

# Tax Planning & Corporate Social Responsibility (CSR): Does one exclude the other?

PhD research 2014-2017

## Introduction

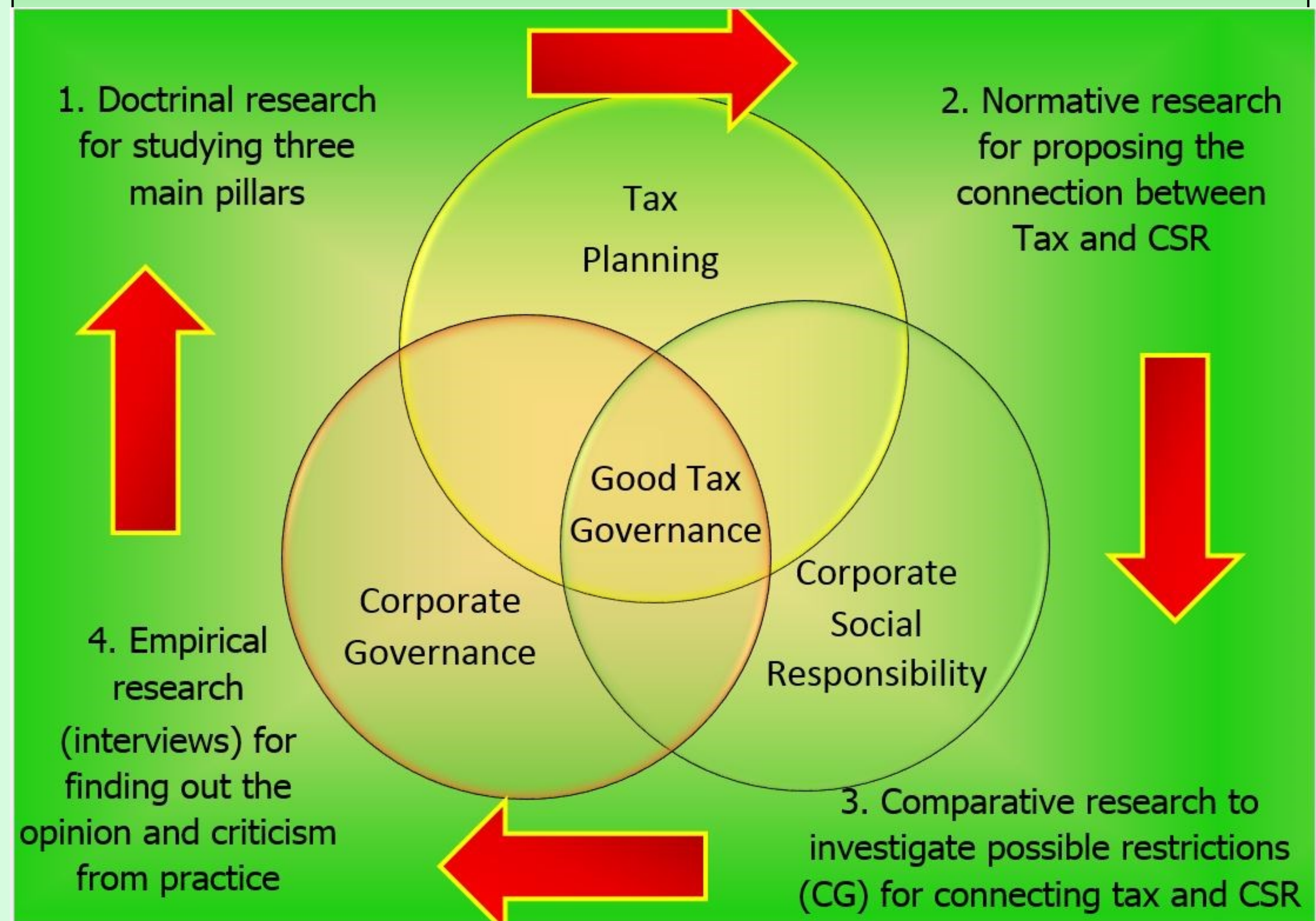
Last few years have witnessed a growing attention on the tax planning practices of multinationals. Companies that creatively use various rules in order to minimize their tax burden are heavily criticized. This has led to reforming international tax law, which has however not yet proven to be as effective as public would expect. Therefore, multinationals face also public naming and shaming.

This research focuses on multinational corporations (MNCs) that claim to be socially responsible companies and proposes possibilities for such companies to change their tax planning mind-set and behavior so that it should be perceived as acceptable by the public at large.

Therefore, theories and practices on tax avoidance, corporate social responsibility (CSR), and corporate governance are studied in order to develop a framework for *good tax governance* (as a conceptual framework). Thus, the use of tax law is placed in the context of CSR. The aim is to study whether CSR companies should move beyond the strict compliance with the letter of the (tax) law.

The reasons why tax should, yet is not, integrated into CSR will be studied and tested through interdisciplinary (e.g. economics, ethics), comparative (various CG regimes) and empirical (interviews) research.

## Research Method



## Research Questions

The main research question:

**Are soft law instruments feasible for incorporating tax planning into a CSR strategy within existing company law frameworks?**

Supporting sub-questions:

1. How is the concept of CSR interpreted and understood in the tax-related behavior of MNEs?
2. How can socially responsible tax behavior work in practice?
3. What are the possible challenges in different corporate governance regimes on involving tax planning in CSR strategies?

## Findings so far

### Tax Planning

- ⇒ The clash of perspectives: corporate vs state/society
  - ◇ Failure of tax systems
  - ◇ Efficiency
  - ◇ Trust
  - ◇ Legal uncertainty
- ⇒ Not paying tax vs not paying tax: when is it OK?
  - ◇ Why corporations should (want to) pay tax?
  - ◇ Societal acceptability of tax planning
- ⇒ Bridging the gaps: CSR

### CSR + Tax Planning

- ◇ **Why?**
  - ⇒ Taxes have an important effect on society;
  - ⇒ CSR 'refers to companies voluntarily going beyond what the law requires to achieve social and environmental objectives during the course of their daily business activities' (European Commission)
- ◇ **How?**
  - ⇒ Procedural: Transparency -> accountability
  - ⇒ Contextual: more discussion on tax morale and societal acceptability of tax planning needed

### Corporate Governance

- Comparing the views of two CG models on 'Good Tax Governance':
- ⇒ Rhineland model: socially corrected market economy; main attention on stakeholders; e.g. Germany, NL
  - ⇒ Anglo-Saxon model: free market oriented; main attention on shareholders; e.g. USA, UK

## Hypotheses

**H 1:** MNCs that claim to be CSR companies should embrace socially responsible tax behaviour

**H 2:** There is a possibility that corporations are not interested in going beyond compliance as long as they can use laws for profit maximization purposes.

**H 3:** The Rhineland model incentivizes socially responsible tax behaviour more than the Anglo-Saxon model of corporate governance.

## Main Theoretical Frameworks

- Tax planning: law vs morality
- CSR: Archie B. Carroll, CSR Pyramid
- CG: Rhineland model vs Anglo-Saxon Model

## Discussion points

- 1) Should tax be part of CSR and/or ethical motivation?
- 2) Focus – CSR and CG are major areas of research; What should be the main focus point in light of tax planning?
- 3) Interviews – sensitive content; how to get companies to talk about the issue?

## Future Plans

- ⇒ Finish the first drafts of the preliminary theoretical parts
- ⇒ 2016/17 – interviews
- ⇒ If time left: Developing Code of Conduct as a soft law instrument to integrate tax planning into MNCs' CSR strategies