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IMPLEMENTING THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY: INCREASING THE TAX BURDEN OR TAX AVOIDANCE

Over the last decade, scholars have become more and more interested in the relationship between Corporate Social Responsibility (CSR) and tax avoidance. This is because the relationship was ambiguous due to the scarcity of research on this topic. Generally, two perspectives prevail toward this relationship. Firstly, it is argued that CSR has provided tax avoidance and evasion safe havens, because many companies incorporate many of their commercial activities under non-taxable humanitarian and environmental projects. As for the second point of view, social responsibility is considered an incentive and a contributor to making companies more compliant with ethical standards in terms of absolute transparency by declaring commercial and non-commercial activities, financial revenues and taxes paid, and from a political point of view as an incentive to commit to paying taxes in ways that are commensurate with the tax laws imposed in the country in which they operate. In the research the authors are analyzing interrelatedness between CSR and tax avoidance from an academic and applied point of view.

Keywords: *tax evasion, tax avoidance, corporate social responsibility, sustainable development.*

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ВПРОВАДЖЕННЯ КОНЦЕПЦІЇ КОРПОРАТИВНОЇ СОЦІАЛЬНОЇ ВІДПОВІДАЛЬНОСТІ: ЗБІЛЬШЕННЯ ПОДАТКОВОГО НАВАНТАЖЕННЯ АБО УХИЛЕННЯ ВІД СПЛАТИ ПОДАТКІВ

Останнім часом вчені все більше звертають увагу на зв'язок концепції корпоративної соціальної відповідальності (КСВ) та оптимізації податкових платежів. У сучасній літературі можна зустріти два напрями поглядів: перший погляд наголошує на збільшення податкових платежів компаніями, які використовують концепцію КСВ; другий – навпаки, розглядає використання концепції КСВ як штучний метод зменшення податкового навантаження. У статті проведено дослідження двох вказаних поглядів, при цьому окремо досліджено різницю між оптимізацією податкових платежів та ухилення від сплати податків.

Ключові слова: *оптимізація податкових платежів, ухилення від сплати податків, корпоративна соціальна відповідальність, сталий розвиток*

Introduction. CSR and corporation taxation remain relatively understudied topics. Furthermore, it is fair to say that corporate responsibility literature has tended to ignore taxation issues in its entirety. CSR and tax avoidance are rare subjects of cross-country research in different legal and institutional environments. Different countries with different legal and institutional environments may have different relationships between CSR and tax avoidance. The reason for this is because CSR reflects the morals, norms, and values of society; therefore, there are differences across countries [1, 2]. Numerous tax studies have attempted to examine the relationship between CSR and tax aggressiveness. This is due to the increased attention given to CSR in recent years, but the results are mixed. On the one hand, companies can engage positively in society by paying tax; businesses with social responsibility goals should contribute their fair share of taxes. Taxpaying is the bottom line of being a responsible citizen. Avoiding taxes contradicts corporate citizenship and CSR [3]. On the other hand, tax studies show that tax avoidance is primarily an issue of management discretion. In order to conceal illegal activities and avoid taxes, managers may use CSR if they wish to seek private benefits and avoid taxes [4], in this case CSR can be used as a business process of increasing the company's performance [5]. The ***aim of the study*** is to demonstrate how CSR can curb aggressive and irresponsible tax avoidance, and to contribute to establishing points of intersection and enhancing communication between the two disciplines.

Materials and Methods. Tax avoidance, Tax evasion, and CSR. To understand the link between CSR and taxation, it is necessary to understand the meaning of tax avoidance and tax evasion, and to highlight the difference between them. The art of tax avoidance is to avoid paying taxes without violating any tax laws. The process of avoiding taxes is done by simulating a series of transactions, resulting in a tax benefit for a taxpayer [6]. Environmental taxes are one example of this; these taxes are primarily intended to reduce the environmental damage caused by household and business activities, not to raise revenue. It would be strange to talk about tax avoidance if taxes succeeded in achieving this policy objective [7]. These enterprises can take advantage of differing tax rates and residency rules and, through cross-border tax arbitrage, utilize incompatibilities and inconsistencies between different tax systems to their own advantage [8]. Multinational tax avoiders are being called out publicly in a growing number of cases. There are numerous examples of companies that have engaged in elaborate tax avoidance schemes, like IKEA, Starbucks, as well as tech giants such as Amazon, Apple, Facebook, and Google. There are several ways to approach in tax avoidance reasons. For some scholars, the failure of national and international governments and markets is being linked to tax avoidance. Particularly big multinational corporations with high capital mobility are being blamed for this trend, since they can choose between different jurisdictions when investing based on preferential tax terms and other opportunities [9]. For others economic scholars who investigated tax avoidance on a large scale, the globalization of the economy have led to massive tax avoidance. In fact, it is symptomatic of the excesses and moral failures of finance capitalism that have been all too well documented since the financial crisis of 2008 [10]. We believe CSR can be used to curb corporate tax avoidance; the concept of CSR must be viewed as one part of a wider, multidimensional system containing rules, regulations, international principles, multilateral agreements, and multistakeholder dialogue and collaboration [2].

Despite their differences in legal status, tax avoidance and tax evasion have similar outcomes. As for tax evasion, it is using illegal means to avoid paying taxes. Typically, tax evasion schemes involve an individual or corporation misrepresenting their income. Thereafter шп some ways, tax avoidance is legal, but tax evasion is illigal. It is inherent in the idea that tax avoidance may be irresponsible and legitimate at the same time. Yet, it contradicts the idea of being legal and responsible at the same time from a CSR perspective. However, tax evasion is considered as illegal and irresponsible from legal perspectives and from CSR perspectives. As a whole, tax avoidance and tax evasion are caused by economic gap financial crises, cross-border taxation systems, and offshore financial centers, or by greedy stakeholders in a corporation planning to reduce costs and increase profits despite considering the consequences to society and the environment.

The negative association between CSR and tax avoidance activities has been demonstrated in several studies. According to Lanis and Richardson, companies that disclose more CSR information are less likely to engage in tax-aggressive business practices [3]. Those companies adopting a CSR strategy and paying their taxes will not be reluctant to disclose all their financial reports. A high disclosure rate will allow all stakeholders to make comparisons across corporations' performance, as well as give priority to competitive bids and projects. This will strengthen the competitiveness and reputation of these companies, as well as making sure the EU ethics guidelines are well followed [11]. As a result of a company's compliance with mandatory CSR spending, which is contingent on profitability and size, it receives more visibility and scrutiny, which results in a lower tax aggression [12]. A more general discussion of responsible taxation and its connection to sustainability was included in sustainability reports. It has been concluded that responsible companies should adopt "active" rather than "passive" taxation strategies. The passive approach reflects a focus on legal compliance that is primarily motivated by economics. While the active approaches recognize tax policies as a major social and economic influence, and thus become an integral component of CSR and corporate sustainability policies [13]. In countries with strong governance, CSR statements are less discretionary and more transparent. This is consistent with International Accounting Standard, CSR that is transparent and includes more disclosures may be less likely to be used as a smokescreen to conceal tax avoidance behavior [14].

Results and Discussion. Responsible corporate governance: CSR strategies to measure and control tax avoidance. There are the following basic ways to measure firm's tax avoidance. Tax avoidance could be determined by calculating annual ETR, which equals "the combination of current tax expense and deferred tax expense" on an income statement. A firm's annual ETR provides insight into tax planning and tax avoidance activities affecting its net earnings and services [15]. Another method of measuring tax avoidance is by measuring the difference between pre-tax earnings and taxable income, which is derived from the firm's total assets [16]. Previous literature has stated that either an increase in accounting income or a reduction in taxable income can widen the book-tax gap [17].

Country-level governance is measured using the Government Index taken from the World Governance Indicator (WGI), which is published by the World Bank [1]. Six governance indicators voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, law and order, and corruption control are used by WGI to measure the quality of governance at the country level.

Since there are specific and agreed standards for studying the extent of tax evasion by companies, and since there is another global measure to measure governance at the country level, it is reasonable to find a specific mechanism or formula to measure the degree of corporate social responsibility based on internationally agreed standards stipulated by the by international organizations. Accordingly, a total score for CSR could be calculate by combining environmental score, economic score, social score, ecological score, and ethical score. The economic score measures the company's ability to generate sustainable growth and a high return on investment based on the efficient use of all a company's resources. This measure reflects the financial health of a company and the way it uses efficient management practices to create long-term value for its shareholders. As it measures the rate of tax avoidance, if the tax avoidance is at small or zero rate, then the economic score must increase. The "environmental scores" of companies are a measure of the negative impacts of the company's operation on land, air, and water. The social score evaluates a company's ability to generate trust and loyalty with its workforce, customers, and society by using best management practices. Basically, it reflects the company's reputation and health of its license to operate, which are important factors in determining its ability to generate long-term shareholder value. The ethical score measure rate or transparency and obeying labor and human rights inside the firm and outside it.

Conclusion. Research has proven that CSR plays a significant role in reducing tax evasion, and in achieving goals beyond sustainability. Due to the fact that there are specific criteria for measuring tax evasion and other criteria to measure corporate governance at the country level, corporate governance scores must be updated and modified. As a result, the CSR scores of companies operating in the country will be incorporated into the overall score for corporate governance.

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