Tax avoidance, corporate social responsibility and ownership structure

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Abstract:

This study examines the relationship between corporate social responsibility (CSR) and tax avoidance. It also examines the impact of ownership structure on this relationship. Based on a sample of 300 European companies during the period 2014 - 2019, we use OLS regression models and find a negative association between corporate social responsibility and tax avoidance, which is consistent with agency theory concepts. In addition, we find that the variable family owned-firms moderate this relationship. These findings indicate that family firms are more socially responsible than non-family firms with socio-emotional endowments and therefore are less tax avoidant.

Keywords: Tax avoidance, corporate social responsibility (CSR), Cash effective tax rate, Ownership structure, Family firms.

1. Introduction

Paying tax is seen as a primary state financing function which ensures the availability of tax revenues for legal distribution of wealth, secures public service expenditure, alleviating poverty, providing a variety of smoldering public good education, health care, security, infrastructure, clean
water and other services. Likewise, corporate social responsibility refers to the taking into account by companies, on a voluntary basis, of social and ethical issues in their activities. Company activities are understood here in the broad sense: economic activities, tax compliance activities, internal interactions (employees, managers, shareholders) and external (suppliers, customers, others).

The debate around that most of the websites of the companies mentioned proclaim will rely on their social responsibility and they use management measures to minimize tax obligations such as reducing tax payments which can be considered a clear measure of financial contribution and direct company accountant. Since tax avoidance activities can have negative consequences that can damage a company's image, socially responsible companies should not undertake tax saving activities. However, and from a contradictory perspective, tax avoidance actions are adopted even when companies appear to be socially responsible,(Preuss, 2010 and Sikka, 2010). In this regard, the evidence has yielded conflicting results, sparking a growing debate on the behavior of socially responsible businesses in paying taxes. In other words, this study examines the association (congruence) between tax aggressive behaviour and CSR.

The debate around CSR and tax avoidance merges with the research gap observed in the reasons for the ownership structure, specifically, for family ownership. In this regard, family businesses represent an important part of the economic force in the world and they constitute a significant pillar of the international economy. They make up more than the majority of global companies. In principle, they represent an entity administered by members of the same family who have more of the majority of the capital of the company. The decision-making power belongs to the family. These decisions mainly concern the company's environmental development strategy and that of the manager's succession. In principle, these strategies are geared towards medium and long term projects. Compared to other types of companies, the family business benefits from many advantages which enable it to guarantee sustainable social and environmental development, particularly in Europe union, where they are considered the backbone of the economy (La Porta and al., 1999). On average, they paid a higher income tax. This corresponds to a high share of total
tax revenue. Regardless of the type of ownership, the total tax burden for a single business can be around a third of pre-tax income and therefore represents a significant cost element. Therefore, avoiding taxes can be seen as a way to generate additional internal funds. In fact, tax avoidance can generally be in the interest of shareholders (Chen and al., 2010).

A major aspect of socio-emotional wealth is that when family involvement is high, family businesses are more likely to be motivated by non-financial goals than by exclusively financial goals and to preserve socio-emotional wealth of the family is a key objective of the dominant family. However, advantages non-financial goals would lead to economic inefficiencies. Tax payments generally represent costs and, therefore, an increase in tax evasion leads to a decrease in a company's cash outflows. It is important to explain what we mean by the term tax evasion. We define tax evasion broadly; that is, we are referring to tax avoidance strategies that may have certain and uncertain results with tax authorities. Uncertain tax avoidance strategies can be challenged by tax authorities at any given time. This could lead to unwanted public scrutiny and reputational damage, which is why some businesses may refrain from avoiding taxes. As a result of this argument, tax evasion could threaten the family's status in the community and is therefore likely to result in loss of socio-emotional wealth.

On this basis, the family business is run by founders who are reluctant to give up their position of influence. Founders can exercise direct and indirect influence to enforce their goals of socioemotional wealth. Therefore, founders can indirectly influence participation in tax evasion to moderate the involvement of family businesses. This study seeks to find out whether socially responsible companies are less enforcing tax evasion activities and the second research aim is to explore the relationship between tax avoidance, CSR, and firm ownership structure. To investigate the research questions, a sample of European firms is considered for the period from 2014 to 2019.

This work is organized as follows: first of all, the first section presents the theoretical framework and research hypotheses. Then, the second section looks at the methodological aspects regarding
the CSR information disclosure index and how we calculate the different variables followed by the presentation and discussion of the empirical results. Even, the final section is regrouped The conclusions, limitations, and avenues for future research.

2. Theoretical framework and hypotheses development 2.1. Corporate social responsibility and Tax avoidance

According to agency theory, a business is defined as a contract between shareholders and managers to maximize shareholder wealth (Jensen and Meckling, 1976). In fact, business leaders have no legal or moral obligation to pay a maximum amount of tax. Nonetheless, societal concerns about social and environmental issues have increased in recent decades; these concerns have also been transposed to companies, where behavior focused on friendly and socially environmental activities is expected. In particular, managers and shareholders do not necessarily have the same utility function and economic agents do not have access to the same way of financial information. Likewise, in recent years, social and government problems have increased and the number of companies engaged in voluntary CSR is increasing.

In recent years, tax avoidance has gained attention following financial scandals. So many companies have changed their image in terms of auditing, governance, and CSR. Several studies have shown that corporate social responsibility has a negative effect on tax avoidance. According to Muller and kolk (2015) paying taxes as a part of corporate social responsibility they find that, multinational companies pay higher effective tax rates than local companies, and also that subsidiaries of more socially responsible multinationals pay more tax than less socially responsible subsidiaries. This behavior is beneficial to the multinational company because it helps reduce the reputational risk associated with other irresponsible behavior. Thus, Barnett and al., (2006) define the reputation of the company as “the remarkable rule based on evaluations of the financial, social and environmental effects attributed to the firms. Otherwise, Mahon (2002) defines reputation as a construct over time as a result of interrelationships and complex exchanges between a company and its stakeholders.
Randoy and al., (2003), Schulze and al., (2003), Steijvers and., al (2014), Zahra (2005) and Dyer and al., (2006) companies concerned with applying social performance and they pay the availability of taxes to maintain their good image and reputation with the public. So, Godfrey (2005) shows that companies engaged in socially responsible activities aim to maintain or create an image that drives the value of the firm. Also, López- González and al., (2019) note a balance between economic and social objectives in socially responsible companies that avoid all dangerous activity that could compromise reputation and image. To better consolidate our idea, Rahman et al., (2021) find that companies participate in CSR activities are discouraged tax avoidance behavior even the state and tax authorities can use CSR activities to stimulate companies to pay these quotas tax shares. In terms of investors Kovermann and al., (2021) show the socially responsible funders need to decide whether they are willing to invest in companies that have high CSR scores and strong CSR performance while aggressively avoiding taxes. Investors who perceive tax payments as part of a firms responsibility to society should select their investments very carefully.

Furthermore, Liao and al., (2018) study the effect of CSR on corporate financial fraud in China, they find that CSR scores are negatively related to financial fraud activities. Therefore, CSR is an ethical behavior that reduces corporate financial misconduct, it indicates that after China entered the world trade organization, it not only supported the continued economic development but also it responded to concerns of environmental protection, philanthropy, employer rights and other activities intrinsic to the community. Companies should accept CSR as an ethical obligation and that companies devote resources to the implementation of CSR are less likely to manipulate profits and more to provide investors with transparent accounting information (Chih and al., 2008, Hong and al., 2011 and kim and al., 2012).

Kim and al., (2017) find that companies that avoid taxes also face indirect financial problems unlike CSR activities discourage tax evasion in companies that are actively engaged in CSR. Watson (2015) finds that in the United States, companies with low CSR scores undertake more aggressive tax activities. He argues that socially responsible companies attract consumers and investors with similar standards and values and discourage therefore the aggressive tax activities of these...
companies. Likewise, Hoi and al., (2013) document that socially irresponsible companies are more likely to avoid taxes using the sample of US companies for the period 2003 to 2009. Also Ki (2012) finds a negative relationship between CSR and tax avoidance. Again, Karundeng et al., (2020) said that tax obligations are mandatory but CSR is a corporate will and both contexts have costly expenses aimed at improving community well-being. This study shows that when the level of engagement rises in the CSR means that the tax declarations are students.

More specifically, we find that CSR has a very significant impact in reducing tax avoidance. Therefore, the first hypothesis of our research is as follows:

H 1: Corporate social responsibility is negatively associated with tax avoidance.

2.2. The moderation effect of family ownership

Taking into account the relationship between CSR and tax avoidance and moderation of ownership structure indicates that the previous literature is appropriate to support greater engagement in CSR in family businesses. While family property as a control mechanism in a business. According to La Porta and al., (1999) Surroca and Tribó (2008) the presence of family founders could constitute a mechanism that avoids the types of results management practice.

Managers benefit from insufficient and limited control mechanisms within the company. This is called rooting theory. Charreaux (1997) studies rooting as a defense against the different disciplinary mechanisms put in place by all shareholders and different stakeholders. This consideration is not far from that provided by Berger and year (1997) find that rooting is the ability of leaders to disciplinary power of the system of governance. For leaders, the goal of rooting is to increase security in order to extend their appointment to extend the mandate, the leaders' disposition of certain means to neutralize the threat of governance mechanisms.

The principle of entrenchment strategies is to make the replacement of managers costly for the company and also the credibility of disciplinary mechanisms is weakened. Likewise, rooting theory never forces us to abandon the principle of efficiency.
The previous literature agrees to support a greater commitment to CSR by family businesses. For example Berrone and al., (2010) and Cruz and al., (2014) find that family businesses display superior social and environmental performance by responding to the demands of the parties. Stakeholders and preserving their socio-emotional wealth. Likewise, the traditional view is that family businesses are generally characterized by non-financial goals, such as identity, reputation, longevity, and maintaining a positive image in the public domain (Anderson and al., 2003, Berrone and al., 2010 and Marques and al., 2014).

According to the study by Landry and al., (2013) there being a positive relationship between CSR activities and tax avoidance in the Canadian context, the authors also argue that family businesses are less aggressive than non-family businesses and the CSR in family businesses is not the engine of its tax behavior. In the same sense, Zeng (2018) also finds that in countries with weak governance with higher CSR scores engage in less tax avoidance, implying that CSR and governance at the country level are substitutes. According to Panjaitan and al., (2021) the social responsibility of companies with family ownership has a negative effect on tax avoidance.

Based on agency theory, Gomez and al., (2014) find that family businesses have lower agency costs due to concentration of ownership. Even Chen and al., (2010) find that family businesses avoid less tax than non-family businesses. In general, family businesses present a context in which the reputational costs associated with corporate tax avoidance are particularly important in Chen and al., (2010) study using four measures of fiscal aggressiveness such as the effective tax rate (ETR), the effective tax rate on cash (CETR), the accounting tax difference (after Manzon and Plesko 2001) and the residual tax difference (Desai and Dharmapala, 2006) by more than 10 00 companies. Chen and al., (2010) found that family businesses avoid fewer taxes than nonfamily businesses. This result is consistent with their contention that agency conflicts are different depending on the family and non-family ownership structure of a business, resulting in different appetites for fiscal aggression. They suggest that family owners are more sensitive to the non-financial costs associated with aggressive tax strategies (i.e. reputation costs) than nonfamily
owners. This confirms the theoretical explanation that different agency conflicts lead to different tax strategies.

López-González and al., (2019) based on an international sample of 6442 company-year observations from the period of 2006 and 2014 analyse whether family ownership influences tax avoidance via socially responsible performance. They suggest that social responsibility and Environmental associates negatively on tax avoidance rather than family businesses with better social performance displaying lower tax saving practices. With the same previous data López-González and al., (2019) study the effect of the performance of corporate social responsibility on results management and the moderating role of family ownership on this relationship with several panel data regressions. The results show that companies with higher social and environmental responsibility are more in discretionary behaviors, this relationship and lower in family ownership this suggests that family businesses are more conscious in terms of maintaining their wealth and their image in the company "well done", through responsible actions and correct disclosure and transparency of accounting information. According to Pazzaglia and al., (2013) the reduction in earnings management practices protects the reputation of the company, and therefore that of the family, from the negative consequences that these practices can have on the image of the company business. Therefore, the second hypothesis of our research is as follows:

**H 2: Family ownership moderates the relationship between CSR and corporate tax avoidance.**

3. Research method 3.1. Sample and data collection

As shown in Table 1. The sample of our study gathered 300 European companies listed on the stock exchange over the period 2014-2019, i.e. 1800 year-observations. After the elimination of financial sector enterprises (banks and insurance companies) because they are associated with an accounting system different from the accounting system of economic enterprises (commercial, industrial and service) and because government regulations are likely to affect their tax avoidance measures differently. Holdings are also eliminated from this sample. We also exclude companies with
negative pre-tax income, as it can be assumed that they do not have strong incentives for tax avoidance. Finally, we remove the missing observations and the outliers (175 observations) from our sample because they have a disproportionate impact on a regression model. It is important to detect outliers, as they can generate results that can mislead us. We finally got a sample of 1625 year-observations.

The data of this study are the result of a combination of information available in the DATASTREAM database, we obtained the CSR index of Thomson Reuters ASSET4 and the annual reports of companies for a period of analysis from 2014 to 2019. First, we collected data from DATA-STREAM. Secondly, due to the lack of information in the database, a remedy was taken to collect the variable remnants of the annual reports collected on the company's website.

**Table 1: Summary of the sample selection**

<table>
<thead>
<tr>
<th>Elements</th>
<th>NbF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial population</td>
<td>780</td>
</tr>
<tr>
<td>Financial companies namely banks and insurance companies.</td>
<td>(115)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Secteur</th>
<th>SIC Codes</th>
<th>NbF</th>
<th>P (%)</th>
<th>Nb fF</th>
<th>P (%)</th>
<th>Nb nfF</th>
<th>P (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>01-09</td>
<td>2</td>
<td>0.67</td>
<td>1</td>
<td>1.54</td>
<td>1</td>
<td>0.42</td>
</tr>
<tr>
<td>Companies missing information.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(38)</td>
</tr>
<tr>
<td>Loss-making companies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(327)</td>
</tr>
</tbody>
</table>

**Final sample** 300

*NbF : Number of firms.*

After the above exclusions, a final sample of 300 companies included all sectors from different countries. As shown in Table 2, the sample is composed of 65 family businesses (21.67%) and 235 non-family businesses (78.33%). As previously mentioned, this table 2 presents the sample breakdown by industry, showing that two dominant sectors: the service sector present (37.68), the
industry which represents more than a third of companies (32.33%) and which covers also a
greater number of family businesses (38.46%) and other sectors play only minor roles.

<table>
<thead>
<tr>
<th>Industry</th>
<th>SIC codes</th>
<th>NbF</th>
<th>Nb fF</th>
<th>Nb nfF</th>
<th>P(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>10-14</td>
<td>22</td>
<td>7.33</td>
<td>4</td>
<td>6.15</td>
</tr>
<tr>
<td>Construction</td>
<td>15-17</td>
<td>40</td>
<td>13.33</td>
<td>6</td>
<td>9.23</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>20-39</td>
<td>97</td>
<td>32.33</td>
<td>25</td>
<td>38.46</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>50-51</td>
<td>7</td>
<td>2.33</td>
<td>1</td>
<td>1.55</td>
</tr>
<tr>
<td>Retail trade</td>
<td>52-59</td>
<td>19</td>
<td>6.33</td>
<td>5</td>
<td>7.69</td>
</tr>
<tr>
<td>Services</td>
<td>70-89</td>
<td>113</td>
<td>37.68</td>
<td>23</td>
<td>35.38</td>
</tr>
<tr>
<td>Total</td>
<td>300</td>
<td>100</td>
<td>65</td>
<td>100</td>
<td>235</td>
</tr>
</tbody>
</table>

**TABLE2. THE DISTRIBUTION OF THE SAMPLE BY SECTOR OF ACTIVITY AND BY FAMILY OWNERSHIP**

SICNcodes : Standard Industrial Classification ; NbF : Number of firms ; Nb fF : Number of family firms ; Nb nfF : Number of non family firms ; P(%) : Percentage of firms in a sector compared with total firms.

3.2. Model and Measurement variables

The objective of this project is to examine the negative association of corporate social responsibility with tax avoidance (1) and to test whether this relationship varies in family businesses according to family ownership (2).

Both models also include the following control variables: profitability, leverage, inventories, and intangible assets. The empirical model for firm i at time t:

In order to examine the relationship between tax avoidance and CSR, we find the following basic regression model:

$$ TA_{it} = \alpha_0 + \alpha_1 \text{CSR}_{it} + \alpha_2 \text{LEV}_{it} + \alpha_3 \text{ROA}_{it} + \alpha_4 \text{INVINT}_{it} + \alpha_5 \text{INTANG}_{it} + \alpha_6 \text{PROVISION}_{it} + \epsilon_{it} $$ (1)
This study also examines the association between corporate social responsibility, ownership structure and tax avoidance. Specifically, the model posits that tax avoidance is an opposite function of the company’s social behavior and ownership structure.

The model also includes the variables from the first model with a new moderating variable for family property, so that the second model is presented as follows:

\[
TA_{it} = \alpha_0 + \alpha_1 \text{CSR}_{it} \times \text{FAMILY} + \alpha_2 \text{LEV}_{it} + \alpha_3 \text{ROA}_{it} + \alpha_4 \text{INVINT}_{it} \\
+ \alpha_5 \text{INTANG}_{it} + \alpha_6 \text{PROVISION}_{it} + \alpha_7 \text{FAMILY} + e_{it}
\] (2)

With:

- **TA**: Tax avoidance is the company’s CETR.
- **CSR**: The socially responsible activity disclosure scores.
- **FAMILY**: The family property
- **LEV**: The level of debt.
- **ROA**: The economic profitability of assets.
- **INVINT**: The total stocks
- **INTANG**: The value of intangible assets.
- **PROVISIONS**: The value of provisions.
- **\( \alpha, \alpha_1, \alpha_2\ldots \)**: constitute the parameters to be estimated.
- **e_{it}**: error term.

**Dependent Variable**: **Effective cash tax rate (CETR)**: used in studies by (López and al., 2019, Chen and al., 2010, Moore and al., 2017 and Dyreng and al., 2010). CETR is equal to the ratio of taxes paid on cash by the entreprise divided by the pre-tax accounting result before exceptional items.

\[
\text{CETR} = \frac{\text{Corporate income tax payable}}{\text{pre tax accounting result}}
\]
The independent variable: Corporate Social Responsibility

The CSR score is the weighted average of the scores of the different dimensions, namely the economic, environmental, social, and corporate governance performance. The score is measured between 0 and 100 to assess how companies respond to the various sustainable development challenges they face and to identify corporate leadership in addressing environmental, consulting, and social challenges through policies, systems, reports, and documented performance improvements.

We use Thomson Reuters ASSET4 ESG scores. We use the CSR strategy score to reflect a company's practices to communicate that it incorporates economic (financial), social and environmental dimensions into its daily decision-making processes to understand a company's CSR strategy. According to Asset4, the aggregate score of the vision and strategy measures the commitment and effectiveness of a company in creating a global vision and strategy integrating financial and extra-financial aspects. It is, therefore, reasonable to argue that the more a company adopts these strategies and policies, the higher its vision and strategy, the more proactive and comprehensive they are (in terms of internal competencies and external reputational measures).

Moderating variable: Family firms

The moderating variable of the study is the character of family property on the board of directors. A family business is an entity whose capital is majority-owned by members of the same family and whose two or more directors belong to the same family. In general, family boundaries can include blood ties (father, mother, brother, sister, cousin) and marriage ties (husband, wife, daughter-in-law, son-in-law) as they can extend over a generation (founders, children, and grandchildren).

Family ownership is equivalent to a fictitious variable that is set to 1 if the largest shareholder (the majority) is a family member with more than 20% of voting rights on the board and 0 otherwise.
The control variables

As control variables, this research used other variables related to business categorizations to improve the effectiveness of the main variables: social responsibility, tax evasion, ownership structure.

- Leverage

Leverage (LEV) is included in our study as a control variable as managers typically disclose more information about CSR as leverage increases in a company to reduce the level of information asymmetry (Clarkson and al., 2008). Managers disclose more information as a result of further review by financial institutions (Leftwich and al., 1981), as well as to reduce the cost of capital of a business (Jensen and Meckling, 1976, Healy and Palepu, 2001).

We will measure the debt level by the ratio of total long-term debt divided by total assets. This measure by (Lanis and Richardson, 2012, Lanis and Richardson, 2016).

- The economic profitability of assets

This variable is measured by the ratio: net income divided by total assets. This variable has been measured by several studies: (Huseynov and al., 2012, Hoi and al., 2013, Gomez and al., 2010).

- Total inventories

We measure total inventory by dividing the number of inventories by total assets. This measure is used in the (Makni and al., 2019)

  - Intangible assets

This is a variable measured by the ratio of the value of intangible assets to the total assets.

  - Provisions

This is a variable measured by the ratio of the value of provisions to total assets.
System legal

The variable LS is coded as one for common law countries, i.e. UK and Ireland, and zero for common law countries, i.e. Germany, France, Denmark... The classification of LS was obtained from La Porta and al. (1996).

4. Regression Results 4.1. Descriptive results

Table 3 (full sample) shows that the average value (Std. Dev) of the CETR is 0.225 (0.179). Even the minimum and maximum values for RTR are 0.000 and 0.982. The standard deviations are found to be small, the smaller the standard error of the average, and the more accurate the estimate of the sample average. This implies that, on average, the payment of the cash tax on European companies is low, the less tax avoidance practices are weak.

Table 3 presents descriptive statistics for two samples (family and non-family). Family businesses reported a lower CETR than non-family businesses of 0.220 versus 0.227. This means that non-family businesses pay their share of taxes more than family businesses. The difference in the average of the CETR is insignificant (statistic t = 0.711).

The independent variable is linked to the disclosure of information on the social responsibility of European companies. The average CSR is 56,635 and the standard deviation is 25,470 with a minimum value of 0.000 and a maximum value of 99.880. This implies that the score for voluntary disclosure of social responsibility information is very high (more than half) and indicates good performance. In terms of ownership structure, family firms have a lower average CSR (54,946) than non-family firms (57,131). The t statistic is 1.433, which indicates that the difference in averages is significant at the level of 10%. As for the moderating variable of binary character 0 and 1, our sample shows an average of 22.7% of family businesses with a standard deviation of 0.419.

European companies in this study have an average ratio of about 25.425%, it is important that family businesses with two average values are equal to (24,765) and (25.619) respectively. In addition, European companies have an ROA variable equal to 8.1%. Table 3 also shows that the
average ROA value is 7.4% for family businesses and 8.3%, but the t statistic is 2.171, indicating that the difference in averages is significant at the level of 5%. For the inventory, there is an average (Std. Dev) of 0.114 (0.144). For intangible assets has an average value of 0.282 and a standard deviation of 0.253 and that family enterprises observe intangible assets are 0.315 higher than non-family enterprises and 0.272. Finally, provisions are surrounded by an average of 4.6%. The results indicate that the average legal system presence equals 0.245 with a standard deviation equal to 0.430. for both samples, family businesses have an average of 0.227 higher than nonfamily businesses (0.250). The difference between the two system groups is statistically insignificant. The correlation matrix shown in Panel B reports low or moderate correlation among variables; thus, there is not a serve multicollinearity problem.

Table 3: Descriptive statistics of the full sample

<table>
<thead>
<tr>
<th>Variables</th>
<th>Full-sample</th>
<th>Family firms (1)</th>
<th>Non family firms (2)</th>
<th>t-statistic (1) - (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Std.Dev</td>
<td>Mean</td>
<td>Std.Dev</td>
</tr>
<tr>
<td>CETR</td>
<td>0.225</td>
<td>0.179</td>
<td>0.220</td>
<td>0.162</td>
</tr>
<tr>
<td>CSR</td>
<td>56.635</td>
<td>25.470</td>
<td>54.946</td>
<td>25.857</td>
</tr>
<tr>
<td>FAMILY</td>
<td>0.227</td>
<td>0.419</td>
<td>1.000</td>
<td>0.000</td>
</tr>
<tr>
<td>LEV</td>
<td>25.425</td>
<td>16.042</td>
<td>24.765</td>
<td>16.556</td>
</tr>
<tr>
<td>ROA</td>
<td>0.081</td>
<td>0.094</td>
<td>0.074</td>
<td>0.057</td>
</tr>
<tr>
<td>INVINT</td>
<td>0.114</td>
<td>0.144</td>
<td>0.116</td>
<td>0.099</td>
</tr>
<tr>
<td>INTANG</td>
<td>0.282</td>
<td>0.253</td>
<td>0.315</td>
<td>0.245</td>
</tr>
<tr>
<td>PROVISION</td>
<td>0.046</td>
<td>0.071</td>
<td>0.039</td>
<td>0.041</td>
</tr>
<tr>
<td>Legalsystem</td>
<td>0.245</td>
<td>0.430</td>
<td>0.227</td>
<td>0.419</td>
</tr>
</tbody>
</table>

CETR: Cash Effective Tax Rate; CSR: Corporate Social Responsibility; FAMILY: Family; LEV: Level of debt; ROA: Return (Economic profitability) of assets; INVINT: Total of stocks; INTANG: intangible assets; PROVISIONS: The value of provisions and Legalsystem.
Table 4: Person correlation Matrix

<table>
<thead>
<tr>
<th></th>
<th>CSR</th>
<th>FAMIL</th>
<th>CSR*FAMIL</th>
<th>LEV</th>
<th>ROA</th>
<th>INVINT</th>
<th>INTANG</th>
<th>PROVISIONS</th>
<th>Legalsystem</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>1.00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAMILY</td>
<td>-</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR*FAMIL</td>
<td></td>
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CSR: Corporate Social Responsibility; FAMILY: Family; CSR*FAMILY: Corporate Social Responsibility in family firms; LEV: Level of debt; ROA: Return (Economic profitability) of assets; INVINT: Total of stocks; INTANG: intangible assets; PROVISIONS: The value of provision and legalsystem.
### 4.2. Regression results

Table 5 presents the results of the multiple linear regression of Model 1 used to test H 1, indicating a negative relationship between CSR and tax evasion. The coefficient of the CSR is negative and not significant (coef -0.000418). This confirms Preuss (2012), who asserts that the demands to engage in CSR can hide many inconsistencies in a company's approach to CSR, and for Sikka (2010), who finds that companies' discourse, in other words, socially responsible behaviors, is not aligned with their actions in terms of paying their fair share of taxes. This result indicates that more socially responsible companies are more tax evasive, that is to say more involvement in tax evasion of companies engaged in CSR activities. In other words, European companies are strongly focused on promoting CSR activities and are likely to engage in tax evasion activities.

Compared to control variables, the LEV coefficient is positive and significant at 1%. This indicates that companies with higher indebtedness are more likely to engage in tax avoidance activities than companies with lower indebtedness. We also observe that the ROA regression coefficient is negatively and significantly associated with tax avoidance at the 1% level, indicating that profitable companies are less likely to engage in tax avoidance activities than less profitable companies. Our results also show that the INVINT and PROVISION regression coefficients are positively and not significantly associated with tax avoidance. In addition, the INTANG coefficient (coef -0.0598568) insignificantly and negatively on tax avoidance, companies with a high intensity of intangible assets are therefore less likely to avoid tax. Finally, the Model one shows that the “legal system” indicator has a positive and significant effect on “CETR” (coef 0.0260885, p < 0.01). Common law systems, they are also established through court decisions. In this system, laws are not only made by legislatures, they are also based on court decisions. Although legislatures make laws, they are interpreted by the courts and it is the decisions of judges as to the meaning and application of laws that give rise to the law. Therefore, the common law has more flexibility to adapt to new circumstances and new cases on social and environmental responsibility and human rights activities. in these countries when companies engaged in CSR are more tax avoidance. Finally, this allows us to refuse the first hypothesis.
Table 5: Results of model one multiple linear regression

| Variables     | Expected sign | Coefficient | T   | P>|t| |
|---------------|---------------|-------------|-----|-----|
| CSR           | -             | -0.000418   | -1.56 | 0.118 |
| LEV           | -             | 0.001682*** | 2.72 | 0.007 |
| ROA           | +             | -0.2104294**| -2.04 | 0.041 |
| INVINT        | -             | 0.0279699   | 0.54 | 0.589 |
| INTANG        | -             | -0.0598568  | -1.33 | 0.183 |
| PROVISION     | +             | 0.0762459   | 0.74 | 0.456 |
| Legalsystem   | -             | 0.0260885***| 5.42 | 0.000 |

CSR: Corporate Social Responsibility; LEV: Level of debt; ROA: Return (Economic profitability) of assets; INVINT: Total of stocks; INTANG: intangible assets; PROVISIONS: The value of provisions and legalsystem. The symbol ***, **, and * indicate statistically significance at the 1 %, 5 %, and 10 % level, respectively.

Model 2 is used to test H2, which focuses on a negative relationship between the social behavior of family businesses and tax avoidance. The CSR coefficient for non-family businesses is not significant (-0.0000858, value p 0.785). Even, this model indicates that the FAMILY coefficient is not significant (0.0295235 p-value 0.708) this result does not confirm that family businesses are more tax avoidance than non-family businesses. This finding suggests that regardless of their socially responsible behavior, family and non-family businesses differ in terms of tax avoidance.

However, the CSR * FAMILY interaction term is negative and significant (-0.0011808 p-value 5%). There is a moderating effect of family ownership on the CSR-tax avoidance relationship because companies with higher social and environmental activities, which actually have a lower value of tax avoidance, which means lower tax avoidance practices, property-based behavior
increases the CSR effect on tax avoidance. As a result, family firms have lower levels of tax avoidance than non-family firms. In other words, firms have lower tax-saving shares when the CSR is higher. Overall, the above results empirically support our second hypothesis of the research.

Financial incentives for tax avoidance are weaker in the face of risky tax positions, which can produce negative results that can have a significant impact on SEW, in particular the name and reputation of the family. They tend to be more sensitive to the environmental and social issues of emotional actors. Thus, the results suggest that non-family businesses are less socially responsible and are more likely to engage in tax avoidance activities. Moreover, the results suggest that a family firm’s CSR is not the driver of its tax avoidance behavior. Specifically, nonfamily businesses that are more committed to the community and society and more committed to their clients appear to be more tax-efficient. This suggests that non-family firms want to project a good image to the outside world, but their rhetoric and actions are not necessarily aligned. However, non-family businesses that adopt socially responsible corporate governance practices and responsible behaviour towards their employees are more susceptible to tax avoidance practices.

According to the control variables, the LEV coefficient is positive and more significant. This shows that European family firms are more indebted and more likely to engage in tax avoidance than family firms with lower debt capacity. Even the ROA coefficient is negatively and significantly associated with tax avoidance at the 1% level, i.e. profitable companies run by a family group are less likely to engage in tax avoidance activities than less profitable family firms. It is also observed that the INVINT and PROVISION coefficients are positively and not significantly associated with tax avoidance regardless of their type of ownership. Also, the INTANG coefficient (coef -0.0582487, p value greater than 10%) has an insignificant impact on tax avoidance. In Europe, family firms that invest in intangible assets have no effect on tax avoidance. Finally, the Model two shows that the “legal system” in family firms indicator has a positive and significant effect on “CETR” (coef 0.0282281, p < 0.01). The multivariate analysis, taking into account the characteristics of the environment and common low legal system, also shows that family ownership is a positive factor in the evaluation of CSR bidders in environments with greater protection of
shareholders, of better accounting standards, more financial development (GDP) are more enforced tax avoidance activities. This allows us to accept the first hypothesis.

### Table 6: Results of model two multiple linear regression

| Variables        | Expected sign | Coefficient | T     | P>|t| |
|------------------|---------------|-------------|-------|-----|
| CSR              | -             | -0.0000858  | -0.27 | 0.785 |
| FAMILY           | -             | 0.0295235   | 0.38  | 0.708 |
| CSR*FAMILY       | -             | -0.0011808**| -2.14 | 0.032 |
| LEV              | -             | 0.0017098***| 2.78  | 0.006 |
| ROA              | +             | -0.2067603**| -2.01 | 0.045 |
| INVINT           | -             | 0.0245718   | 0.48  | 0.634 |
| INTANG           | -             | -0.0582487  | -1.30 | 0.193 |
| PROVISION        | +             | 0.075983    | 0.74  | 0.458 |
| Legalsystem      | +             | 0.0282281***| 5.81  | 0.000 |

**CSR**: Corporate Social Responsibility; **FAMILY**: Family; **CSR*FAMILY**: Corporate Social Responsibility in family firms; **LEV**: Level of debt; **ROA**: Return (Economic profitability) of assets; **INVINT**: Total of stocks; **INTANG**: intangible assets; **PROVISIONS**: The value of provisions; **legalsystem**. The symbol ***, **, and * indicate statistically significance at the 1 %, 5 %, and 10 % level, respectively.

5. Conclusions, limitations and future research

The central objective of our research is mainly to analyse the impact of corporate social responsibility on tax avoidance as well as the effect of family behaviour on this association in European companies belonging to the ASSET4 index during the period 2014 - 2019.
We have mobilized two theories in order to respond to our problem. In this respect, we refer to the agency theory and the theory of the entrenchment of leaders in the relationship between corporate social responsibility and tax avoidance with the moderating effect of family ownership.

Our empirical study is based on a sample of 1625 observations. We find a negative and non-significant relationship between disclosures of CSR and tax avoidance information. Also, we find a negative and more significant relationship between disclosures of CSR information for family businesses and tax avoidance.

This study contributes to the literature on CSR and tax avoidance and on the understanding of the effect of family ownership on tax avoidance actions. In this respect, we clearly support the “positive rootedness hypothesis” from which family businesses present lower tax-saving actions as the management and shareholder objectives are aligned. Our results, unlike those of previous studies, have shown that family ownership and management are linked to an increase in tax avoidance. Some of them have argued that family businesses avoid any action that could harm their reputation, their image, their survival and the passing on of the legacy to their descendants. However, our evidence is supported that family businesses are concerned about tax avoidance activities to maintain their image. Therefore, our results suggest that it is true that family businesses engage in CSR activities from the SEW perspective; however, they less adopt tax avoidance positions due to the weaker agency conflict between shareholders. We then contribute to the earlier literature by advancing in the consequences of the classical agency conflict. As we have demonstrated, the main objective of shareholders is to achieve the maximum possible profit. To do this, CSR avoids producing negative results that can strongly affect their SEW and therefore the name and reputation of the family.

The results of this study provide useful evidence for several agents. This study promotes an understanding of how socially responsible businesses are also committed to reducing tax-saving strategies and the fact is considered moderate in the family business. In this context, the results provide evidence to managers, shareholders in the analysis of how CSR performance is negatively
linked to tax avoidance strategies, and for companies lead by a family group. It is essential to know how CSR impacts tax avoidance in order to determine the areas of improvement of these performances and avoid any action that damages its reputation and endangers its survival and legitimacy and they must be oriented towards promotion CSR actions that will ensure the preservation of their SEW. For investors and stakeholders, our results help them understand how CSR is negatively linked to tax avoidance practices and how a family business behaves towards strategies that increasingly minimize tax savings. For stakeholders, our evidence provides information to understand the benefits of family ownership in terms of CSR. They can understand how family businesses deal with CSR and meet their requirements. Finally, for regulators and governments, our results highlight the need for the most effective external legal oversight and control mechanisms that avoid and impede tax-saving practices.

In this dissertation there are recommendations when tax authorities should be aware of the possibility towards businesses. Therefore, greater attention ought to be given to good governance practices of family and non-family enterprises.

Like all research work this work is almost limited. First, in an attempt to measure tax avoidance, our study is based on a single measure (CETR) which is measured on the basis of the information reported in the financial statements more closely in the table of cash flows of enterprises because the ETR measure may not represent the tax situation (landry, 2013). Secondly, the definition of a family business in a European sample may not be applicable to other contexts. Finally the numbers of family businesses is lower than the number of non-family businesses; this could have an effect on the results obtained.

*Two future researches would be to replicate this study in a sample of non-European companies engaged in similar CSR activities and examine the impact of different degrees of ownership structure on the behaviour of family business*
Bibliography

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