, this study has limitations. In particular, the protocol used for data collection (e.g. keywords, databases and journals searched, the language of publications, etc.) may have reduced the number of publications and excluded potentially relevant contributions. Furthermore, our approach to systematise the literature may have limited the identification of relevant topics. Finally, our review only covers work on taxation within the field of CSR, rather than work on responsibility within the field of tax.

Nevertheless, we are confident that this paper offers relevant contributions to research and practice on CTR and inspires future developments.

Notes

1. A more extensive literature review of studies on the ethics of corporate taxation is offered by Scarpa and Signori (2020).
2. These last two examples were suggested by one of the reviewers to whom we are grateful.

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Further reading

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Supplementary material

The supplementary material for this article can be found online.

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