Corporate social responsibility and tax avoidance: the effect of ownership structure Empirical evidence in European context

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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 due to their 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 practices 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. So in this study we examine the association between tax aggressive behavior and CSR.

On the other hand, ownership structure plays an important role in firms’ decisions in term of tax avoidance behavior. Recently, the effect of family ownership on corporate tax avoidance has become an issue of increasing interest among scholars from both the fields of family business research and tax research. 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). Uncertain tax avoidance strategies can be challenged by tax authorities at any given time. This could lead to unwanted public scrutiny and reputational damage,
that’s why some businesses may refrain from avoiding taxes. As a result, tax avoidance could threaten the family's status in the community and is therefore likely to result in loss of socio-emotional wealth.

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 preserving socio-emotional wealth of the family is a key objective of the dominant family.

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 socio-emotional 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 avoidance 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: the first section presents the theoretical framework and research hypotheses, the second section describes the methodological aspects followed by the presentation and discussion of the empirical results, finally, the third section presents the conclusion, limitations, and 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.

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. Likewise, social and government problems have increased and the number of companies engaged in voluntary CSR is increasing.
According to Muller and Kolk (2015) tax is seen as a component of the companies’ corporate social responsibility. The authors find that, multinational companies pay higher taxes than local companies; also 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.

According to 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 pay the availability of taxes to maintain their good image and reputation with the public. Godfrey (2005) shows that companies engaged in socially responsible activities aim to maintain on creating 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.

On the other hand, several studies show that corporate social responsibility has a negative effect on tax avoidance. Rahman and al., (2021) find that companies participating in CSR activities discourage tax avoidance behavior even the state and tax authorities can use CSR activities to stimulate companies to pay these quotas of tax shares. Kovernmann and al., (2021) show that 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 firm 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. This indicates that after China entered the world trade organization, it does not only support the continued economic development but also it responds to concerns of environmental protection, philanthropy, employer rights and other activities intrinsic to the community. Companies should accept CSR as an ethical obligation and, therefore, companies devoting resources to the implementation of CSR are less likely to manipulate profits, and so provide investors with more transparent accounting information (Chih and al., 2008; Hong and al., 2011 and Kim and al., 2012).

Kim and al., (2017) find that companies that are actively engaged in CSR are less tax avoidant. 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 aggressive tax activities.
Likewise, Hoi and al., (2013) document that socially irresponsible US companies are more likely to avoid taxes. Ki (2012) finds also a negative relationship between CSR and 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 moderating effect of family ownership

According to La Porta and al., (1999) and Surroca and Tribó (2008) the presence of family founders could constitute a mechanism that avoids any earnings management practice. 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. In fact, 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).

Landry and al., (2013) find a positive relationship between CSR activities and tax avoidance in the Canadian context, the authors also argue that family businesses are less tax aggressive than non-family businesses, and that the CSR in family businesses is not the engine of its tax behavior. Zeng (2018) also finds that in countries with weak governance mechanisms and higher CSR scores companies are less tax avoidant, implying that CSR and governance at the country level are substitutes. According to Panjaitan and al., (2021) corporate social responsibility in family firms is negatively associated with tax avoidance.

Based on agency theory, Gomez and al., (2014) find that family businesses have lower agency costs due to the concentration of ownership. Even Chen and al., (2010) find that family businesses are less tax avoidant than non-family 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 non-family 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, examine 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 impact of corporate social responsibility performance on tax avoidance. They also examine whether family ownership affects tax avoidance practices by
Based on an international sample of 6,442 firm-year observations from 2006 to 2014, the authors find that social and environmental performance is negatively related with tax avoidance so that firms with a greater socially responsible performance show a lower tax-saving practices. On the other hand, González and al., (2019) find that this negative relation is lower in family-owned firms, what suggests that despite the fact that family firms show a greater socially responsible behavior aimed to preserve their socioemotional endowments, family ownership is positively associated with tax avoidance practices. 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 selection 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 obtained from the DATA-STREAM database and the annual reports of the companies object of our study and obtained from these companies’ website for the period 2014 to 2019. The CSR index adopted in our study is collected from Thomson Reuters ASSET4 database.
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, table 2 presents the sample breakdown by industry, showing that two dominant sectors: the service sector represents 37.68%, the industry sector represents 32.33% and covers a greater number of family businesses (38.46%); and the other sectors represent a minority.

Table 2: The distribution of the sample by sector of activity and by family ownership

<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>Mining</td>
<td>10-14</td>
<td>22</td>
<td>7.33</td>
<td>4</td>
<td>6.15</td>
<td>18</td>
<td>7.66</td>
</tr>
<tr>
<td>Construction</td>
<td>15-17</td>
<td>40</td>
<td>13.33</td>
<td>6</td>
<td>9.23</td>
<td>34</td>
<td>14.47</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>20-39</td>
<td>97</td>
<td>32.33</td>
<td>25</td>
<td>38.46</td>
<td>72</td>
<td>30.64</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>
<td>6</td>
<td>2.55</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>
<td>14</td>
<td>5.96</td>
</tr>
<tr>
<td>Services</td>
<td>70-89</td>
<td>113</td>
<td>37.68</td>
<td>23</td>
<td>35.38</td>
<td>90</td>
<td>38.30</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>300</td>
<td>100</td>
<td>65</td>
<td>100</td>
<td>235</td>
<td>100</td>
</tr>
</tbody>
</table>

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. Regression Model and Measurement variables

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

\[ TA_{it} = \alpha_0 + \alpha_1 CSR_{it} + \alpha_2 LEV_{it} + \alpha_3 ROA_{it} + \alpha_4 INVINT_{it} + \alpha_5 INTANG_{it} + \alpha_6 PROVISION_{it} + e_{it} \tag{1} \]

This study also examines how does family property, i.e. ownership structure affects the relation between corporate social responsibility and tax avoidance. So, the model includes the variables from the first model with a new moderating variable i.e. family property; so that the second model is presented as follow:

\[ TA_{it} = \alpha_0 + \alpha_1 CSR_{it} \times FAMILY + \alpha_2 LEV_{it} + \alpha_3 ROA_{it} + \alpha_4 INVINT_{it} + \alpha_5 INTANG_{it} + \alpha_6 PROVISION_{it} + \alpha_7 FAMILY + e_{it} \tag{2} \]

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):** CETR equals to the ratio of cash taxes paid over the pre-tax accounting income before exceptional items (López and al., 2019, Chen and al., 2010, Moore and al., 2017 and Dyreng and al., 2010).

\[ CETR = \frac{\text{Corporate income tax payable}}{\text{pre tax accounting income}} \]

**The independent variable: Corporate Social Responsibility**
The CSR score is the weighted average value of the scores of the different dimensions: the economic, environmental, social, and corporate governance performance. The score varies between 0 and 100 and it assesses how companies respond to the various sustainable development challenges they face and identifies corporate leadership in addressing environmental, consulting,
and social challenges through policies, systems, reports, and documented performance improvements.

We use Thomson Reuters ASSET4 ESG scores. The CSR strategy score reflects a company's practices to communicate that it incorporates economic (financial), social and environmental dimensions into its daily decision-making processes. It indicates 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**
Ownership structure is the moderating variable of the study. A family business is an entity whose capital is on majority-owned by members of the same family and where 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.

**Control variables**
We include a set of control variables that may influence tax avoidance behavior in the regression model.

- **Leverage**

Leverage (LEV) is included in our study as a control variable to examine the effect of debt on firms' incentives for tax avoidance.

Debt level is measured by the ratio of total long-term debt divided by total assets (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 (Huseynov and al., 2012, Hoi and al., 2013, Gomez and al., 2010).

- **Inventory intensity**

Inventory intensity, the ratio of total inventory over total assets (Zeng, 2018)
- **Intangible assets**

Intangibility is measured as the ratio intangible assets over total assets (Kovermann and Wendt, 2019; Zeng, 2018).

- **Provisions**

Total provisions is defined as the ratio total provisions to total assets (Kovermann and Wendt, 2019).

- **Legal system**

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 (La Porta and al., 1996; Zeng, 2018).

4. **Empirical Results**

4.1. **Descriptive statistics**

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 CETR 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 the two sub-samples (family and non-family). Family businesses reported lower CETR than non-family businesses (0.220 versus 0.227). This means that non-family businesses pay more taxes 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 non-family 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  Std.Dev</td>
<td>Mean  Std.Dev</td>
<td>Mean  Std.Dev</td>
<td></td>
</tr>
<tr>
<td>CETR</td>
<td>0.225 0.179</td>
<td>0.220 0.162</td>
<td>0.227 0.183</td>
<td>0.711</td>
</tr>
<tr>
<td>CSR</td>
<td>56.635 25.470</td>
<td>54.946 25.857</td>
<td>57.131 25.344</td>
<td>1.433*</td>
</tr>
<tr>
<td>FAMILY</td>
<td>0.227 0.419</td>
<td>1.000 0.000</td>
<td>0.000 0.000</td>
<td>-</td>
</tr>
<tr>
<td>LEV</td>
<td>25.425 16.042</td>
<td>24.765 16.556</td>
<td>25.619 15.889</td>
<td>0.879</td>
</tr>
<tr>
<td>ROA</td>
<td>0.081 0.094</td>
<td>0.074 0.057</td>
<td>0.083 0.102</td>
<td>2.171**</td>
</tr>
<tr>
<td>INVT</td>
<td>0.114 0.144</td>
<td>0.116 0.099</td>
<td>0.113 0.155</td>
<td>-0.414</td>
</tr>
<tr>
<td>INTANG</td>
<td>0.282 0.253</td>
<td>0.315 0.245</td>
<td>0.272 0.255</td>
<td>-2.888***</td>
</tr>
<tr>
<td>PROVISION</td>
<td>0.046 0.071</td>
<td>0.039 0.041</td>
<td>0.048 0.078</td>
<td>2.992***</td>
</tr>
<tr>
<td>Legalsystem</td>
<td>0.245 0.430</td>
<td>0.227 0.419</td>
<td>0.250 0.433</td>
<td>0.924</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 ; INVT: Total of stocks ; INTANG: intangible assets ; PROVISIONS: The value of provisions and Legalsystem.
Table 4: Person correlation Matrix

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

<table>
<thead>
<tr>
<th></th>
<th>CSR</th>
<th>FAMILY</th>
<th>CSR*FAMILY</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>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FAMILY</td>
<td>-0.036</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CSR*FAMILY</td>
<td>0.197</td>
<td>0.087</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LEV</td>
<td>0.072</td>
<td>-0.022</td>
<td>-0.019</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROA</td>
<td>-0.060</td>
<td>-0.040</td>
<td>-0.041</td>
<td>-0.202</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INVINT</td>
<td>0.039</td>
<td>0.008</td>
<td>0.018</td>
<td>-0.305</td>
<td>0.177</td>
<td>1.000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>INTANG</td>
<td>0.035</td>
<td>0.070</td>
<td>0.058</td>
<td>0.070</td>
<td>-0.0179</td>
<td>-0.115</td>
<td>1.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PROVISION</td>
<td>0.148</td>
<td>-0.054</td>
<td>-0.037</td>
<td>-0.116</td>
<td>0.042</td>
<td>0.085</td>
<td>-0.027</td>
<td>1.000</td>
<td></td>
</tr>
<tr>
<td>Legalsystem</td>
<td>-0.005</td>
<td>-0.022</td>
<td>-0.023</td>
<td>-0.074</td>
<td>0.063</td>
<td>0.109</td>
<td>0.103</td>
<td>-0.107</td>
<td>1.000</td>
</tr>
</tbody>
</table>

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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 avoidance. The coefficient of the CSR is negative and not significant (coef -0.000418). This confirms the findings of 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 in some companies, 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 aggressive. In other words, European companies are strongly focusing on promoting CSR activities and are likely to engage in tax avoidance practices. Consequently, Hypothesis one of our study is not confirmed.

In regards 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) is insignificant and negatively associated with tax avoidance, that is companies with a high intensity of intangible assets are therefore less likely to avoid taxes. Finally, 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 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, they are more tax avoidance.

| 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 |
Model 2 is used to test H2 which focuses on the relationship between corporate 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 responsibility are less engaged in tax avoidance practices, so, property-based behavior increases the CSR effect on tax avoidance. As a result, family firms are less engaged in tax avoidance practices 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 socio-emotional-wealth (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, non-family 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 behavior towards their employees are more engaged in 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

<table>
<thead>
<tr>
<th>PROVISION</th>
<th>+</th>
<th>0.0762459</th>
<th>0.74</th>
<th>0.456</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legalsystem</td>
<td>-</td>
<td>0.0260885***</td>
<td>5.42</td>
<td>0.000</td>
</tr>
</tbody>
</table>

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.
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, model two shows that the “legal system” indicator in family firms 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) and thus, these family firms have more enforced tax avoidance activities.

Table 6: Results of model two multiple linear regression

<table>
<thead>
<tr>
<th>Variables</th>
<th>Expected sign</th>
<th>Coefficient</th>
<th>T</th>
<th>P &gt;</th>
<th>t</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
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<td>-0.0000858</td>
<td>-0.27</td>
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<tr>
<td>FAMILY</td>
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<td>0.38</td>
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<td>CSR*FAMILY</td>
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<td>-2.14</td>
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<tr>
<td>LEV</td>
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<tr>
<td>ROA</td>
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<td>0.045</td>
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<tr>
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</tr>
<tr>
<td>INTANG</td>
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<td>-1.30</td>
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<tr>
<td>PROVISION</td>
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<td>0.075983</td>
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<td>0.458</td>
<td></td>
</tr>
<tr>
<td>Legalsystem</td>
<td>+</td>
<td>0.0282281***</td>
<td>5.81</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

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 objective of our research is mainly to examine the impact of corporate social responsibility on tax avoidance as well as the moderation role of ownership structure on this relationship in European companies belonging to the ASSET4 index during the period 2014 - 2019. Our empirical study is based on a sample of 1625 observations. We find a negative and non-significant relationship
between CSR as measured by ESG score and tax avoidance. Moreover, we examine the impact of family property on this relationship. Empirical results show a negative and significant association between CSR and tax avoidance for family businesses indicating that family property moderates the relation between CSR and tax avoidance behavior.

This study contributes to the literature on CSR and tax avoidance and on the understanding of the effect of family ownership on tax avoidance practices. Our results, unlike those of previous studies, have shown that family ownership and management are associated with 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 by the fact 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 are not tax avoidant due to the weaker agency conflict between shareholders. We then contribute to the earlier literature by advancing that when family firms engage in CSR activities, they avoid 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 practices. In this context, the results provide evidence to managers, shareholders in the analysis of how CSR performance is negatively linked to tax avoidance strategies, especially for family firms. It is essential to know how CSR impacts tax avoidance in order to avoid any action that damages the reputation of the company and endangers its survival and legitimacy. Besides, these companies must be oriented towards promoting CSR actions that ensure the preservation of their SEW. 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 study, a greater attention ought to be given to good governance practices in family and non-family enterprises.

Like all research work this work has some limits. First, in an attempt to measure tax avoidance, our study is based on a single measure (CETR) which is determined from the information reported in the financial statements, more closely in the table of cash flows, 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 number of family businesses is lower than the number of non-family businesses; this could have an effect on the results obtained.

Two future research venues would be to replicate this study in a sample of non-European companies engaged in similar CSR activities and to examine the impact of different degrees of ownership structure on the behavior of family business.
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www.icnmbe.org info@icnmbe.org


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