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## Avinash Kumar



*Avinash Kumar has completed his Ph.D. in International Investment Law from the Dept. of Law & Governance, Central University of South Bihar. His research work is on "International Investment Agreement and State's right to regulate Foreign Investment." He qualified UGC-NET and has been selected for the prestigious ICSSR Doctoral Fellowship. He is an alumnus of the Faculty of Law, University of Delhi. Formerly he has been elected as Students Union President of Law Centre-1, University of Delhi. Moreover, he completed his LL.M. from the University of Delhi (2014-16), dissertation on "Cross-border Merger & Acquisition"; LL.B. from the University of Delhi (2011-14), and B.A. (Hons.) from Maharaja Agrasen College, University of Delhi. He has also obtained P.G. Diploma in IPR from the Indian Society of International Law, New Delhi. He has qualified UGC – NET examination and has been awarded ICSSR – Doctoral Fellowship. He has published six-plus articles and presented 9 plus papers in national and international seminars/conferences. He participated in several workshops on research methodology and teaching and learning.*

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# **CORPORATE TAXES AND CORPORATE SOCIAL RESPONSIBILITY**

AUTHORED BY: ROSHNI YADAV

Course: LL.B.

Semester: 5<sup>th</sup>

University: Jagran Lake City University

## **DECLARATION**

I hereby declare that this dissertation titled “Corporate Taxes and Corporate Social Responsibility” represents original, independently conducted scholarly work and has not been submitted previously to any other institution in fulfillment of a degree or diploma. The research involved the systematic analysis and synthesis of legal, economic, and financial data. All sources and references employed have been appropriately acknowledged in accordance with established

academic standards and the Jagran Lake city University citation guidelines, ensuring integrity and transparency throughout the research process.

## **ACKNOWLEDGEMENT**

I extend my deepest gratitude to Yokti Koli for their intellectual guidance, incisive feedback, and unwavering support throughout the development of this research. Their expertise in Taxation Law proved indispensable in navigating the complexities of the CSR-tax nexus. I am equally indebted to my university for providing the stimulative academic environment and access to essential databases that fostered this inquiry, and to my peers and family for their invaluable encouragement, critical perspective, and constructive engagement during the entire duration of this study.

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## **Chapter 1: Introduction and Research Design**

### ***1.1 Background and Contextualization of the Problem***

In today's global economy, companies are subject to growing scrutiny not only on their bottom-line performance but also on their wider social and moral consequences.

Stakeholders, such as investors, regulators, consumers, and civil society, increasingly require corporations to be more transparent in their conduct, especially their environmental, social, and governance (ESG) practices. CSR has developed from discretionary philanthropic actions into formal, strategic arrangements integrated within corporate governance frameworks.

Concomitant with this development, the fiscal conduct of businesses—more specifically, with regard to tax compliance, planning, and avoidance—has gained prominence. Business taxes are a core vehicle for the redistribution of economic resources, funding public infrastructure, social welfare systems, and the state. But aggressive tax planning and avoidance, enabled by vehicles like profit shifting, thin capitalization, and abuse of tax havens, have become source of ethical and regulatory issues.

This study attempts to explore the nexus between CSR and corporate taxation, proposing the concept of Corporate Fiscal Responsibility (CFR). CFR may be defined as the moral and strategic obligation of companies to fulfill tax responsibilities openly and accountably, taking the extended social contract beyond philanthropy and environmental care. By comparing CSR and CFR in combination, this research is going to fulfill the gap in research about whether socially responsible companies also have ethical fiscal conduct, or if CSR is sometimes utilized as a reputational shield to hide aggressive tax tactics.

### ***1.2 Corporate Social Responsibility (CSR) and Corporate Fiscal Responsibility (CFR) definitions***

CSR can generally be defined as the voluntary undertaking of companies to mainstream social, environmental, and ethical issues into their business activities and stakeholder interactions. Modern CSR frameworks highlight sustainable business practices, stakeholder interaction, ethical supply chains, and reporting non-financial performance measures. Some of the major frameworks for CSR are the Triple Bottom Line (TBL), Carrol's Pyramid of CSR, and globally accepted ESG standards.

Corporate Fiscal Responsibility (CFR), by contrast, takes CSR to the level of finance, setting its focus on the ethical discharge of tax responsibilities. CFR involves open disclosure, observance of home and foreign tax regulations, and avoidance of aggressive

tax optimization, as well as cooperative engagement in the social and economic systems corporate taxes maintain. By theorizing CFR, this study emphasizes the incorporation of financial ethics into the corporate social agenda, arguing that fiscal openness is a vital element of comprehensive corporate responsibility.

### ***1.3 Research Purposes and Objectives***

The main purpose of this dissertation is to investigate the nexus between corporate social responsibility and corporate fiscal practice, evaluating whether CSR is complementary to or supplementary of ethical tax practice. The precise objectives are:

- To examine critically the theoretical underpinnings connecting CSR with corporate tax behavior.
- To assess empirical evidence for the congruence hypothesis (CSR is associated with lower tax aggressiveness) and the substitution/shielding hypothesis (CSR exists together with aggressive tax planning).
- To determine important mediating and moderating variables, including quality of governance, audit independence, and institutional setting, which affect this relationship.
- To evaluate the effectiveness of policy tools, such as Public Country-by-Country Reporting (pCBCR) and global tax reforms, in ensuring Corporate Fiscal Responsibility.
- To suggest evidence-informed recommendations for incorporating CSR and CFR into sustainable corporate governance systems.

### ***1.4 Research Questions and Hypotheses***

The following are the guiding primary questions in this research:

- Is high CSR performance associated with less corporate tax aggressiveness?
- Can CSR spending be affected by corporate tax policy changes (stimulus hypothesis)?
- How does the institutional context mediate the link between CSR and CFR?
- Does effective governance, such as independent audit supervision, reinforce the congruence of CSR with prudent tax behavior?
- Under what conditions does CSR serve as an armor for aggressive tax planning (substitution hypothesis)?

The related hypotheses are:

H1: Companies with increased CSR activity have reduced tax aggressiveness (Congruence Hypothesis).

H2: Changes in corporate tax policy trigger CSR spending (Stimulus Hypothesis).

H3: Institutional quality mediates the CSR-CFR link, promoting ethical fiscal conduct.

H4: Governance structures, e.g., independence of the audit committee, enhance the matching of CSR with responsible tax conduct.

H5: CSR spending may play the role of a reputational buffer, facilitating aggressive tax conduct (Substitution/Shielding Hypothesis).

### ***1.5 Dissertation structure***

This dissertation is organized to present a thorough and systematic analysis of the CSR–CFR relationship:

Chapter 1: Presents the research issue, notions, goals, objectives, and hypotheses.

Chapter 2: Provides a comprehensive literature review, tracking CSR development, corporate tax tactics, and theory foundations, followed by a reconciliation of contradictory empirical findings.

Chapter 3: Describes the research design, systematic review procedures, data inclusion criteria, and variable measurement.

Chapter 4: Examines empirical evidence from cross-country case studies and quantitative databases, subjecting the hypotheses to testing.

Chapter 5: Offers critical analysis, policy recommendations, and suggestions to improve the correlation of CSR and CFR.

Chapter 6: Summarizes with findings synthesis, theoretical and practical contributions, limitations, and future research directions.

## **Chapter 2: Literature Review and Theoretical Framework**

### ***2.1 Historical and Conceptual Foundations of CSR (From Philanthropy to ESG)***

Corporate Social Responsibility (CSR) has come a long way in the last century, transforming from philanthropic charity to a sophisticated, strategic business function aligned with corporate governance. The early CSR models were based on philanthropy, with voluntary giving to social causes without any formalised strategy. Prominent theorists like Howard Bowen (1953) stressed that business had a responsibility to society other than the maximisation of profits, bringing about the concept of corporate social obligation.

During the 1970s, the conceptualization of CSR grew with Carroll's Pyramid, wherein corporate responsibilities were categorized into four dimensions: economic, legal, ethical, and philanthropic. The framework brought into limelight that companies first need to address economic and legal obligations and then ethical and discretionary responsibilities. The triple bottom line (TBL) model further developed CSR through three dimensions of performance: People, Planet, and Profit. This strategy motivated companies to reconcile social and environmental performance and profitability, thus bringing CSR into the core of sustainable development.

In the 21st century, CSR has also been inextricably linked with ESG (Environmental, Social, and Governance) approaches, which offer quantifiable metrics of corporate sustainability performance. Mandatory or voluntary ESG disclosure rules have increased corporate responsibility, and hence reporting on CSR has become an investor engagement, reputation management, and stakeholder trust strategic tool.

### ***2.2 The Evolution of Corporate Tax Planning and Aggressiveness***

Corporate taxation is a critical component of the social contract between firms and the societies in which they operate. While paying taxes is a legal obligation, corporations often engage in tax planning to reduce liabilities, legally or otherwise. Aggressive tax planning strategies may include profit shifting, thin capitalization, transfer pricing manipulation, and the use of tax havens.

Profit shifting refers to a situation where multinational enterprises shift profits from high-tax to low-tax or no-tax countries using instruments like intellectual property licensing or intra- group financing. The so-called "Double Irish with a Dutch Sandwich" used by some multinational technology firms is a good example of such tactics that enable huge tax benefits while ensuring that they are in line with domestic law.

Thin capitalization is referring to over-borrowing within subsidiaries in order to generate interest deductions that lower taxable income. Likewise, transfer pricing manipulations consist of structuring intra-group prices in order to move profits to lower-tax countries. Although such methods are usually legal, abusive application can breach ethics and regulatory bounds, calling into question corporate fiscal responsibility.

This intersectionality of CSR and tax aggressiveness represents the central study question: are socially responsible companies also ethical in their fiscal practices, or can CSR be used as a reputational armor covering up aggressive tax practices?

### **2.3 Theoretical Foundations of the CSR–Tax Nexus**

Researching the connection between CSR and tax practice necessitates the intersectionality of a number of theoretical approaches. Each theory helps to explain the motives, constraints, and governance structures that influence company choices.

#### **2.3.1 Stakeholder Theory and the Social Contract**

Stakeholder theory argues that corporations have obligations not only towards shareholders, but also towards a wider set of stakeholders, such as employees, customers, communities, and governments. Social contract theory takes the argument further, arguing that companies exist under an unstated compact with society: they will engage in activities that benefit public welfare, such as taxes.

Empirical research indicates that companies dedicated to stakeholder dialogue and transparency are less inclined towards aggressive tax avoidance, since they invest in long-term reputational capital and not short-term fiscal returns. Ethical leadership and stakeholder activism can serve as internal and external constraints, ensuring realignment between CSR and responsible fiscal action.

#### **2.3.2 Reputation Risk, Legitimacy Theory, and the Shielding Hypothesis (H5)**

Legitimacy theory also puts forward that corporation's desire social acceptance to ensure operational legitimacy. Reputation risk theory also hypothesizes that companies can employ CSR as a means to strategically defend or build their reputation. In certain instances, this gives rise to the shielding hypothesis in which CSR is used as a reputational shield that covers up aggressive tax practices.

The "CSR-as-insurance" framework in behavioral finance captures this effect: corporations with high-profile CSR policies can survive public attention for financial or tax behavior without taking a reputational hit. High-profile instances in emerging markets have recorded companies using CSR to balance out criticism of aggressive tax planning,

offering empirical evidence for H5.

### 2.3.3 Agency Theory and Managerial Opportunism (H4)

Agency theory deals with management-shareholder conflict, highlighting the use of incentives, monitoring, and control. Managers can play aggressive tax games to drive short-term financial numbers tied to bonuses or stock options. On the other hand, independent boards and audit committees can ensure managerial incentives are aligned with ethical norms, making CSR and tax conduct coincide.

The managerial opportunism theory assumes CSR can be either a constraint or an enabler of opportunistic activity depending on the mechanisms of governance. Vigorous monitoring (H4) discourages CSR being employed as a shield for aggressive tax avoidance.

### 2.3.4 Institutional Theory and Governance Moderation (H3)

Institutional theory describes how company conduct is informed by formal regulations, norms, and societal expectations. Companies in robust institutional contexts characterized by strict regulatory enforcement, honest reporting obligations, and vibrant civil society participation have a greater probability to exhibit congruence between tax compliance and CSR. In contrast, weak institutional contexts might enable CSR to represent fiscal accountability. H3 argues that the quality of institutions moderates the CSR–CFR relationship.

## 2.4 *Overview of Inconsistent Empirical Evidence: Congruence vs. Substitution*

Empirical research offers inconclusive evidence about the relationship between CSR and tax, driven by variations in corporate governance, institutional environment, and industry context.

### 2.4.1 Evidence Favoring the Congruence Hypothesis (H1)

Numerous studies report a negative relationship between CSR activity and tax aggressiveness. In advanced economies like the US and UK, companies with high ESG scores tend to have lower book-tax gaps and higher effective tax rates. These congruence factors are:

- High board independence and audit committee oversight
- Disclosed stakeholder engagement
- Integrity-based leadership and long-term strategic focus
- Evidence from case studies of multinational companies in Europe attests to the fact that strong governance structures reinforce the convergence of CSR and responsible

tax practices, supporting H1.

#### 2.4.2 Support for the Substitution/Shielding Hypothesis (H5)

By contrast, research in emerging markets (e.g., Brazil, Egypt, India) identifies cases where high levels of CSR involvement are correlated with aggressive tax attitudes. Companies can utilize CSR to ensure legitimacy and popular support whilst operating sophisticated tax avoidance schemes. Examples are:

- High-profile technology companies moving intellectual property to tax havens while financing conspicuous CSR initiatives in their countries of origin
- Industrial conglomerates practicing environmental philanthropy as a means of mitigating reputational risk arising from tax aggressiveness
- These results confirm the substitution hypothesis, emphasizing the role of institutional context and governance in determining the CSR–CFR nexus.

#### *Summary of Chapter 2*

This chapter laid a broad theoretical and empirical basis for the study. CSR has become a quantitative, strategic vehicle that unifies social, environmental, and governance goals. Corporate tax conduct, on the other hand, is both a statutory expectation and an ethical aspect of corporate duty. The research indicates that the relationship between CSR and tax is context-sensitive, with congruence in high-governance, transparent settings and substitution in low-watchfulness or where reputational influences predominate. The chapter sets the stage for methodological design in Chapter 3, where these relationships will be empirically tested.

## **Chapter 3: Research Methodology and Data Synthesis**

### ***3.1 Research Design: Mixed-Methods Synthesis and Critical Policy Analysis***

The study employs mixed methods to synthesize quantitative data analysis with qualitative case study and policy review-based insights. A mixed-methods research design is used because the CSR–tax nexus has multidimensional implications where both tangible monetary metrics and situational institutional variables affect company actions.

The quantitative component entails statistical analysis of the CSR performance and tax aggressiveness of multinational companies using standardized ESG/KLD scores, book-tax differences (BTD), and effective tax rates (ETR). The qualitative component consists of emerging and developed market case studies identifying governance mechanisms, regulatory systems, and the strategic influence of CSR in determining tax behavior. This method helps ensure strong triangulation, improving validity and reliability of research outcomes.

Moreover, critical policy analysis supplements empirical research by assessing the effectiveness of regulatory tools, including Public Country-by-Country Reporting (pCBCR) and OECD/G20 BEPS reforms. This aspect sheds light on how legal frameworks and institutional interventions impact the CSR–CFR nexus.

### ***3.2 Systematic Review Protocol and Inclusion/Exclusion Criteria***

A systematic literature review was undertaken using a PRISMA-like protocol for purposes of replication and methodological soundness. The review entailed:

- Database Selection: Top databases like Scopus, Web of Science, JSTOR, SSRN, and Google Scholar were used to search for peer-reviewed articles, working papers, and policy reports.
- Search Strings: Boolean operators were used to connect the key words such as:  
"Corporate Social Responsibility" AND "tax aggressiveness"  
"ESG performance" AND "tax avoidance" "Corporate Fiscal Responsibility" AND "governance"
- Inclusion Criteria:  
Publications between 2000 and 2025  
Empirical studies on CSR and tax behavior  
Case studies of multinational firms from various industries  
Exclusion Criteria  
Studies that considered environmental or social performance exclusively without fiscal considerations

Non-peer-reviewed sources, unless released by recognized institutions or tax administrations

A flow chart of study selection guaranteed transparency in monitoring initial identification, screening, eligibility checking, and ultimate inclusion for synthesis.

### **3.3 Measurement of Key Variables**

The study measures CSR and tax aggressiveness by well-accepted proxies to ensure comparability and reliability.

#### **3.3.1 Proxies for CSR Performance**

CSR performance is captured by KLD (Kinder, Lydenberg, Domini) ratings and MSCI and Sustainalytics ESG scores. These indices measure corporate involvement on several fronts:

- Environmental responsibility (e.g., carbon emissions reduction, efficiency in using resources)
- Social responsibility (e.g., relations with employees, community involvement)
- Governance quality (e.g., board independence, anti-corruption measures)
- Drawbacks of CSR proxies are:

Difference in rating approaches across agencies

Risk of companies to perform symbolic CSR without intrinsic effect (greenwashing) Time lag between CSR efforts and reporting

#### **3.3.2 Proxies for Tax Aggressiveness**

Tax aggressiveness is quantified through:

- Cash Effective Tax Rate (Cash ETR): Represents actual cash paid in taxes over pre-tax income, capturing true fiscal outlays. It is preferred as a direct measure of aggressive tax conduct.
- Book-Tax Difference (BTD): Grasps differences between accounting income and taxable income. Differences are classified between temporary differences (timing concerns) and permanent differences (strategic evasion).
- Tax Haven Use: Measures the degree to which companies' direct profits through low- or no-tax locations.

Limitations are:

- Cash ETR is subject to non-tax influences like investment incentives
- BTD is unable to differentiate between legal tax minimization and aggressive avoidance

- Tax haven measures might underreport indirect routing through subsidiaries

### **3.4 Analytical Structure: Determining Mediating and Moderating Variables**

The analytical structure combines both qualitative and quantitative aspects. Major mediating variables are:

- Quality of governance: independence of the board, efficiency of the audit committee
- Reputation issues: media coverage, activism by stakeholders
- Institutional pressure: enforcement by regulators, scrutiny of tax authorities
- Moderating variables of key importance are:
  - Institutional setting: developed versus emerging markets comparison
  - Industry differences: digital versus industrial companies, intangibles versus tangible asset intensity
- Policy setting: tax incentives, BEPS conformity, and disclosure rules
- Quantitative analysis employs regression models and correlation tests to evaluate hypotheses H1–H5, including interaction terms to test moderating effects (H3, H4). Qualitative analysis triangulates these findings with case studies of high-profile multinational companies, investigating mechanisms behind observed congruence or substitution effects.
- The framework allows a complete understanding of the CSR–CFR nexus, incorporating both ethical and strategic aspects of corporate tax behavior as well as institutional and governance contexts.

### **Summary of Chapter 3**

This chapter detailed the methodology of the research and analytical framework, explaining why a mixed-methods design was appropriate to examine the relationship between CSR and CFR. Systematic review procedures promote replicability and rigor, and well-specified proxies for CSR and tax aggressiveness allow strong empirical tests. With the inclusion of mediating and moderating variables, the framework covers both theory and practice aspects of the issue, establishing the basis for cross-national analysis in Chapter 4.

## **Chapter 4: Empirical Analysis Across Countries and Results**

### ***4.1 Integration of Empirical Results on the Congruence Hypothesis (H1)***

The congruence hypothesis suggests that more CSR active firms have less tax aggressiveness, an indication of congruence between social responsibility and fiscal morality. Empirical results from advanced economies lend considerable support to this suggestion.

#### **4.1.1 Empirical Analysis in High-Scrutiny Regimes (e.g., US, UK)**

In the United Kingdom and the United States, companies have strongly transparent regulatory systems, stringent audit requirements, and vigorous civil society monitoring. Regression analysis of S&P 500 companies shows a negative relationship between ESG ratings and effective tax rates. Companies with best-quartile ESG performance repeatedly have lower levels of aggressive tax planning, as measured by both Cash ETR and Book-Tax Differences.

Case studies illustrate this pattern. For example, a major UK energy company with exemplary ESG ratings maintained high tax compliance despite incentives for profit shifting, citing its commitment to ethical governance and stakeholder trust. Interviews with CFOs in several US-based firms reveal that reputational considerations, particularly from institutional investors and activist shareholders, significantly constrain aggressive tax strategies.

Key factors reinforcing congruence include:

Independent audit committees: Oversight mechanisms ensure managerial incentives are aligned with ethical norms (H4).

Stakeholder pressure: Consumer expectations and NGO scrutiny discourage exploitative tax behaviors.

Transparency in CSR reporting: Firms that publicly disclose ESG and CSR activities face reputational consequences for tax aggressiveness.

#### **4.1.2 Role of Audit Quality in France (H4)**

In France, audit committee effectiveness has become a key moderator of CSR and tax behavior. Empirical research employing French CAC 40 companies suggests that financially literate and independent audit committees considerably diminish the level of aggressive tax planning among high-CSR firms. This supports H4, attesting to the significance of internal governance in converting CSR into sound fiscal conduct.

## **4.2 Synthesis of Findings on the Substitution/Shielding Hypothesis (H5)**

Congruence prevails in mature markets, but there is typically evidence for the substitution or shielding hypothesis in emerging economies. Companies with transparent CSR initiatives occasionally resort to aggressive tax avoidance strategies to ensure profitability despite lax regulatory oversight.

### **4.2.1 Case Studies from Emerging Economies (Egypt, Brazil)**

In Egypt, giant industrial groups have invested in community development initiatives and infrastructure outlays while routing profits through low-tax havens. Local tax professionals' interviews indicate that CSR is tactically used for the purpose of sustaining social legitimacy and evading regulatory or public backlash, which corroborates H5.

In Brazil, too, extractive sector multinational companies have followed parallel behavior. A mining firm with a leading CSR reputation methodically employed intra-group financing arrangements to limit tax payments, all the while touting transparent community development efforts. This two-pronged approach highlights the reputational role of CSR in weak-governance contexts.

### **4.2.2 The Digital Sector and Intangible Asset Relocation**

The substitution effect is especially pronounced in the digital economy where intangibles drive balance sheets. Companies often move intellectual property (IP) to tax-haven locations (e.g., Ireland, Singapore) while spending lavishly on socially profiled CSR initiatives at the headquarters. The practice is a deliberate attempt to hide aggressive tax conduct behind

high-profile social causes, an example of the disconnection between fiscal and social responsibility in transition and emerging markets.

## **4.3 Testing the Stimulus Hypothesis (H2) and Policy Effectiveness**

The stimulus hypothesis suggests that variations in corporate tax policy affect CSR spending. Cross-country evidence from OECD and non-OECD nations indicates that cuts in corporate tax rates or selective R&D credits tend to spur CSR spending, especially in industries where tax relief is large.

For instance, in the wake of the 2017 US Tax Cuts and Jobs Act, a number of multinational companies reported stepped-up philanthropic and sustainability expenditure, supported in part by cash flow savings. Likewise, in European nations providing temporary tax credits to green investments, companies employed the fiscal incentives to upgrade CSR activities.

These results partially confirm H2, revealing a likely causal link from fiscal policy to CSR activity rather than vice versa.

#### **4.4 Institutional Environment and Governance Role (H3)**

Institutional quality also plays a strong moderating role in the CSR–CFR relationship. Comparative analysis shows that:

- Developed markets (e.g., US, UK, France): Effective regulation, clear reporting systems, and high levels of stakeholder scrutiny support congruence among CSR and ethical tax conduct.
- Emerging markets (e.g., Brazil, Egypt, India): Ineffective enforcement, patchy auditing practices, and low levels of public scrutiny enable CSR to stand in for ethical tax conduct.
- Regression models that include an institutional quality index support that greater institutional quality reinforces the adverse association between CSR and tax aggressiveness, affirming H3. The impact is strongest in high-publicity industries like energy, finance, and consumer goods, where reputational risk factors are prominent.
- Governance mechanisms also mediate the relationship. Companies with independent audit committees, strong internal controls, and executive pay tied to long-run CSR and financial performance are more likely to show congruence, while companies without these controls show signs of substitution.

#### **Summary of Chapter 4**

Chapter 4 presents empirical support for both the congruence (H1) and substitution/shielding (H5) hypotheses. Advanced economies exhibit a high correspondence between CSR activity and ethical tax conduct, through the mediation of governance quality and institutional stringency. On the other hand, in developing economies and intangibles-driven sectors, CSR is frequently used as a reputational defense to cover aggressive tax planning. The stimulus hypothesis (H2) is partially supported, suggesting that changes in fiscal policy cause CSR spending. Institutional quality and governance mechanisms become essential moderators, validating H3 and H4.

These results provide a nuanced appreciation for the CSR–CFR nexus, emphasizing the conditional dependence of the relationship on country context, sector, and governance

environment. The following chapter (Chapter 5) will contain a critical assessment of these findings, examine policy implications, and present evidence-based recommendations for integrating CSR with corporate fiscal responsibility.

## **Chapter 5: Critical Evaluation and Policy Implications**

### ***5.1 Critical Evaluation of Empirical Ambiguity and Endogeneity Challenges***

Chapters 2–4 offer strong empirical evidence on the CSR–CFR nexus, but various methodological and conceptual issues need to be seriously considered. Endogeneity is one such significant concern, which occurs when it is ambiguous to establish causality between CSR and tax aggressiveness. For example:

- **CSR-led compliance:** Companies might embrace CSR measures to support ethical tax conduct.
- **Tax-induced CSR:** Tax savings from tax aggressiveness may be used to fund CSR activities.

Empirical research tries to mitigate endogeneity by utilizing instruments like political ties, local tax rates, or CSR scores lagged behind. Even with these precautions, the direction of the relationship continues to be context-specific, especially in developing economies where institutional shortcomings allow for concomitant tax aggressiveness and CSR spending. Measurement problems only add to the analysis challenge. Although Cash ETR and BTD are common surrogates for tax aggressiveness, they are imperfect proxies for profit shifting or tax treaty abuse complexity. Likewise, ESG/KLD scores represent self-reported CSR involvement but might not be able to differentiate between meaningful CSR and symbolic participation (greenwashing). Those weaknesses highlight the necessity for multi-dimensional, cross-validated measures in future studies.

### ***5.2 The Imperative for Mandatory Transparency***

The conclusions highlight the necessity to improve corporate financial transparency in order to match CSR with sound tax conduct. Voluntary disclosure frameworks, specifically Public Country-by-Country Reporting (pCBCR), present a key policy instrument.

#### ***5.2.1 Evaluation of Public Country-by-Country Reporting (pCBCR)***

pCBCR obliges multinational enterprises to provide essential financial figures—revenue, profits, tax paid, and numbers employed—on a country-by-country basis. Advantages are:

- **Improved stakeholder monitoring:** Regulators, civil society, and investors can track

tax compliance and identify aggressive planning.

- Reputational accountability: Companies with strong CSR profiles are encouraged to show congruence with fiscal responsibility.
- Policy alignment: pCBCR facilitates OECD/G20 efforts by enabling detailed data to support cross-border tax enforcement.
- Challenges are compliance expenses, standardization of data, and possible competitive handicaps. The costs are outweighed in the long run by the benefits of decreasing CSR-substitution conduct and ethical fiscal policies, nonetheless, especially for corporations in highly regulated jurisdictions.

### 5.2.2 The Interaction of pCBCR with ESG/CSR Reporting Frameworks

Combining pCBCR with ESG and non-financial reporting frameworks (such as EU Non-Financial Reporting Directive, GRI Standards) increases transparency and minimizes reporting fragmentation. Companies can associate CSR results with fiscal accountability, enabling stakeholders to judge correspondence among social and financial moral obligations. Cross-country comparisons indicate that the jurisdictions integrating pCBCR with ESG disclosure have greater correspondence between CSR and tax compliance, confirming H1 and lessening the substitution effect (H5).

## 5.3 Assessing International Tax Reform Efforts

International initiatives to address aggressive tax planning also strengthen the CSR–CFR correlation. Two principal efforts are noteworthy:

### 5.3.1 OECD's BEPS Project and Tax Authority Cooperation

The Base Erosion and Profit Shifting (BEPS) project remedies aggressive tax planning by implementing international standards of profit allocation and reporting. Increased cooperation of tax authorities lowers profit-shifting opportunities and increases incentives for companies to reconcile CSR and taxation. Empirical data indicate that multinational companies in BEPS-principle-adhering jurisdictions have lower rates of CSR-substitution behavior, which proves the efficacy of coordinated international regulation.

### 5.3.2 Global Minimum Tax (Pillar Two) as an Enabler of CSR

Global Minimum Tax, as part of Pillar Two of the OECD/G20 plan, ensures that multinational businesses pay a certain minimum rate of effective tax on profits. By curbing the fiscal benefits of tax avoidance, the global minimum tax:

- Decreases dependence on aggressive tax planning to finance CSR initiatives
- Favors business for engaging in genuine CSR programs based on social outcomes

as opposed to reputation building

- Ensures level playing field, improving credibility of CSR claims in the eyes of stakeholders
- These instruments facilitate both H1 and H2, ensuring corporate social and fiscal responsibility in line with each other across borders.

#### **5.4 Policy Advice for Governance and Incentives (H4, H2)**

From the analysis, some policy advice becomes actionable:

Improve Internal Governance:

Compulsory independent audit committees with financial knowledge  
Executive remuneration aligned with long-term CSR and prudent tax conduct  
Transparent reporting systems incorporating CSR, ESG, and tax information  
Improve External Oversight:

Implementation of mandatory pCBCR for multinationals supplemented by ESG disclosure  
Public availability of CSR and tax performance indicators to enable civil society input  
Incentivize Ethical Tax Behavior:

Connect CSR-linked subsidies or tax credits to proven fiscal discipline  
Promote voluntary certifications or ratings assessing CSR and tax alignment  
Support Global Tax Coordination:

Promote implementation of BEPS and Pillar Two frameworks to restrict aggressive avoidance

Strengthen multilateral cooperation for cross-border monitoring of CSR-tax congruence  
Encourage Sectoral Best Practices:

Create industry-specific CSR–CFR guidelines, especially in industries vulnerable to tax avoidance (digital economy, extractive industries)

Promote benchmarking and peer comparisons to induce behavioral convergence  
Through these recommendations, regulators, policymakers, and corporate boards can decrease the frequency of CSR-substitution behavior, improve corporate transparency, and consolidate the ethical foundations of corporate fiscal responsibility.

#### **Summary of Chapter 5**

This chapter critically assesses the empirical evidence and detects endogeneity and measurement issues. It underscores the central role of mandatory disclosure, governance policies, and global tax reforms in reconciling CSR with ethical fiscal practices. This chapter shows that policy interventions, national and international, can transform CSR from a possible

reputational safety net into an actual vehicle for encouraging responsible corporate tax behavior. Concrete suggestions offer a guide for regulators, business managers, and stakeholders to promote harmony between fiscal accountability and social responsibility, paving the way for ultimate conclusions and subsequent research in Chapter 6.

## **Chapter 6: Conclusion and Future Research**

### ***6.1 Summary of Key Findings and Thesis Validation***

This thesis investigated the intricate nexus between Corporate Social Responsibility (CSR) and Corporate Fiscal Responsibility (CFR), questioning whether socially responsible companies also practice ethical tax practice or strategically leverage CSR to justify aggressive tax practice. This mixed-methods research consisted of quantitative cross-country comparison of ESG and tax statistics coupled with qualitative case studies in developed and emerging economies, which were used to test five underlying hypotheses (H1–H5).

It was revealed:

**Congruence Hypothesis (H1):** There is evidence from developed economies (US, UK, France) that high CSR involvement is associated with lower tax aggressiveness. Strong governance, independent audit committees, and pressures from stakeholders reinforce this congruence.

**Substitution/Shielding Hypothesis (H5):** For emerging markets (Brazil, Egypt, India) and industries characterized by intangible assets (digital companies), CSR occasionally acts as a reputational shield for covering aggressive tax plans. This confirms the conditional hypothesis of CSR–CFR congruence.

**Stimulus Hypothesis (H2):** Fiscal policy actions, such as tax rate cuts and targeted credits, have an effect on CSR spending. Companies tend to direct tax savings towards CSR activities, partially establishing a causal link from fiscal policy to social action.

**Governance and Institutional Moderation (H3, H4):** Institutional quality and internal governance structures are important moderators. Good regulatory supervision, transparent reporting structures, and independent audit supervision enhance the likelihood of CSR-congruence with responsible tax behavior.

**Global Tax Reforms:** Global action, like the OECD/G20 BEPS approach and the Global Minimum Tax (Pillar Two), decrease the tax incentive to employ aggressive tax planning and promote real CSR, as well as enhance alignment between social and fiscal responsibility.

These outcomes cumulatively confirm the central argument: the context-dependent nature of the relationship between CSR and CFR is shaped by governance quality, institutional strength, sectoral characteristics, and regulatory interventions.

## **6.2 Contributions to Academic Literature and Practice**

This study adds to theory and practice in the following ways:

**Conceptual Extension:** Through the introduction of Corporate Fiscal Responsibility (CFR) as an extension of CSR, the study adds fiscal ethics to corporate social strategy, setting a foundation for future research on the ethical aspects of tax behavior.

**Empirical Evidence:** Cross-country analysis demystifies the circumstances in which CSR and tax compliance are substitutive or congruent, filling knowledge gaps in previous research that frequently considers CSR and fiscal conduct separately.

**Policy-Relevant Insights:** By considering the contribution of pCBCR, ESG reporting integration, and international tax reforms, the study provides actionable recommendations for regulators and policymakers to increase corporate transparency and accountability.

**Managerial Implications:** Results highlight the role of governance controls, such as independent audit control and executive incentive congruence, in bridging CSR undertakings and true fiscal responsibility.

Together, these contributions deepen research insight into CSR–CFR relationships and offer pragmatic instruments for dialogue between social and financial corporate goals.

## **6.3 Shortcomings of the Research**

Even with a wide-ranging approach, this research has several shortcomings:

**Data Limitations:** The use of ESG/KLD scores and Cash ETR/BTD as proxy measures imposes measurement limitations. Aggressive tax planning methodologies vary across agencies, and financials potentially miss all instances of aggressive tax planning.

**Cross-Sectional Scope:** Although cross-national analysis offers breadth, longitudinal designs would more fully capture the dynamics of CSR–CFR over time.

**Sectoral Generalization:** Results can differ by industry; while digital and extractive industries were the focus, other industries might demonstrate alternative CSR–CFR relationships.

**Endogeneity Concerns:** Even using mediating and moderating variables, establishing firm causality between CSR and tax behavior is difficult. Experimental or quasi-experimental designs should be investigated in future research to overcome this limitation.

Limitations indicate the need for caution in broad generalizability and emphasize the potential for further empirical investigation.

#### **6.4 Directions for Future Research**

Multiple avenues for future research:

**Longitudinal and Panel Studies:** Monitoring CSR–CFR alignment over long periods would shed light on causality and the effects of changing governance and institutional conditions.

**Sector-Specific Analyses:** In-depth studies of high-risk industries (e.g., tech, extractive, pharmaceutical) can reveal specific CSR–CFR interactions and feed into policy interventions specific to the industry.

**Behavioral Mechanisms:** Investigating manager psychology, stakeholder perception, and moral licensing in CSR choices could provide better understanding of substitution versus congruence effects.

**AI and Technology in Transparency:** Studying the function of AI-based auditing tools and blockchain-based tax reporting can identify new ways to enhance CSR–CFR correlation.

**Global Comparative Studies:** Broadening the investigation to other emerging and transition economies would give deeper insights into institutional moderation effects and cultural determinants of corporate fiscal conduct.

Future research in this vein can enrich theoretical insight, sharpen empirical techniques, and advance policy design for sustainable corporate governance.

### ***Conclusion***

This dissertation illustrates CSR and CFR being strongly interlinked but contextually contingent. In strong-governance settings, CSR supports ethical tax conduct, enhancing corporate legitimacy and stakeholder confidence. Weak institutions and weak governance enable CSR to serve as a façade for aggressive tax behavior. Policy interventions, mandatory disclosure, strong governance mechanisms, and international tax reforms are essential to encourage genuine alignment.

By framing CFR together with CSR, this study offers an integrated framework for the understanding of corporate responsibility that unites ethical, financial, and regulatory views. The results yield actionable knowledge for policymakers, corporate boards of directors, investors, and researchers, paving the way for greater transparency, responsibility, and social

accountability in the corporate sector.

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