DOI: 10.47743/eufire-2024-1-13

DETERMINANTS OF THE CORPORATE INCOME TAX AVOIDANCE – A BRIEF LITERATURE REVIEW

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Abstract
Tax avoidance is the subject of o large number of studies. I choose to analyse these studies by grouping them in three main categories: proxies used to measure the tax avoidance, tax avoidance determinants (this study) and tax avoidance influences on other variables. Analysing almost 80 papers, I identified a long list of factors that can influence the level of tax avoidance practiced by companies, in terms of income tax, and I grouped these factors into several categories. I proposed, first, factors related to the personal and professional profiles of the members of the company's management, after which I analysed factors related to corporate governance, but also to geographical and institutional characteristics. The list of determinants can be continued with factors related to the ownerships structure and the listing of companies on a stock market, as well as with influences of all kinds of crisis (financial, pandemic, at regional or global level). At the same time, I considered elements of a reputational nature that influence the tax avoidance practices of companies, as well as technological developments, company strategies, life cycle phase.
Keywords: *corporate income tax; tax avoidance proxies; tax avoidance determinants.*
JEL Classification: H26, M40.

1. INTRODUCTION

Corporate income tax (CIT) is important in the tax system, both in terms of its contribution to PUBLIC revenue and in terms of what it signals: the taxation of wealth created in a year by firms in a country. The corporate tax is also spectacular in the possibilities for firms to reduce their tax burden using various methods of tax optimisation/planning and even tax evasion/fraud. Sometimes the corporate tax contribution to public expenditure can be an important communication argument in companies' reporting on social responsibility (Istrate, 2023).

The orientation of some companies - especially multinationals - to pay as little tax as possible, especially in high-tax territories, is well documented. Corporation tax has been, and still is, one of the most appropriate taxes in terms of the possibilities of reducing the amounts paid, of reporting figures that are meaningless to those less initiated in sophisticated financial reporting techniques. Otherwise, we would not be witnessing a series of international, regional and national regulations attempting to limit the proportions of profit transfers from countries where profits are made to countries/territories with limited tax claims. Let us recall the ATAD directive (Anti-Tax Avoidance Directive), which appeared in 2016 and whose full title refers explicitly to "laying down rules against tax avoidance practices that directly affect the functioning of the internal market". The Directive covers taxpayers subject to CIT in one or more Member States and contains rules which seek to limit profit shifting from one Member State to another: transactions such as intra-group loans (interest deductibility is limited), transfers of assets (tax is calculated on the market value less the tax-deductible value of the assets concerned), artificial transactions (transactions with no commercial purpose are not taken into account for tax purposes but are carried out for the purpose of reducing the tax burden), taxation of profits of foreign controlled companies according to the rules of the country if their profits have been exempted, tax treatment of hybrid items. This directive complemented the tax legislation of each Member State, which had to transpose it by the end of 2018. The Romanian tax code was amended accordingly, including rules on all the elements set out in the ATAD Directive, with national customisations where appropriate. We also recall Directive 2021/2101 of the European Parliament and of the Council on the submission by certain undertakings and branches of information on income taxes (the latter introduced in OMFP 1802/2014 and applicable in Romania from 2023).

However consistent the regulation, it cannot cover all situations arising from the practical activities of taxpayers. For example, Simser (2008) notes that the 10,000 pages of US tax rules are clear evidence that tax collection faces loopholes and tax uncertainty is unavoidable.

The definition of tax evasion (TE) is not uniform in the regulations or in the literature. We can consider that the English terms (*tax avoidance* and *tax evasion*) are somewhat more precise and have only been translated into Romanian as *tax evasion*, which is slightly simplistic. Even though Romania has a law (241/2005) to prevent and combat tax evasion, it does not provide a definition of tax evasion, but only a very long list of actions that can be considered tax evasion and are punishable by imprisonment: according to this law, by tax evasion we mean, in fact, illegal actions, which we can qualify, according to the terms in the literature, as *tax evasion* and not tax avoidance.

I next aim to identify, in the literature, the main determinants of deviant tax behaviour of tax avoiders. The structure of the study continues with a listing of the main variables we have identified in the literature as proxies for tax avoidance (section 2). In section 3, I group the influencing factors on TA proxies into several categories, after which I present conclusions and references.

2. PROXIES FOR TAX AVOIDANCE

We could find, in the literature, several variables that approximate levels of tax avoidance. Very briefly, starting from the list proposed by Hanlon and Heitzman (2010) and adding other tools found in the literature (centralized by Istrate, 2023), I list:

- effective tax rates (ETR), established as the ratio between explicitly reported corporate tax on the one hand and gross profit on the other; we can have GAAP ETR (in which the numerator is the total corporate tax expense, current and deferred), current ETR (current tax at the numerator) or cash ETR (tax actually paid, at the numerator);
- the difference between the ETR (in any of its forms) and the statutory tax rate or between the statutory rate and the actual rate;
- the difference between the accounting income and the reconstructed tax income (BTD - book tax differences - or BTG - book tax gap -), possibly with separate recognition of what comes from accounting accruals;
- gross profit x statutory rate minus current tax expense;
- the residual from the regression correlating BTD with accruals;
- tax paid to total assets ratio;
- indicators specific to the shadow economy;
- tax adjustments to be made as a result of tax audits or financial audits;
- tax sheltering variables and scores;
- individual elements of reconciliation between accounting and tax incomes;
- tax expense divided by operational cash flow;
- cash ETR volatility;
- proxies for income shifting, which take into account the difference between the tax rates in the country of the parent company and the rates in the countries where the subsidiaries are located;
- variables from reports and other documents from international bodies such as the World Bank and variation in fees paid to tax consultants;
- location of subsidiaries in tax havens, their share of total subsidiaries or of group business;
- the aggressiveness of the use of transfer pricing;
- involvement of the firm in tax litigation.

3. FACTORS INFLUENCING THE CORPORATE INCOME TAX EVASION/AVOIDANCE/AGRESIVENESS

Hanlon and Heitzman (2010) identify several correlations where tax avoidance (TA) may be involved; these include firm characteristics, ownership structure, firm control and management structure, management compensation, and specific agency theory issues. The same authors review in the literature the main reasons for entering tax avoidance: tax rates, probability of detecting the avoidance, severity of penalties for tax evasion and professionalism of control bodies, political will to reduce evasion, risk aversion, tax awareness.

The simplest analysis of the impact on TA concerns the link between TA and the main characteristics of the firm, as they can be identified from the accounting data they provide through financial statements: size (total assets or turnover), leverage, asset structure, income and returns, location of business, number of subsidiaries, type of activity. Olhoft Rego (2003) analyses US firms, comparing multinationals with domestic firms, and finds confirmation that larger firms have higher effective tax rates (ETRs), consistent with political cost theory; also, higher gross profits seem to lead to lower ETRs and multinational business expansion leads to lower ETRs. Firm size may be accompanied by firm dominance in the market, characterised by the ability to impose price, quality level or nature of products on the market, but also by the risk of being imitated by other firms. Kubick *et al.* (2015) find a positive link between market dominance and propensity to TA, and an attempt by competitors to replicate including tax behaviour.

From the analysis of the nearly 80 articles in which I found determinants of TA (and sometimes, TE), several groups of such factors emerged:

a) the profiles of the members of the management of firms and the compensation they receive;
b) some corporate governance variables;
c) geographical, institutional and regulatory characteristics;
d) shareholder structure and the public or private profile of the company;
e) financial, medical, economic, local, regional or global crises and other significant events;
f) reputation of companies, of their management and of auditors;
g) other factors influencing the tax behaviour of companies.

3.1 Profiles of corporate executives and their compensation may influence proxies for tax avoidance

The position (power and status) of the tax officer in the firm is, according to Ege *et al.* (2021), a variable with significant influence on the way the firm practices TA: the higher this position is in the firm's hierarchy (CFO, executive vice-president, senior vice-president, senior director, tax officer, director, head of tax, assistant vice-president, division director, manager, regional manager, staff, lawyers), the higher the indicators show greater TA. Feller and Schanz (2017) estimate that the authority enjoyed by the tax officer is even one of the mandatory steps for the firm to carry out TA actions.

The confidence with which CEOs and CFOs approach the firm's business is measured by Hsieh et al. (2018) by their position as a net buyer of the firm's stock or a holder of the firm's stock for at least 50% of the period analysed; Hsieh *et al.* (2018) results show that overconfidence of CEOs and CFOs at the same time leads to higher TA compared to other CEO/CFO behaviour combinations.

CEO behavioural traits can influence firms' tax behaviour. Araújo *et al.* (2021) find a positive link between CEO narcissism and tax avoidance. Chyz *et al.* (2019) find that CEOs' overconfidence in their own strengths and their behaviour towards increasing TA are strongly and positively correlated. Also, although managers do not necessarily have tax or accounting expertise in developing and implementing firm tax strategies for tax planning purposes, they can affect these activities through the signal they give from the top down. Na and Yan (2022) and Dyreng *et al.* (2010) find a significant influence of individual persons in the firm's executive (CEO, CFO, vice president) on the level of TA practiced by the firm, in addition to the influence generated by firm characteristics.

Li *et al.* (2022) examines the situation of managers at risk of dismissal with restrictions on employment at other similar firms: these managers may be tempted to engage in more TA; if, on the contrary, leaving one firm is not accompanied by restrictions on employment or use of data at the next firm, then these employees engage less in TA. Managers' prior experiences are not limited to the businesses they have been involved in or to their accounting/taxation training or various MBAs completed: Law and Mills (2017) show that some boards prefer managers with military experience because they are less involved in tax planning, i.e. they adopt and implement less aggressive tax strategies, and are able to provide savings on other types of costs that the firm incurs.

The personal tax behaviour of a firm's executives can influence the level of TA of that firm. Hjelström *et al.* (2020) analyse the situation of Swedish firms and observe a strong link between the tax behaviour of executives and their personal preferences regarding risk, ethics and financial incentives; also, the personal tax behaviour of the CEO and CFO is significantly related to the TA of the firms they manage.

Incentives of the firm's management or of some individuals in the management team (e.g. CEO, CFO or tax officer) may influence the level of some indicators measuring tax aggressiveness, although Chi *et al.* (2017) state that it is still very unclear why some CEOs engage more aggressively in tax planning than others. Gaertner (2014) analyses how CEO bonuses are set and finds that higher TA (as measured by GAAP ETR) is associated with setting bonuses based on the firm's reported net income, i.e., after-tax profit.

Armstrong *et al.* (2012) examine the link between tax officer compensation and cash ETR plus other indicators of tax aggressiveness, and they confirm this link, finding that risk-taking for better remuneration is directly proportional to TA. Halioui *et al.* (2016) identify a significant and negative link between overall CEO remuneration and TA, as measured by ETR.

Analyses of managerial behaviour in terms of involvement in tax planning, earnings management or other types of activities refer to their age, education, previous work experience, gender, length of tenure, etc. Na and Yan (2022) also dwell on the native language of firm heads and its impact on tax aggressiveness, finding that languages that differ in terms of marking the future may lead to different levels of TA. A distinction is made between two broad categories of languages: languages with strong future tense reference (English, French, where speakers must clearly separate the future tense verb form from the present tense form), on the one hand, and those with weak future tense reference (German, Finnish, Chinese - where it appears that speakers may omit the future tense form), on the other hand: countries or regions where languages in the first category are spoken make more use of tax avoidance than those in the second category. Moreover, CEOs of American companies but born in the first category of countries are more inclined to evade tax than those born in countries in the second category. Regarding the CFO, whose role can be determinant in designing the firm's tax strategies, Campa *et al.* (2022) analyse the extent to which a CFO co-opted by the CEO during his or her tenure influences the firm's TA under pressure from that CEO. The results reported by Campa et al. (2022) confirm that a CFO brought in by and under the influence of the CEO will pursue riskier and less public interest oriented fiscal policies.

For Desai and Dharmapala (2006), firm management compensation, including incentives of all kinds, is a significant determinant of TA activity, in the sense that large incentives lead to lower levels of tax sheltering, with different intensities depending on how corporate governance mechanisms are implemented and operate. Benefits promised by the firm to directors, but which become payable after they leave the firm, may make the directors involved more prudent, including in terms of tax aggressiveness: using a tax sheltering score, Chi *et al.* (2017) demonstrate this hypothesis on a sample of US firms.

The profiles of company directors and their impact on tax evasion are also analysed in terms of their professional training. Chen *et al*. (2021) shows that, for Chinese firms with more executives returning from studying abroad, TA tends to increase when it was below average and decrease if it was above average: the relationship is stronger for state-owned firms, but also for executives with an MBA degree with a background in accounting/auditing.

3.2 Impact of corporate governance variables on tax avoidance/evasion

Governance can influence the level of TA through 7 mechanisms (Koverman and Velte, 2019): alignment of incentives between shareholders and management, board composition, shareholder structure, capital market pressures, audit, enforcement of laws and government relations, pressure from other stakeholders. The overall quality of a firm's corporate governance can positively influence the relationship between TA and shareholder wealth growth. Jimenez-

Angueira (2018) calculates a governance score considering variables like those above: CEO-chair duality, independence of directors, their seniority and experience or their ownership of significant blocks of shares, audit committee attributes (size, independence and expertise), a shareholder protection index, presence of institutional investors. Results reported by Jimenez-Angueira (2018) show that the significant strengthening of external monitoring of US firms (by tax and financial authorities) after the scandals of the early 2000s led to lower levels of TA being calculated for firms with weaker corporate governance in the period after the introduction of those regulations. Increased public and regulatory attention has also reduced opportunities for managers to use TA instruments to ensure better short-term returns.

The composition of a company's board, as an important element of corporate governance, can have an impact on how the company approaches taxes. Halioui *et al.* (2016) show that board size is negatively associated with TA, but that CEO-chairman duality is positively correlated with TA. Richardson *et al.* (2016a) find that the presence of more than one woman on the board reduces the likelihood of engaging in tax aggressiveness, for a range of Australian firms. The presence of women on the board has significant effects on the relationship between profitability and TA: Alkurdi *et al.* (2023) find a negative relationship between profitability and ETR for a sample of Jordanian firms, but the presence of women on the board changes the sign of this relationship, demonstrating the hypothesis that women play a critical role in promoting initiatives to mitigate financial risks.

Doo and Yoon (2020), on a sample of Korean firms, find that the board structure does not discourage profit-shifting activities, unless there are accounting and finance experts on the board. CEO duality (CEO also serving as a board director) is an important feature of governance arrangements and can influence how the firm approaches taxes. Kolias and Koumanakos (2022), for a significant sample of private firms in Greece, find a negative relationship between CEO duality and TA, explaining this result by the agency theory, according to which CEO/COB power encourages managerial risk aversion and thus limits tax avoidance.

Explaining tax aggressiveness may also come from the heterogeneity of firm management: Wahab *et al.* (2018) find, overall, that management heterogeneity significantly influences BTD, but that the relationships are more visible in the case of age and tenure (negative relationship with BTD), education level positively influences tax aggressiveness, and gender has little influence.

A firm's internal organisation can have an important effect on how it implements AT strategies: Gallemore and Labro (2015) find evidence that a high level of internal control quality is associated with higher AT, with an even stronger correlation for firms that need significant coordination due to geographical dispersion of business or due to greater uncertainty.

The financial auditor's role is to check how the financial statements comply with the accounting and financial reporting rules. In doing so, the financial auditor may identify some nonconformities, including in tax matters. Chan *et al.* (2016) shows that a high-quality audit can help limit corporate tax noncompliance, regardless of whether the auditor also provides tax services to the client, especially as accounting is disconnected from taxation.

The way in which corporate governance mechanisms are applied can influence TA. Chang *et al.* (2020) finds a non-linear relationship between internal control weaknesses and TA: good internal control may lead to more avoidance, as taxes represent a significant cost to the firm; on the other hand, weak internal control may allow managers to extract rents by adopting aggressive tax positions. The quality of the shareholder is also sometimes seen as a factor explaining the level of tax avoidance.

Armstrong *et al.* (2015) find that board sophistication positively affects TA, while board member independence decreases it.

3.3 Geographical, institutional and regulatory features in explaining tax avoidance

The geographical location of firms and/or their activities may explain, through different regulatory contexts and different developments in corporate tax rules, different trends in the evolution of some indicators measuring TA. Thomsen and Watrin (2018) find strikingly different developments for US firms compared to some European countries. The decrease in ETR in almost all OECD countries hides, in fact, despite the similarities between the US and two large European countries, i.e. France and Germany, slightly contrasting evolutions of the difference between the statutory tax rate (STR) and ETR: higher for the US and increasingly lower, for some EU countries. Benkraiem *et al.* (2021) find in the literature the idea that the institutional environment in each country is one of the most important explanatory factors of the level of tax compliance. The geographical location of the firm's operational headquarters and the effect of local culture on the intensity with which TA strategies are used is analysed by Hasan *et al.* (2017a); these authors use the variable social capital, i.e. the set of values and beliefs that help cooperation, with civic norms and social networks as constituents.

The literature Hasan *et al.* (2017a) mobilize helps them construct a proxy for social capital that considers participation in elections, participation in censuses and questionnaires asked by statistical authorities, total number of non-profit organizations, number of social organizations, by type (religious, civic, sports, employers, business, political, professional, unions, for physical culture, bowling clubs, golf clubs). Hasan *et al.* (2017a) find that "firms headquartered in U.S. counties with higher levels of social capital, as captured by strong civic norms and dense social networks, have higher tax rates and lower discretionary permanent book-tax differences". The specificities of individual countries or groups of countries may explain the way firms approach AT. Pulungan *et al.* (2023) identify divergent results in the literature reviewed on economic and other factors affecting AT, indicating that each region may have distinct characteristics from this perspective. Kimea *et al.* (2023) propose an analysis of how socio-cultural and institutional factors (management quality, regulatory quality, audit quality, culture and ethics) influence AT practices and find evidence demonstrating such influence, for 8 sub-Saharan countries. For South Asia, Pulungan *et al.* (2023) identify firm size, profitability and degree of economic freedom as determinants of ETR.

The way taxpayers perceive the spending of public money by authorities can influence the propensity to evade taxes. Apostol and Pop (2019) conclude, for the situation of Romania - as an emerging country - that corruption, state capture and suffocating bureaucracy generate resistance to the dissemination of neoliberal logic, but do not contribute to raising the ethical level of the approach to dealing with taxes.

Some studies on TA also consider regulatory developments that are, of course, aimed at decrease avoidance, but which act on some of its determinants. Barrios *et al.* (2020) suggest that a change in the rules towards a common tax base in the EU could lead to a decrease in tax compliance costs and thus a decrease in TA. The rules that can be analysed in relation to tax avoidance are not limited to tax rules; we can ask, for example, what effects radical changes in financial reporting rules have on the indicators that measure TA. Braga (2017), for example, finds that the mandatory application of IFRS has led to an increase in the extent to which firms engage in TA, both using techniques involving accruals and through the use of other types of strategies.

The presence in tax havens may be a sign that the group has tax avoidance tendencies. Richardson and Taylor (2015) show that a group's degree of multi-nationality, aggressive transfer pricing, low capitalisation and high proportion of intangible assets are variables positively associated with presence in tax havens. Platikanova (2017) uses this indicator in determining the influence of tax avoidance on debt maturity.

In an approach that considers macroeconomic variables, TA can be approximated by the shadow economy ratio, as proposed in studies or reports by international institutions. Benkraiem *et al.* (2021) find a significant influence of ethical behaviour on the reduction of tax avoidance, an influence greater than the strength of auditing standards. Kim *et al.* (2022) considers a macroeconomic variable - analysts' estimates of GDP growth - and find that firms' investment in tax planning increases as analysts optimistically forecast economic growth.

The links that the members of a company's board have with outsiders and their influence on the company's tax behaviour can be analysed on the premise that tax avoidance is also linked to the social structure in which it occurs. Brown and Drake (2014) analyse such a situation and find that TA is associated with close links between the benchmark firm and other low tax paying firms, confirming a hypothesis that networks of individuals/partners (including using the same auditor) can contribute to lower taxes paid.

3.4 Ownership structure and the public/private position of companies can influence tax avoidance

Most studies analyse the link between tax avoidance - measured by various proxies - and several other micro or macroeconomic variables, considering data from listed firms. These firms are more visible and more exposed and are the main source of data for a large part of the financial and accounting literature. However, avoidance also occurs in the case of private/unlisted firms, regardless of their size. Sanchez-Ballesta and Yague (2021) identify a behaviour of SMEs in the sense of their involvement in earnings management in the sense of reducing their earnings with the reduction of taxable earnings. However, Sanchez-Ballesta and Yague (2021) find that SMEs are less tax aggressive, even if they engage in upward earnings management, meaning that incentives related to reporting higher earnings outweigh the interest in engaging in tax avoidance.

Even if it is more related to corporate governance, we can separate and present in this sub-section something about the influence of the nature and structure of shareholding on TA. For example, listed family firms (owned or managed by members of the same family) behave differently from other listed firms: Lee and Bose (2021) establish that family firms engage less in TA, but that an increase in corporate opacity makes these firms increasingly engage in tax avoidance practices. Chen *et al.* (2010) compares the level of tax aggressiveness of family-owned firms with those that do not fit the family model; they find that for firms that fit the family model, a lower level of tax aggressiveness is identified, explained mainly by the nontax costs that tax aggressiveness would entail. Also, Chen *et al.* (2010) find evidence that family firms use less tax sheltering. For the special context of China, Cao *et al.* (2023) find lower TA involvement for family firms whose boards are chaired by a family member compared to other family firms. In contrast, Koverman and Wendt (2019), on a sample of unlisted German firms, conclude that family firms practice TA more than non-family firms, that TA increases with increasing percentage of family ownership, and that TA is generally a function of the number of shareholders/partners. Similarly, Gaaya *et al.* (2017) find a positive correlation between family ownership and tax avoidance, on the example of listed Tunisian firms, but that this correlation decreases, over time, and is attenuated by audit quality.

Li *et al.* (2021) finds that a decrease in attention paid to firms by institutional investors immediately leads to an increase in avoidance (TA); Hasan *et al.* (2022) identify a significant TA-decreasing effect of having foreign institutional shareholders and that this relationship is consistent with institutional distance theory.

Richardson *et al.* (2016) analyse the situation of Chinese listed firms and highlight a non-linear relationship between ownership concentration and tax avoidance: at low levels of ownership concentration, ownership is positively associated with TA, while after the effective control threshold is exceeded, the association is negative. Khan *et al.* (2017) finds a positive and significant relationship between institutional ownership and corporate income tax avoidance.

Differences between the voting and financial rights of managers of some firms may have effects on the level of tax planning: McGuire *et al.* (2014) find that such a difference is associated with higher ETRs, suggesting that managers in this situation engage much less in TA.

Ying *et al.* (2017), find that the existence of the state as a shareholder and state control have a positive influence on fiscal aggressiveness, while the intervention of institutional shareholders leads to lower fiscal aggressiveness. Government ownership of firms can lead to a dual role for the government as tax collector and recipient of profit distributions from those firms. In the case of some Chinese firms, Tang *et al.* (2017) finds that sometimes firms controlled in this way also engage in TA, which can lead to the claim that the public authorities controlling them are both tax collectors and tax avoiders.

3.5 Crises and similar situations

Important moments in raising awareness of the implications of TA and in tracking the actors involved in these practices are economic, financial, health, etc. crises (Anesa *et al.,* 2019) during which and after which governments need a lot of money to cope with financial difficulties and to help citizens and firms overcome such difficulties. TA is therefore also analysed in terms of exceptional events such as pandemics. Even if they do not consider covid-19, Zhu *et al.* (2023) have enough data to identify the effects of some pandemics/epidemics (SARS, H1N1, MERS, Ebola, Zika) on firms' tax behaviour; the results reported by Zhu *et al.* (2023) show us that firms engage more strongly in TA practices during pandemic periods. Ariff *et al.* (2023) introduces the covid-19 pandemic into the analysis, showing that its sudden onset has left firms in financial distress and fewer opportunities to engage in TA strategies, as financial distress itself - independent of the pandemic - is negatively correlated with TA.

3.6 Tax avoidance and reputation

Tax avoidance (TA) can affect a firm's reputation and the question arises to what extent this can impact on firms' CSR policies. A review of the literature on this issue is provided by Krieg and Li (2021) who examine three aspects of the relationship between CSR and TA: whether TA is a CSR issue, whether stakeholders view TA as socially irresponsible or whether fear of the reputational consequences of TA leads to changes in firms' tax behaviour. In a survey-based research, Graham *et al.* (2014) confirm that firm executives consider reputation as very important in tax strategy decisions, including the possibility of negative media stories. At the same time, Graham *et al.* (2014) identifies significant concerns among interviewees about the effects that tax strategies may have on some financial indicators (earnings per share).

Reputational risks to the firm arising from the discovery of its involvement in financial arrangements revealed by press investigations (Panama papers, Bahamas papers, etc.) may influence the behaviour of these firms. Schmal *et al.* (2021), find that such firms report higher corporate tax expenses (higher ETR) after such an event, which would suggest that managers act to diminish the public perception of them as aggressive tax evaders: however, despite increases is GAAP ETR, cash ETR remaining at similar levels. Coverage by various media outlets of events concerning listed companies is in the attention of the management of those companies, but also in the attention of stakeholders. Involvement in tax avoidance resulting in ETRs lower than the statutory tax rate may generate negative press articles. S. Chen *et al*. (2019) identify an increase in articles with a negative tone against firms whose ETR is lower than STR, but that the effects of these articles are not reflected in an eventual reduction in ETR by the firms involved. Lee *et al.* (2021) finds a decrease in the reputation of managers and the firm in the eyes of employees because of firm involvement in evasion reflected in mass-media. In contrast, Gallemore *et al.* (2014) find no evidence showing significant effects of tax sheltering on the reputation of the firm or its managers, except for a temporary decrease in the share price around the time of the revelation of the involvement, which is reversed in less than 30 days.

3.7 Other determinants of tax avoidance

Technological developments in accounting, financial, non-financial and tax reporting make it easier for various stakeholders to access information about companies. The implementation of XBRL and similar tools – started in the US but also taken up in the EU – can contribute to easier access to data to identify tax avoidance, even though it increases the cost of reporting for companies. J. Z. Chen (2021) finds confirmation that XBRL reporting in the US has lowered tax authorities' control costs and led to a significant decrease in tax evasion.

On the other hand, moving some businesses online has also had effects on TA: Argiles-Bosch *et al.* (2020) find convincing empirical evidence that e-commerce leads to increased tax avoidance in Europe. In analysing TA and its effects, whistle-blower signals can also be considered. Wilde (2017) finds that the presence of such whistle-blowers has a significant deterrent effect on tax aggressiveness and financial misreporting. Delgado *et al.* (2023) find a non-linear relationship between TA and earnings management; moreover, Delgado *et al.* (2023) conclude that earnings management does not lead to increased TA, but that firms in the five European countries analysed do not practice much TA, are less tax aggressive when they have high debt, and that TA seems to be higher when the proportion of tangible fixed assets increases. Also, TA seems to increase with increasing profits.

In identifying levels of tax avoidance, the field of activity of the various firms must also be taken into account; Wang *et al.* (2022) identify lower levels of TA for firms in the area of products harmful to health (e.g. alcohol, tobacco, gambling and firearms), explaining this situation by the public exposure that these firms have and, therefore, the political costs they have to bear as a result.

Amiram *et al.* (2019) study the influence of the manner of corporate tax recognition incurred by the firm on how taxes are calculated by shareholders who received dividends from the firm. Thus, under the imputations system, firms pay corporate income tax, but this becomes a kind of tax credit that reduces the dividend tax borne by the shareholders who received those dividends. The theoretical aim is to avoid double taxation. However, this system can create difficulties, which is why many countries have abandoned it and switched to a non-imputation system, i.e. taxing company profits with either dividend tax relief or a significantly lower dividend tax rate. Under these circumstances, the list of determinants of tax avoidance and its evolution is supplemented by the company's dividend policy, which is closely linked to dividend taxation. The elimination of the imputation system has led, according to the results of Amiram *et al.* (2019), to an increase in corporate tax avoidance.

The market reaction to the firm's actions can also be analysed in relation to TA. Y. Chen *et al.* (2019) find that for firms with high stock liquidity, engaging in extreme tax planning is less likely. Firm policies regarding financial risks and speculative profit-taking can influence tax behaviour. Donohoe (2015) identifies a significant reduction in cash ETR over a three-year period for firms using derivatives. Oktavia *et al.* (2020) finds a positive and significant link between the use of derivatives and the level of tax avoidance for listed firms in the ASEAN region.

Considering all observations with available data (i.e. leaving loss-making firms in the sample), on average, firms are rather tax disadvantaged, in the sense that the TA indicator decreases significantly, which is different from the results obtained by considering only profit-making firms. The type of investment strategy followed by the firm is measured by Hasan *et al.* (2022) by the firm's ability to sell fixed assets (asset redeploy ability); finding that firms that can sell their fixed assets faster are less subject to financial constraints and liquidity crises, Hasan *et al.* (2021) find a significant negative correlation between TA and the ability to sell fixed assets.

Khurana *et al.* (2018) find support for the hypothesis that TA is more than a simple transfer of resources from the state to shareholders: TA can only create benefits for shareholders if there is significant managerial skill and/or good governance. Klassen *et al.* (2016) analyse the influence on tax aggressiveness that the way the firm prepares its tax returns might have: if this is done by an employee of the firm or by an external consultant who is not an auditor, it seems that tax aggressiveness becomes more pronounced; conversely, the preparation of returns by a consultant who also does auditing (especially if it belongs to the Big4) is associated with less tax aggressiveness. Tax services provided by auditors are also analysed by Hogan and Noga (2015), who find that, in the long run, lower levels of fees paid to audit firms are associated with higher amounts paid as corporate tax. Atwood *et al.* (2012) find that TA is greater, on average, when the distance between accounting and taxation is greater, when the overall profit is taxed and when tax enforcement is perceived as weak.

The language used in reporting by firms with financial difficulties may also be relevant from the perspective of companies' involvement in TA. Law and Mills (2015) identifies several negative words in the annual reports of firms with difficulties and finds that they report lower ETRs, they use tax havens more to carry out their activities and are more exposed to the restatement generated by tax controls. Product and business life cycle phases can influence TA: Hasan *et al.* (2017b) identifies a positive and significant association between TA and the introductory and declining phases of the life cycle, while for growth and maturation phases the relationship is negative.

4. CONCLUSIONS

The relevant literature on corporate tax avoidance is very extensive and we can analyse it by grouping studies into several large categories: identifying proxies for tax avoidance measurement, highlighting the determinants of tax avoidance and, finally, influences of tax avoidance on financial or other variables. Previous lists a list of proxies for TA, explaining their content, the reasons why some authors use them and the context of their use. We found, thus, indicators of the most diverse, which try to characterize the increasingly sophisticated tax behaviour of taxpayers interested in paying as little tax as possible. An idea that can characterize this context very well is that tax montages involve hiring the company in numerous transactions proposed by very smart people that absent tax considerations. A summary list of factors influencing the level of TA, directly or indirectly related to the management of the firms, may include:

1) factors relating to the profiles of the members of management: power in the firm of the tax officer, authority of the tax officer, level of confidence of the CEO and CFO in approaching business, narcissism of the CEO or CFO, tax and financial competencies of the CEO, risk of being fired or likelihood of otherwise

leaving the firm (including benefits promised to management members after leaving the firm), military experience of the CEO, personal tax behaviour of senior management, incentives received by senior management as a whole or by the tax officer, age, gender, length of tenure of senior management, mother tongue of CEO, timing of co-optation of a CFO, before or after the CEO takes office, initial professional training of CEO (studies pursued, prestige of university, studies at home or abroad);

2) governance factors: board size, CEO duality, independence of board members, their seniority and experience, presence of women on the board, expertise of board members, shareholder structure, quality of financial audit, financial market pressure from other stakeholders, share ownership by board members, attributes of the audit committee, presence of institutional investors, monitoring by external bodies (stock exchange, tax authorities, financial authorities), age of board members and length of their mandates, quality of internal control;

3) geographical, institutional and regulatory factors: geographical location of the operational headquarters, geographical dispersion of business (including presence in tax havens), national or regional institutional environment, cultural and educational issues, regulatory quality, enforcement of law, degree of economic freedom, corruption, taxpayers' perception of how public money is spent, evolution of tax, financial reporting, governance and audit regulations, at national, regional and global level, share of informal economy, degree of economic growth achieved or expected, mimetic isomorphism effect;

4) shareholder structure and listing on the stock exchange: size of the company, family nature of the company, number of shareholders/associates, presence of domestic or foreign institutional shareholders, presence of the state as sole or majority shareholder;

5) crises: financial, medical, global economic crises and the authorities' response to their effects;

6) reputational factors: CSR policies, likelihood of occurrence or actual occurrence of negative signals in the press, appearance of the company or its managers on lists of alleged tax evaders published following press investigations, calculation of (much) lower ETRs than STRs;

7) other factors: technological developments in reporting and control, e-commerce, use of cryptocurrencies, implementation of online reporting obligations, existence and signals sent by whistle-blowers, identification of earnings management practices, scope of business, weighting of certain assets, how dividends are taxed and the firm's dividend policy, liquidity of shares, use of financial instruments, existence of financial difficulties of the firm (equity decreases, reporting of losses, high leverage), strategies of the firm with regard to investments, outsourcing of some fiscal activities, language used in public reporting, phases in the life cycle of the products/firm.

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