

Corporate Social Responsibility, Family Control and Tax Avoidance: Evidence from China

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Abstract

We examine the relationship between corporate social responsibility (CSR) and tax avoidance in family-controlled firms. By employing the socioemotional wealth (SEW) theory, we analyze how various combinations of family control over ownership, strategy, and operations affect the CSR and tax avoidance activities of family firms. Following prior literature, we classify family firms into four types: (1) family firms with ownership control (FC), (2) family firms with ownership and operational control (FOC, i.e., family members serving as CEOs), (3) family firms with ownership and strategic control (FSC, i.e., family members serving as chairmen); (4) family firms with ownership, operational, and strategic control (FOSC, i.e., family members serving as CEOs and chairmen). Using data on Chinese listed firms from 2010 to 2020, we expect to find that socially responsible firms are less aggressive in tax avoidance in family firms with ownership and strategic control (FSC), suggesting that family leaders tend to preserve SEW and family chairmen and outside CEOs can constrain each other to avoid unethical activities in CSR and tax avoidance.

Keywords: Agency Problems, Corporate culture, Privately-owned Enterprises, Socioemotional Wealth (SEW), Tax Aggressive