

Can Tax Avoidance Be Socially Responsible? Perspectives from the International CSR Literature

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Abstract

This paper presents a systematic review of the literature on the relationship between tax avoidance and Corporate Social Responsibility (CSR). While traditionally seen as conflicting practices, existing research provides mixed evidence. Some studies report a negative association due to ethical and reputational concerns; others suggest a positive relationship rooted in legitimacy strategies or resource reallocations. This review contributes to the growing body of secondary research on tax avoidance and CSR, by offering a comprehensive synthesis of peer-reviewed studies, with special attention on the contextual factors that influence such relationship. Crucially, it interrogates the coherence of such framings, questioning whether they represent forms of corporate accountability or rather instruments of discursive legitimation that obscures underlying aggressive fiscal practices. In foregrounding this tension, the paper contributes to debates on taxation and corporate social responsibility, while also offering insights of relevance to policymakers, regulators, activists, and other CSR-concerned stakeholders.

Keywords: Corporate Tax Avoidance, Business Ethics, Sustainability, Corporate Social Responsibility, ESG

Introduction

The ability of taxation to fund public goods and uphold democratic institutions is increasingly undermined by the strategic tax practices of multinational corporations (Christensen & Murphy, 2004; Picciotto, 2012). These firms often exploit regulatory mismatches and institutional gaps to minimize liabilities, while simultaneously promoting CSR narratives that present them as socially responsible actors (Preuss, 2010). As Sikka and Willmott (2010) argues, tax avoidance is not merely legal or technical. Rather, it reflects structural power imbalances and a conscious withdrawal from social obligation, enabling corporations to externalize costs while safeguarding their reputations (see also and Sikka, 2012). These concerns have intensified in the aftermath of the COVID-19 pandemic, as “the pandemic and its repercussions shaped public finances... and will continue to have a bearing even as the pandemic recedes” (IMF, 2023, p. IX). At the same time, cross-border tax abuse

imposes substantial fiscal costs, with global revenue losses estimated at “US\$492 billion” annually, disproportionately affecting lower-income countries, which “lose on average 36 per cent – more than a third of their public health budgets” (Tax Justice Network, 2024).

In recent years, there has been considerable research and debate among scholars and practitioners regarding the relationship between tax avoidance and Corporate Social Responsibility (here-in-after: “CSR”). This paper aims at providing a comprehensive overview of studies addressing the tax avoidance-CSR relationship. Traditionally, the two concepts have assumed been to be incompatible each other, with CSR-committed firms being less likely to engage tax avoidance. However, other studies suggests that tax avoidance and CSR disclosure and practices can co-exist. Overall, the empirical evidence on the association is mixed and the literature suggests that tax avoidance and CSR can act as complement, serve as substitute, or even be completely unrelated (Jemiolo and Farnsel, 2023). This paper provides a systematic review of the literature on the relationship between tax avoidance and CSR, synthesizing key findings while also reflecting on the conceptual tensions and evolving interpretations that characterize this area of research.

A systematic analysis of this literature suggests that the relationship between tax avoidance and CSR is multifaced and contingent upon various factors. According to certain studies, tax avoidance is negatively related with CSR. The reason for such a negative association is that tax avoidance may rise significant ethical concerns and reputational risks for the firm, which appear to conflict with the goal of behaving as socially responsible entities. Consistently, several empirical studies provide evidence of a negative association between tax avoidance and CSR. In this sense, Hoi et al. (2013) finds that firms with irresponsible CSR activities are more likely to be involved in tax-sheltering activities. Zeng (2016) also shows that companies with higher CSR rankings have lower tax avoidance propensity. Similarly, Lasmana et al. (2019) identify a negative link between CSR disclosure and corporate tax avoidance among Indonesian firms.

However, other studies suggest a positive link between tax avoidance and CSR disclosure and practices. Using the framework provided by the Legitimacy Theory, Lanis and Richardson (2012) find a positive and statistically significant association between corporate tax aggressiveness and CSR disclosure. Im et al. (2017) also finds a positive correlation between CSR activity and the likelihood to engage tax avoidance. Similarly, Wagner (2019) supports a positive association between that tax avoidance and CSR. Finally, a third line of the literature rejects the notion that tax avoidance influences CSR, providing evidence of insignificant relationship between these two constructs (Mayberry and Watson, 2021) .

Furthermore, recent contributions have nuanced this debate. Emerging evidence from 2024-2025 studies have reinforced the contested nature of this relationship. For example, Velte (2025) advances the notion of CSR decoupling, suggesting that firms may strategically diverge between symbolic CSR disclosures and substantive internal practices, with tax avoidance representing a salient expression of this misalignment (i.e., CSR decoupling having a positive effect on the degree of corporate tax avoidance). Almutairi and Abdelazim (2025) provide evidence that political connections act as a key moderating factor in this relationship, particularly within emerging market contexts. In parallel, a meta-regression analysis by Mitroulia et al. (2025) indicates that, once methodological and contextual heterogeneity are

properly controlled for, the association between ESG performance and tax avoidance is generally weak or statistically insignificant.

This paper can provide a twofold contribution. First, it expands upon the existing growing body of secondary research that explores the relationship between tax avoidance and CSR (Jenkins and Newell, 2013; Whait et al., 2018; Matsouka, 2020; Kreig and Li, 2021 and Kovernmann and Velte, 2021; Issah and Roudriguez, 2021; Scarpa and Signori, 2023; Marques et al., 2024; Mitroulia et al., 2025; Velte, 2026). Unlike prior literature reviews, that mainly concentrate on normative, scientometric, conceptual, and stakeholder-related dimensions of this subject, this study distinguishes itself by focusing on the various perspectives explaining the relationship between tax avoidance and CSR. While it shares a common objective with Jemiolo and Farnsel (2023), this systematic literature review has a more comprehensive scope as it encompasses peer-reviewed literature without imposing quality-based constraints on the selected journals. This broader strategy enables the inclusion of contributions from less frequently covered institutional settings, including emerging and developing economies, thereby addressing the implicit geographic concentration observed in many prior reviews. By expanding the international scope, this review aims to capture a more pluralistic and context-sensitive understanding of how firms' tax behavior and CSR engagement interact across different legal, regulatory, and cultural environments. Moreover, this review offers a distinct and structured synthesis of the moderating factors that influence the CSR–tax avoidance relationship. These include both internal firm-level characteristics (i.e., governance and ownership structure) and external contextual variables, including stakeholders' perspectives and social forces, such as public opinions, media pressure, activism, and broader societal expectations (Dowling et al., 2014). By organizing and comparing these moderators across studies, the review highlights not only the complexity but also the conditional nature of the relationship between CSR and tax avoidance.

Second, an inclusive and context-sensitive investigation of academic literature analyzing the relationship between tax avoidance and CSR can also be beneficial for practitioners such as regulators, standard-setter bodies, activists, and social justice-oriented stakeholders interested in the domains of CSR and taxation. As many firms increasingly adopt sustainability narratives and engage in CSR reporting, whether in response to regulatory pressures or voluntary initiatives, questions arise about how these commitments coexist with tax planning practices that may reduce public revenues.

Recent scholarship has introduced the concept of “socially responsible tax avoidance”, suggesting that tax strategies tied to policy objectives (e.g., environmental incentives) may align with corporate responsibility goals (Inger and Stekelberg, 2022). While this interpretation reflects a shift in how tax behaviour is being framed, it also raises important concerns. As CSR is generally understood to go beyond legal compliance, presenting tax minimization as socially responsible risks diluting the normative expectations associated with CSR. As argued by Sikka (2010) and Dowling (2014), tax avoidance practices, regardless of their forms, can undermine public resources while reinforcing corporate self-interest. Framing it as responsible may also legitimize broader tax planning practices under the cover of ESG alignment (Preuss, 2010; Col and Patel, 2019). This review takes thus a cautious view, questioning whether such strategies truly reflect social commitment.

The rest of the paper is organized as follows. Paragraph 2 presents the methodology adopted to retrieve and analyze the bibliographical materials. Paragraph 3 critically analyzes the results of the research identified. The paper provides discussion and potential avenues for future research at paragraph 4. Then, it concludes at paragraph 5.

Methodology

To explore the relationship between tax avoidance and CSR this study adopts a systematic literature review (SLR) approach (Tranfield et al., 2003). This approach is well-suited for our research purpose for several important reasons.

First, the choice to adopt a SLR approach is driven by the nature of the research question of the study. Snyder (2019) suggests that a SLR is the most appropriate methodological choice for studies focused on synthesizing and comparing evidence. Therefore, in line with these considerations, this paper applies a SLR approach for both collecting and analyzing the identified studies.

Second, prior studies (e.g., Palmatier et al. in 2018) suggest that literature reviews using a systematic approach may benefit from higher transparency and replicability when compared to other methods of literature review, as this approach relies on a clear and logical process of articles' search, recommending a rigorous analysis of the papers' selected.

Finally, as suggested by Snyder (2019), the SLR approach particularly indicated to the synthesis of quantitative studies that are grounded in a positivist epistemological framework, where the main scope is measuring causal relationships or association. For the purposes of this study, SCOPUS, a bibliographic database provided by Elsevier, is employed to gather bibliographical materials. SCOPUS is one of the largest databases of peer-reviewed literature, enjoying large acceptance within the international scientific community (Burnham in 2006). In performing our SLR, we started by identified a set of research articles suitable to the topic of the research and to answer the research question posited. Then, we cleaned the sample of paper retrieved by excluding those articles that do not fit with the argument of the review and/or do not satisfy the requirements already elucidated. The procedure followed to select the bibliographical material to analyze is described in detail at paragraph 2.1.

Paper Selection Process

To identify research having thematic affinity with the topic, the paper identifies a set of keywords that are related with the construct of corporate tax avoidance. Similarly, it identifies a group of terms associated with corporate social responsibility. With respect to the first group, we require that articles have in the title and/or in the abstract and/or in the keyword list the following list of terms "tax shield*" OR "tax shelt*" OR "tax dodg*" OR "tax aggress*" OR "tax avoid*" OR "tax minimiz*" OR "tax plann*". With respect to the second, we parsimoniously selected the following keyword "ESG" OR "CSR". Hence, we searched for articles related with both the topics. That is, articles having within the title, the abstract or the keyword list at least one of the selected terms for each construct. The keyword list used by this research is thus structured as follows: ((TITLE-ABS-KEY ("tax shield*" OR "tax shelt*" OR "tax dodg*" OR "tax aggress*" OR "tax avoid*" OR "tax minimiz*" OR "tax plann*" OR "tax risk*" AND "ESG" OR "CSR"))). Overall, this search led to the identification of 133 articles. The article search was led on 27 February 2023.

In addition to the aforementioned keywords, the study also applies a set of exclusion criteria based on the nature of the bibliographical material identified. Specifically, we exclude contributions that do not qualify as scientific articles (i.e., "Document Type" (Article ONLY)), that are not published in the English language (i.e., "Language" (English ONLY)). We do not set any exclusion criteria based on the time of the publication. Furthermore, to expand the number of articles includable we do not set any exclusion criteria. Yet, we assured that all the articles included are published research in peer-review journals (i.e., "Source Type" (Journal ONLY)). This excludes from the review books, book chapters, and conference papers (manual check is performed to ensure their exclusion). For consistency with the purpose of the research, we then manually excluded all those articles that are secondary research (previous review studies on the topic) or mainly conceptual. Overall, the "second step" of the keyword research led to the exclusion of 31 articles.

We additionally manually check the retrieved studies to assess consistency with our research question and with the topic examined. Basing on this assessment, we excluded those studies that do not relate, at least, directly with the topic of this review. In this step, additional 18 studies have been excluded. Therefore, this review – while still integrating these excluded studies or additional ones in the introduction, discussion and conclusion – is based at this core on the analyses on 84 unique studies. The analyses of this studies constitute the foundation of the next paragraph, named "Perspectives on Tax Avoidance and CSR".

Perspectives on Tax Avoidance and CSR

The "Synergy Perspective"

A first stream of the literature (hereinafter reported as "Synergy Perspective") supports a positive association between tax avoidance and CSR. Contrary to the common view that corporate tax avoidance is incompatible with CSR, these studies find supporting evidence for a positive relation between tax avoidance and CSR disclosure and practices.

Several contributions frame this relationship through the lens of legitimacy theory. Lanis and Richardson (2013) show that corporate tax aggressiveness is positively and significantly associated with CSR disclosure, providing early evidence that CSR reporting can serve as a shield for controversial fiscal practices. Similarly, Fallan and Fallan (2019) find that tax-aggressive Norwegian firms are more likely to engage in voluntary environmental disclosures, suggesting that companies anticipate and manage legitimacy risks through CSR. This argument is reinforced by Pratiwi and Siregar (2019), Wagner (2019), and de Andrade et al. (2020), who document how CSR disclosure and rhetoric are often mobilized to mask or counterbalance contradictions between firms' fiscal practices and their proclaimed ethical commitments. This is also partially suggested by Kao and Liao (2021), showing that aggressive tax avoiding firms use CSR tax disclosure as a legitimization tool. However, this does not mean that tax avoiding firms are more prone to real CSR activities, thus supporting a synergic perspective only partially.

Building on these insights, subsequent studies have examined how contextual conditions shape the CSR–tax avoidance link. Gavius et al. (2022), using the natural experiment of increased tax enforcement in Israel, show that CSR firms intensified their tax avoidance compared to non-CSR firms. This result is consistent with legitimacy theory, but also the licensing effect from social psychology, and organizational hypocrisy. Empirical evidence from

emerging and developing economies further supports the synergy thesis. Im et al. (2017) find a positive correlation between CSR activity and tax avoidance in Brazil, while Gulzar et al. (2018) and Mao (2019) report that CSR firms in China exhibit larger book–tax differences and lower effective tax rates, signaling more aggressive fiscal behavior. Khan et al. (2022) extend this evidence to Nigeria and Pakistan, while Abdallah Aryan (2023) documents a similar association for Jordanian firms.

Besides the intuition provided by the lenses of the legitimacy theory and risk-management theory, other studies aligned with a “synergic view” seems to move beyond the idea that firms employ CSR as a mere “ethical buffer”. These contributions emphasize the role of CSR as a risk management tool that cushions the reputational and financial costs of tax avoidance. In this sense, Emerson et al. (2020) show that while tax avoidance can negatively influence investment decisions, its adverse effects are partially mitigated in firms with CSR initiatives. This is consistent with the view that CSR functions as a buffer against potential risks triggered by tax aggressiveness¹.

Other studies push the debate even further by questioning the assumption that CSR is merely an ethical cover. Wahab et al. (2022), in the Malaysian context, find that companies do not necessarily view tax avoidance as immoral, suggesting that the CSR–tax nexus is more complex than a simple ethical contradiction. This perspective resonates with Neo-Institutional theory, which highlights the cultural and normative variation in how tax behavior is perceived. Amri and Chaibi (2023) offer related evidence from oil and gas firms, showing that tax avoidance can positively moderate the negative effect of CSR on stock price volatility, while Gazzola et al. (2023, p.2275), comparing Italy and Romania, argue that “tax-oriented CSR can even support the fight against tax fraud”, thereby reframing the relationship in a more pragmatic, policy-oriented light.

Overall, these latter studies suggests a more mechanical explanation for a positive association between tax avoidance and CSR, which would imply the use of tax avoidance as part of a broader firm’s financial strategies aimed at equipping firms with adequate resources, which are essential to develop CSR initiatives. This intuition essentially aligns with the idea that tax avoidance is, at least from a corporate perspective, a strategical financial management activity able to free up additional otherwise non-available financial funds which can be directed towards CSR activities. In line with this perspective, Laguir et al. (2015) demonstrate that tax avoidance is positively associated with the economic dimension of CSR but negatively related with the social dimension, thus suggesting that tax-driven resources may finance business-oriented CSR but not socially progressive initiatives. Lin et al. (2019) provide complementary evidence that resource allocations to CSR can foster ethical frameworks that help managers better control tax risks. Recently, Du and Li (2023) also show that such aggressive tax behavior is also more likely for CSR firms located in BRICS economies.

In addition to the aforesaid studies, additional lines of inquiry have found evidence of a positive association between tax avoidance and CSR, when focusing on specific firm’s internal

¹ A view consistent with a synergic perspective is also documented by Inger and Steckelberg (2022), although only for certain forms of tax minimization activities, that is, those related with socially responsible activities. Looking at the investors’ perspectives, they show that investors value tax savings from renewable electricity production tax credit are valued more positively compared to other forms of tax avoidance (i.e., those related with non-socially responsible activities), thus suggested a “spillover effect” among different forms of tax avoidance activities.

and external features. The term internal firm's features is employed to refer firm's ownership structure and corporate governance-related aspects. Similarly, the term external firm's features is used to characterize those aspects pertaining to the firm's interaction with its stakeholders and other social forces stemming from the local community and the society. In the following paragraphs, the review presents two main group of studies, namely: a) "studies supporting a positive association between tax avoidance and corporate social responsibility that focus on specific aspects of the firm's ownership and governance" (3.1.1.); b) "studies supporting a positive association between tax avoidance and corporate social responsibility that focus on the role of corporate stakeholders and other external social forces" (3.1.2).

The Role of Ownership and Corporate Governance within the "Synergy Perspective"

A subset of studies examines how ownership structures and governance attributes condition the relationship between tax avoidance and CSR. Abdelfattah and Aboud (2020), using a sample of Egyptian firms from 2007 to 2016, find that corporate tax avoidance is positively associated with CSR disclosure. Their analysis also reveals that firms with more sophisticated boards, particularly those including family or foreign members, tend to disclose more CSR information, suggesting that board composition influences the extent to which CSR is mobilized alongside tax strategies.

Xu et al. (2022) explore the Chinese context, focusing on the link between tax avoidance and the readability of CSR reports. They document a positive association, indicating that more tax-aggressive firms issue CSR reports designed to be more accessible and comprehensible. However, this effect weakens for state-owned enterprises, which benefit from an inherent legitimacy through state affiliation, and for firms located in less developed regions, where institutional mechanisms to monitor legitimacy are less robust. Taken together, these findings reinforce the idea that CSR reporting is strategically used to mitigate legitimacy concerns associated with aggressive tax practices, while also highlighting the moderating role of ownership and governance characteristics.

In this vein, Özbay et al. (2023) focus on family ownership. Drawing upon data collected from 94 firms listed on the Istanbul Stock Exchange, they find that socially responsible firms that are family-owned firms display a greater engagement in aggressive tax planning activities. Further, Sarhan (2023) also indicate managerial control as a tax aggressiveness enhancing feature in the context of socially responsible firms.

The Role of Stakeholders and External Social Forces within the "Synergy Perspective"

Another stream of research investigates how external stakeholders and broader institutional forces shape the relationship between tax avoidance and CSR. These studies consistently suggest that firms adapt their CSR practices in response to external pressures, often using CSR strategically to buffer or legitimize aggressive fiscal behaviors. Several contributions focus on the role of auditors and employees. Abid and Dammak (2022) show that firms audited by high-quality auditors are more likely to engage in CSR, which can serve as a hedge against the potential consequences of tax avoidance. Schochet et al. (2022) extend this logic to the labor dimension of CSR, finding a positive association between tax avoidance and employee treatment. Earlier, Huseynov and Klamm (2012) highlighted the heterogeneous nature of CSR's effects: community concerns were associated with higher effective tax rates, while governance and diversity concerns reduced them in conjunction with higher tax

management fees, pointing to the need to disaggregate CSR dimensions in tax research. The regulatory environment also emerges as a key driver. Jiang et al. (2022), using Chinese listed firms, find that the introduction of mandatory CSR disclosure significantly increases corporate tax avoidance, particularly among less profitable firms, polluting firms, and those in high-disclosure regions. Their results suggest that mandatory CSR reshapes corporate behavior, generating positive externalities for society but at the expense of tax contributions. Lin et al. (2017) similarly emphasize the role of institutional context in China, showing that CSR disclosure acts as “window dressing” in weak institutional environments, whereas stronger institutions foster greater tax compliance.

Stakeholder influence also appears in relation to consumer and political pressures. Benlemlih et al. (2023) demonstrate that consumer awareness moderates the positive CSR–tax avoidance link by constraining corporate hypocrisy. In contrast, Pratiwi and Siregar (2019) test whether political connections moderate this relationship but find no significant effect. Cross-country differences further illustrate how institutional settings mediate the CSR–tax link. Alsaadi (2020) shows that firms headquartered in jurisdictions with low conformity between financial and tax reporting are more likely to combine CSR with tax avoidance, using CSR as a hedge against potential backlash. Col and Patel (2019), analyzing U.S. firms, report that CSR ratings increase following the establishment of offshore tax havens and after the enactment of the 2006 controlled foreign corporations (CFC) look-through rule, consistent with risk management theory. These results partially echo Preuss (2010), who notes that offshore finance center–based firms often claim responsible business practices, though their commitments rarely match those of U.S. firms.

Additional evidence suggests that external shocks and market perceptions also shape the CSR–tax avoidance relationship. Adrian et al. (2022) find that reduced tax avoidance is more pronounced among firms with higher CSR performance and in states experiencing GDP decline, pointing to a countercyclical dimension of CSR–tax strategies. Ling and Wahab (2018), studying Malaysian firms, show that tax planning negatively affects the valuation of CSR in isolation, but when CSR and tax planning are combined, investors perceive them more positively, underscoring that capital markets may view the two practices as complementary. Taken collectively, these studies highlight the central role of external stakeholders, institutional environments, and country-specific features in conditioning how CSR is mobilized in relation to tax avoidance.

The “Conflict Perspective”

Numerous studies in the literature provide empirical evidence either supporting a negative or insignificant relation between tax avoidance and corporate social responsibility. In one of the first scientific attempt to examine the association, Hoi et al. (2013) find that firms with excessive irresponsible CSR activities have a higher likelihood of engaging in tax-sheltering activities and greater discretionary/permanent book-tax differences, consistent with the perspectives of the Corporate Culture Theory (CCT). Their result align with the idea that tax avoidance is a socially irresponsible activity, with distorting effects for global markets and democracies (Christensen and Murphy, 2004). In the Chinese context, Ding et al. (2022) find that the introduction of mandatory CSR disclosure in 2008 significantly reduced tax aggressiveness and raised effective tax rates. However, they also document distributional effects, as the increased tax burden was partially shifted onto consumers, suppliers, and

employees. Lanis and Richardson (2015) show that firms having higher CSR performance exhibit lower level of tax aggressiveness on average, using a matched sample of 434 firm-year observations of U.S. public firms. Likewise, Zeng (2016) finds that firms with higher CSR rankings are less likely to engage in tax avoidance, reinforcing the notion that CSR discourages aggressive fiscal behavior in weaker governance contexts.

Dietsch (2011) similarly warns that the tax planning industry's very business model undermines minimal fiscal responsibility. Dowling (2014) stresses that even when legal, tax avoidance undermines the credibility of CSR claims, while Gribnau (2015) advances a socio-legal critique. Accordingly, CSR requires firms to embrace ethical obligations beyond compliance, including a principled approach to taxation. This makes his claim that: "CSR companies should take one more step in endorsing a less narrow and formalistic view on (tax) law, one that argues that tax is a body of rules itself grounded in principles that make the internal morality of the law" (Gribnau, 2015, p.246). In other words, by embracing CSR, firms "[...] accept ethical obligations beyond the law" (Gribnau, 2015, p. 246). As also highlighted by Dowling (2014), thus, tax avoidance –while often legal – challenges the credibility of CSR claims, as it reveals a gap between the expectation for companies to contribute fairly to society and their active strategies to minimize tax payments. Hence, tax minimization and avoidance are largely misaligned with corporate socially responsible behavior.

The conflict perspective is also evident in other international studies. Park (2017) shows that CSR reduces tax avoidance in Korean firms, even across subcomponents such as employee satisfaction and economic development. Evidence from Indonesia confirms this view: Lasmana et al. (2019) and Arifin and Rahmiati (2020) document a negative association between CSR and tax avoidance. Kacem et al. (2022) analyze the impact of tax incentives on CSR, while Chouaibi et al. (2022) show that firms not engaged in CSR are more tax aggressive. More nuanced evidence comes from Van and Ly (2021), who, using quantile regressions on Vietnamese firms, find that CSR predicts higher tax payments among firms at the upper quantiles but lower payments at the lower quantiles, highlighting heterogeneity in CSR's impact on tax behavior across contexts and firm types.

Despite evidence of a negative association, certain studies, however, failed in finding a significant association between tax avoidance and CSR. Mayberry and Watson (2021), for example, find no association between tax avoidance and CSR when employing an identification strategy based on the states' enactment of constituency statutes. Pranata et al. (2021) also find no association between CSR and tax avoidance when examining a sample of food and beverage firms listed in the Indonesia Stock Exchange². Similarly, Mohanadas et al. (2020) find no empirical support for an association between CSR performance and corporate tax aggressiveness in a sample of Malaysian firms. Yet, they do find significant associations when delving into specific sub-components of the firm's CSR performance. Specifically, the research shows that "community-related" CSR performance is negatively related with corporate tax aggressiveness, while "workplace-related" CSR performance shows a positive

² In this vein, Goerke (2019) analytically demonstrate that the relationship between tax avoidance and CSR is ambiguous. Empirically, Hajawiyah et al. (2022) also indicate, that the association between tax avoidance and CSR is likely to be simultaneous. Therefore, if it can be said that tax avoidance negatively impacts on CSR. At the same time, the reverse also holds true.

association.³ Finally, as already anticipated, CSR practice and performance and CSR disclosure are not necessarily related constructs. As suggested by Kao and Liao (2021), for example (see synergic perspective), while aggressive tax-avoiding firms are more prone to provide longer CSR disclosure (i.e., higher CSR disclosure is associated with higher tax avoidance), this does not hold true for firms with higher CSR performance.

Moreover, there is also a wide plethora of studies that provide either evidence of a negative or insignificant association when focusing on specific firm's internal and external features. Typical internal features investigated can be referred to the firm's ownership structure and corporate governance. While external features pertain include the multifaced relation of the firm with its stakeholders and the related social forces stemming from the firm's engagement with the local community and the society as a whole. In the following paragraphs, the literature supporting a negative (or-insignificant) association between tax avoidance and CSR is summarized according to the specific firm's features examined. Specifically, after a topical examination of this literature, this review identifies two main group of studies, namely a) studies supporting a negative or insignificant association between tax avoidance and corporate social responsibility that focus on specific aspects of the firm's ownership and governance (i.e., "The Role of Ownership and Corporate Governance within the Conflict Perspective"; see 3.2.1.) b) studies supporting a negative or insignificant association between tax avoidance and corporate social responsibility that focus on the role of corporate stakeholders and other external social forces (i.e., "The Role of Stakeholders and Social Forces within the Conflict Perspective, see 3.2.2). In the next paragraphs, a discussion of the findings emerged from these studies is provided.

The Role of Ownership and Corporate Governance within the "Conflict Perspective"

Several studies supporting a negative (or insignificant) association between tax avoidance and corporate social responsibility delved their investigation into the context of specific firms' ownership and governance aspects. These studies suggest that the ability of CSR to constrain fiscal aggressiveness depends critically on who controls the firm and how governance structures are designed.

Evidence from Taiwan provided by Su and Chu (2016) shows that CSR is associated with lower tax aggressiveness, suggesting an alignment between social responsibility and fiscal compliance. Managerial ownership also reduces tax aggressiveness, although it does not significantly moderate the CSR–tax avoidance link, implying that managers may adopt CSR strategically while still respecting fiscal obligations. Ownership characteristics further condition this relationship in other contexts. Yoon et al. (2021) find that the negative association between CSR and tax avoidance is more pronounced among *chaebol*-affiliated firms in Korea, where the concentrated ownership and reputational stakes of conglomerates reinforce CSR as a constraint on tax aggressiveness. Similarly, Liu and Lee (2019), using Chinese data, reveal that the CSR–tax avoidance link differs between state-owned and privately owned firms, underscoring that ownership type significantly alters the direction and strength of the relationship. In this context, Sharhan (2023) provide evidence on the

³ Other types of CSR performance, however, do not exhibit statistically significant relation with tax avoidance according to the study. These include "environmental" and "marketplace"-related CSR performance, both found to be non-significantly related with tax avoidance.

moderating role of institutional shareholding, showing that it can mitigate the tendency of socially responsible firms to undertake tax avoidance.

Board composition and directors' characteristics emerge as central determinants of how CSR interacts with tax behavior. Lanis and Richardson (2013), using Australian evidence, find that higher CSR performance correlates with lower tax aggressiveness, reinforcing the idea that substantive CSR commitments foster fiscal prudence. In subsequent work, Lanis and Richardson (2018) show that the presence of outside directors strengthens this negative association, suggesting that external oversight enhances CSR's role in constraining aggressive fiscal strategies. Wen et al. (2020) add an international dimension by showing that directors with foreign experience reduce tax avoidance through enhanced CSR awareness and reputational concerns. Gender diversity has also been widely investigated. Rakia et al. (2023) report that firms with higher female representation on boards display a stronger negative association between CSR and tax avoidance, while Vacca et al. (2020) find that board gender diversity promotes CSR disclosure and that CEO gender positively influences the relationship between tax planning and CSR reporting under GRI standards. Elouaer et al. (2022), focusing on UAE-listed firms, confirm a negative CSR–tax avoidance association and note that female CEOs partially mitigate this relationship, although they do not find significant moderation effects of board gender composition.

Other studies adopt broader measures of governance quality. Abdelmoula et al. (2022) use composite governance scores and find them inversely associated with tax avoidance, highlighting the disciplining role of governance frameworks. Shams et al. (2022) show that the interplay between tax avoidance and empire-building behavior is magnified in firms with weak CSR performance, pointing to the intertwined influence of CSR strength and governance quality on corporate tax strategies⁴.

There are also several studies stressing that the CSR–tax avoidance link is conditional and heterogeneous across CSR dimensions and firm performance levels. Laguir et al. (2015) decompose CSR into social and economic dimensions, showing that while social investments are associated with lower tax aggressiveness, economic CSR aligns more closely with profit-driven strategies, encouraging avoidance. Watson (2015) introduces profitability as a conditioning factor: in firms with weak or negative earnings, CSR correlates with greater tax avoidance, likely reflecting resource constraints and shareholder value pressures; in contrast, profitable firms display a negative association between CSR and tax avoidance, aligning social responsibility with fiscal responsibility. Timbate (2021) adds that not only the level of actual performance matters, but also firm's performance aspiration level, showing that when the firms' level of performance outweighs the firm's aspirational level, they are less likely to exhibit superior CSR performance, while also reducing their level of tax avoidance. Finally, Zeng (2019) emphasizes CSR's role as a substitute for weak external governance. In fragile institutional contexts, firms with stronger CSR engagement are less likely to engage in tax avoidance, thereby compensating for deficient regulatory oversight. This finding extends the conflict perspective by suggesting that CSR does not simply counteract aggressive tax behavior but also serves as a mechanism to fill governance gaps.

⁴ This idea is reinforced by the results of the study by Ortas and Gallego-Alvarez (2020) which show that companies achieving high corporate social performance, corporate environmental performance, and corporate governance performance are less likely to engage in aggressive tax practices.

The Role of Stakeholders and External Social Forces within the “Conflict Perspective”

Another relevant stream of the literature arguing for a negative association between tax avoidance and corporate social responsibility highlights the crucial role played by corporate stakeholders and wider social forces, such as tax enforcement, legal changes, media scrutiny, and cultural norms (Lim and Tsuitsui, 2012).

Recent contributions have explored how investors interpret the coexistence of CSR and tax avoidance. Inger and Vansant (2019) show that while investors may value both CSR and tax avoidance independently, they perceive them as conflicting when pursued simultaneously, resulting in discounted valuations. Davis et al. (2022) argue that tax payment itself is increasingly viewed by investors as a socially responsible act, with corporate tax strategies and broader CSR performance shaping perceptions of legitimacy and investment choices. Lei and Zhang (2020) further demonstrate that CSR-related media coverage influences socially responsible investment (SRI) decisions, showing that negative tax-related news is associated with poorer SRI performance in the banking sector. Consistently, Lee et al. (2021) find that highly admired firms tend to avoid tax less, aligning tax behavior with their reputational standing.

Stakeholder responses are also evident among consumers. Hardeck et al. (2023), through laboratory experiments in the U.S. and Germany, show that CSR perceptions strongly mediate consumer attitudes toward tax-avoiding firms. Interestingly, while German consumers react negatively even when strategies are legally permissible, U.S. consumers' views are less influenced by formal acceptability, highlighting that social legitimacy weighs more heavily than legal compliance.

Employees represent another stakeholder group shaping the CSR–tax link. Li et al. (2022), studying small and medium-sized enterprises in Pakistan, show that CSR moderates the relationship between tax avoidance and firm performance, suggesting that employee engagement reinforces the alignment between CSR and responsible tax behavior. Ding et al. (2022), analyzing the introduction of mandatory CSR disclosure in China, also find that the reform reduced tax aggressiveness but redistributed its costs: employees, suppliers, and shareholders bore the burden of higher effective tax rates, while governments, banks, and creditors remained largely unaffected.

The role of public authorities and institutional governance emerges as another critical external force. Zhao (2022) finds that stricter tax enforcement prompts tax-aggressive firms to increase corporate donations, reflecting higher CSR engagement. Wang et al. (2022) show that companies with corporate foundations tend to prioritize CSR over aggressive tax practices. Montenegro (2021), using data from 25 OECD countries, demonstrates that governance quality strongly moderates the CSR–tax relationship: in weak institutional settings CSR acts as a substitute for governance, reducing tax evasion, whereas in strong governance contexts CSR may be mobilized strategically to offset reputational risks, consistent with the theory of organized hypocrisy. Raitthatha and Shaw (2022) provide complementary evidence that firms subject to CSR regulation display lower tax aggressiveness.

Media scrutiny and cultural norms also influence how taxation is integrated into CSR. Ylönen and Laine (2015), through a qualitative case study of a multinational, show how transfer pricing practices enabled large tax savings while CSR reports paid scant attention to taxation, highlighting a disjuncture between fiscal behavior and CSR communication. Hardeck and Kirn (2016), analyzing sustainability reports of firms in the U.S., U.K., and Germany (2007–2012), find that explicit tax disclosure was rare but increased over time, especially in the U.K., with negative media coverage, industry pressure, and low effective tax rates driving greater disclosure. Lee (2020) shows that firms headquartered in tax havens have lower CSR engagement than U.S.-based firms, consistent with Corporate Culture Theory. Huang et al. (2017) add that firms with stronger CSR performance are less likely to undertake tax inversions, consistent with Stakeholder Theory.

Finally, several studies connect fiscal policy directly to CSR activities. McCredie and Sadiq (2019) document a shift in perspective whereby taxation itself is increasingly framed as part of CSR. Sreesing et al. (2019) show that corporate tax cuts can influence CSR activities, suggesting that fiscal incentives shape firms' social engagement. Overall, these studies reinforce the conflict perspective by showing that aggressive tax practices are generally seen as misaligned with CSR commitments. Investors discount them, consumers react negatively, employees are affected by their distributional consequences, and regulators use CSR frameworks to discipline firms. At the same time, cross-national differences, governance quality, media scrutiny, and fiscal incentives highlight that the relationship is deeply contingent on stakeholder expectations and institutional contexts.

Discussion and Potential Avenues for Future Research

As the literature on tax avoidance and CSR continues to expand, what emerges is a body of knowledge marked by substantial tensions, inconsistencies, and still unresolved questions. Some studies portray tax avoidance as inherently conflicting with CSR aims, while others suggest complementary relationship. Yet, behind these empirical findings lies a more fundamental issue, which is how corporate tax behaviour is framed, legitimised or contested.

One of the most intriguing, yet arguable, developments in this field is framing of certain tax avoidance practices as "socially responsible", that is potentially aligned with broader CSR commitments. On the surface, the concept of "socially responsible tax avoidance" (see e.g.: Inger and Stackelberg, 2022) appears to reconcile two apparently opposing agendas, suggesting that firms can reduce their tax burdens while simultaneously advancing environmental or social goals, particularly through policy-aligned incentives. This concept well align with the idea that tax minimization strategies can generate financial slack to support CSR activities (Im et al., 2017; Gazzola et al., 2023), making them both economically efficient and socially constructive.

However, this framing is far from unproblematic, raising potential questions. Can a practice that ultimately diminishes public revenues be labelled responsible simply because it complies with the law or aligns with ESG categories? While legality provides a baseline, it does not automatically confer social responsibility, particularly when such practices erode public revenues that finance essential services. The risk is that CSR and ESG discourse may be co-opted to normalize behaviors that are technically lawful but socially contentious.

Future research would interrogate these tensions more directly. There is a need to explore the discursive boundaries of what is considered acceptable or “sustainable” tax behaviour, and how firms use CSR narratives to frame their tax strategies. Under what conditions are these narratives accepted, and by whom? When do they succeed in projecting responsibility, and when are they met with accusations of hypocrisy or greenwashing? These questions call for a deeper engagement with how tax and CSR are co-constructed and interpreted across different social, political, and institutional contexts.

Methodologically, this also means moving beyond cross-sectional associations. As some recent work has noted (e.g., Hajawiyah et al., 2022), tax avoidance and CSR are not static decisions but may evolve simultaneously, shaped by feedback loops. Longitudinal and quasi-experimental research designs could help illuminate these dynamics, offering more credible insights into causality and change over time. At the same time, internal firm-level characteristics, such as board composition, ownership structure, or executive incentives, should be better understood in relation to the external social forces that shape corporate behaviour. These include not only regulatory shifts but also activist campaigns, civil society monitoring, and broader community expectations.

Finally, the role of transparency deserves closer attention. As tax practices and CSR reporting become increasingly embedded in ESG and integrated reporting frameworks, we should also ask: Do these mechanisms enhance accountability, or do they risk depoliticising and sanitising tax behaviour under the language of sustainability? These questions might open the door in future to a broader, interdisciplinary and mixed-method research agenda.

Conclusions

In recent years, the relationship between corporate tax avoidance and CSR has become subject of growing academic attention, but it remains still marked by profound conceptual tension and competing empirical claims. This review offers systematic synthesis of this evolving body of work, mapping how different strands of literature engage with, and at times contradict, one another in framing the tax avoidance–CSR nexus. As presented, some studies view tax avoidance as inherently at odds with CSR, citing ethical inconsistencies and reputational risks. From this perspective, tax avoidance, while often legally-compliant, conflicts with the spirit of CSR, which is typically understood as a commitment to contributing positively to society. Empirical work grounded in corporate culture theory has reinforced this view, suggesting that socially responsible firms are less likely to pursue aggressive tax strategies (Hoi et al., 2013; Zeng, 2016; Lasmana et al., 2019).

Other contributions, however, complicate this narrative. Research inspired by legitimacy theory, for example, has shown how CSR can function as a reputational buffer, allowing firms to manage tax aggressiveness by enhancing their public-facing responsibility profile (Lanis and Richardson, 2013). Still others adopt a resource-based view, suggesting that tax avoidance may generate slack resources to fund CSR activities (Im et al., 2017) and this, indeed, explain why a positive association between the two constructs can occur. Finally, a third group of studies finds no significant relationship at all, implying that CSR and tax behaviour may be only loosely coupled (Mayberry and Watson, 2021).

Finally, it should be acknowledged that recent contributions have further nuanced this debate (Mitroulia et al., 2025; Velte, 2026). While this study considers insights from more recent works to contextualize its findings, it must be noted that its systematic review component is bounded by a research design focusing on studies published up to 2023. Within this framework, the evidence synthesized in this paper already points to a heterogeneous and context-dependent relationship between CSR/ESG performance and tax avoidance, with both complementary and conflicting patterns emerging across institutional settings and measurement approaches. This aligns closely with more recent contributions. For instance, the notion of CSR decoupling advanced by Velte (2025) suggests that, in some cases, externally visible CSR engagement may coexist with aggressive tax practices, thus questioning the assumption of a coherent and internally consistent alignment between firms' social responsibility commitments and their fiscal behavior. Similarly, the moderating role of political and institutional factors identified in our analysis is consistent with Almutairi and Abdelazim (2025), who show that political connections shape the CSR–tax avoidance nexus in emerging markets. More broadly, the variability observed in this paper's findings partially echoes the conclusions of Mitroulia et al. (2025), whose meta-regression analysis finds that the overall association between ESG performance and tax avoidance becomes weak or statistically insignificant once methodological and contextual heterogeneity are considered.

By reviewing and discussing the findings from these studies, this paper makes two key contributions to the literature. First, it extends the scope of previous secondary research by adopting a deliberately inclusive and context-sensitive approach. Rather than limiting the analysis to studies published in high-impact journals or applying restrictive methodological filters, this review incorporates a broader set of peer-reviewed contributions, including work from emerging and underrepresented economies, as well as research that is often overlooked by dominant citation and ranking metrics. This approach allows for a more geographically and epistemologically diverse understanding of how the CSR–tax avoidance relationship is theorised and observed in practice.

Second, the review offers insights that can be of interest for a wider range of stakeholders, not only academics and policymakers, but also standard-setters, civil society organisations, and activist groups concerned with tax fairness, fiscal accountability, and corporate social responsibility.

Ultimately, this review highlights that the relationship between CSR and tax avoidance is multifaceted, and contingent. It is shaped not only by firm-level governance characteristics but also by broader institutional environments and the social forces that define what counts as responsible corporate behaviour. This finding overall aligns with Velte (2026). As ESG frameworks and integrated reporting increasingly incorporate tax disclosures, future research should explore whether these developments enhance meaningful accountability, or merely provide new rhetorical tools for legitimising contested practices.

Conflict of Interest Declaration

All authors declare that they have no conflicts of interest

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