Management Studies and Business Journal (PRODUCTIVITY)
Vol 2 (1) 2025 : 1960-1974

THE EFFECT OF TAX AVOIDANCE STRATEGIES ON CORPORATE SOCIAL RESPONSIBILITY AND FIRM PERFORMANCE

PENGARUH STRATEGI PENGHINDARAN PAJAK TERHADAP TANGGUNG JAWAB SOSIAL PERUSAHAAN DAN KINERJA PERUSAHAAN

Andi
Universitas Sultan Ageng Tirtayasa
*andiplg69@untirta.ac.id

**Corresponding Author*

ABSTRACT
This study investigates the effect of tax avoidance strategies on corporate social responsibility (CSR) initiatives and firm performance across industries. Using a systematic literature review (SLR) approach, we analyze 34 relevant studies from various academic databases. The findings suggest that the relationship between tax avoidance and CSR is complex and influenced by industry context, tax regulations, and social pressures. Firms engaging in aggressive tax avoidance tend to increase CSR spending to maintain social legitimacy and reduce reputational risk. However, the impact of tax avoidance on firm performance varies, with potential short-term positive effects offset by long-term reputational and litigation risks. This study provides important insights for managers, regulators, and stakeholders in designing balanced tax and CSR strategies to enhance corporate sustainability.
Keywords: Tax Avoidance, Corporate Social Responsibility (CSR), Firm Performance, Systematic Literature Review, Tax Strategy, Social Legitimacy.

ABSTRAK
Penelitian ini menyelidiki pengaruh strategi penghindaran pajak terhadap inisiatif tanggung jawab sosial perusahaan (CSR) dan kinerja perusahaan di berbagai industri. Dengan menggunakan pendekatan tinjauan literatur sistematis (Systematic Literature Review/SLR), kami menganalisis 34 studi yang relevan dari berbagai database akademik. Temuan menunjukkan bahwa hubungan antara penghindaran pajak dan CSR bersifat kompleks dan dipengaruhi oleh konteks industri, regulasi pajak, dan tekanan sosial. Perusahaan yang terlibat dalam penghindaran pajak agresif cenderung meningkatkan pengeluaran CSR untuk menjaga legitimasi sosial dan mengurangi risiko reputasi. Namun, dampak penghindaran pajak terhadap kinerja perusahaan bervariasi, dengan potensi efek positif jangka pendek yang diimbangi oleh risiko reputasi dan litigasi jangka panjang. Penelitian ini memberikan wawasan penting bagi manajer, regulator, dan pemangku kepentingan dalam merancang strategi pajak dan CSR yang seimbang untuk meningkatkan keberlanjutan perusahaan.
Kata Kunci: Penghindaran Pajak, Tanggung Jawab Sosial Perusahaan (CSR), Kinerja Perusahaan, Tinjauan Literatur Sistematis, Strategi Pajak, Legitimasi Sosial.

1. INTRODUCTION

Tax avoidance encompasses legal strategies utilized by companies to lower their tax burdens while remaining compliant with existing laws. This practice includes various tactics, such as shifting profits to lower-tax jurisdictions and exploiting regulatory loopholes. While tax avoidance is often framed as a financial strategy that enhances capital efficiency and profitability, it raises significant ethical concerns around corporate governance and public trust. Companies engaged in aggressive tax avoidance may enhance their risk of backlash from stakeholders, potentially damaging their reputational capital and undermining shareholder confidence (Elamer et al., 2024; , Li et al., 2019).

The interplay between tax avoidance, corporate social responsibility (CSR), and firm performance has garnered increasing academic interest. Firms that actively pursue tax avoidance often do so in conjunction with CSR initiatives, which can serve as a counterbalance to reputational penalties associated with their tax strategies. This relationship is evidenced by findings that suggest engagements in CSR can mitigate negative perceptions stemming from tax avoidance, thereby preserving legitimacy and stakeholder trust (Salhi et al., 2019; , Widijaya & Lianty, 2023). Furthermore, literature indicates that firms may utilize CSR to create a more favorable corporate image while simultaneously engaging in practices that could be viewed as socially irresponsible (McClure et al., 2018).

There are nuanced effects of tax avoidance on firm performance, largely dictated by factors such as corporate governance, industry context, and tax regulatory environment. From an agency theory perspective, effective tax management can enhance company value by optimizing cash flow for reinvestment and shareholder distributions (Yoon et al., 2024). However, other studies indicate that excessive tax avoidance may introduce volatility and increase litigation risks, subsequently harming firm performance and market perceptions (Amri et al., 2022; , Drake et al., 2017). The response from stakeholders is often context-dependent; for example, firms in heavily regulated sectors, such as finance and energy, might face stricter scrutiny and thus more pronounced repercussions from their tax strategies compared to firms in less regulated industries like technology (Li et al., 2022).

Moreover, the relationship between tax avoidance and CSR can vary significantly across different sectors. Firms in industries with stringent CSR expectations may leverage their CSR activities more strategically to mitigate reputational risks associated with tax avoidance. Conversely, companies in sectors that face lesser scrutiny may feel less compelled to adopt CSR measures, even if they engage in aggressive tax practices (Widijaya & Lianty, 2023; , Armstrong et al., 2015). Therefore, understanding how these dynamics evolve across distinct industry contexts is critical for developing more robust regulatory policies that encourage responsible tax behavior and sustainable corporate practices (Goh et al., 2016). In summary, while tax avoidance can serve as a strategy for enhancing financial performance, it also carries potential risks to corporate reputation and stakeholder trust. The interaction between tax avoidance and CSR highlights the need for companies to navigate their tax strategies thoughtfully, particularly in light of the diverse expectations and regulatory pressures inherent in different industries. Future research could further illuminate this relationship and the implications for corporate governance frameworks.

Even though existing literature has discussed the relationship between tax avoidance, CSR, and firm performance, there are still inconsistencies in existing research findings. Some studies find that companies with high levels of tax avoidance often increase spending on CSR to improve their image, while other studies show that this strategy can cause distrust from stakeholders, thereby harming the company's reputation and performance in the long term. These differences in findings indicate a gap in understanding of how these variables interact, especially in different industrial contexts.

In addition, most existing research focuses more on empirical analysis based on data from one country or one particular industrial sector, thus providing less comparative insight across industries. For example, in industries that have strict tax regulations and high levels of supervision, the impact of tax avoidance on CSR and firm performance may be more significant compared to industries that are more flexible in their tax policies. Therefore, there is still a need for systematic studies that explore how these relationships develop across different industry sectors and under different regulatory conditions. Furthermore, previous studies often use quantitative approaches to measure the relationship between tax avoidance and CSR, but not many have used the systematic literature review (SLR) method to summarize available empirical evidence and identify patterns and trends in previous research. Thus, this study aims to fill the gap in the literature by providing a comprehensive analysis of how tax avoidance strategies influence CSR initiatives and company performance, as well as how this relationship varies across industries.

This research aims to investigate and understand how tax avoidance strategies influence corporate social responsibility (CSR) initiatives and company performance in various industries. To achieve this goal, this research will identify patterns and trends in the literature discussing the relationship between tax avoidance, CSR, and firm performance. In addition, this research also analyzes factors that moderate the relationship between tax avoidance and CSR, including tax regulations, stakeholder pressure, and industry characteristics. Furthermore, this research explores how the impact of tax avoidance on CSR and firm performance can vary in various industrial sectors. It is hoped that the results of this research will provide useful implications for company managers, regulators and policy makers in designing balanced tax and CSR strategies to improve company sustainability.

Through a systematic literature review approach, this research will provide a synthesis of various studies that have been conducted and offer a new perspective on how companies can manage their tax strategies without sacrificing social responsibility and long-term business performance. Based on the research objectives that have been formulated, the main research questions that will be answered are: **"How do tax avoidance strategies influence corporate social responsibility (CSR) initiatives and firm performance across different industries?".** This question will be answered through a systematic analysis of existing literature, with a focus on the relationship patterns between tax avoidance, CSR, and firm performance, and how these dynamics vary across various industrial sectors.

2. METHODS

2.1 Systematic Literature Review Approach

This research uses a Systematic Literature Review (SLR) approach to identify, evaluate, and synthesize relevant studies regarding the relationship between tax avoidance, corporate social responsibility (CSR), and firm performance in various industries. The SLR method was chosen because it allows systematic exploration of existing research, so it can provide a comprehensive picture of research patterns, trends and gaps that need to be explored further.

To ensure transparency and replication of results, this study followed the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) protocol. PRISMA is a method that is widely used in systematic review-based research to organize literature selection steps in a clear and structured manner. The PRISMA process in this research includes four main stages:

1. Identification: Collecting all relevant literature from various academic databases using predetermined search keywords.
2. Screening: Filtering the literature based on predetermined inclusion and exclusion criteria, by removing duplicate studies and irrelevant research.
3. Eligibility: Evaluate the feasibility of studies that have passed the screening stage based on the abstract and full article content.
4. Inclusion: Selecting the final articles to be analyzed in this research to ensure only high-quality and relevant studies are used in data synthesis.

By using the PRISMA method, this research can avoid selection bias and ensure that the literature analyzed has high credibility and relevance to the research questions asked.

2.2 Data Sources and Selection Criteria

2.2.1. Databases Used

To obtain broad literature coverage and be based on high quality research, this study will collect data from several major academic databases that have a high reputation in scientific publications, namely:

- Scopus – One of the largest databases covering journals with high academic standards and international reputation.

- Web of Science – Provides access to highly indexed publications, including journals focused on management, finance, and accounting.
- ProQuest – Contains various academic publications, including dissertations and theses relevant to this research topic.
- Google Scholar – Used as an additional source to obtain research articles that may not be indexed in other databases.

The use of various sources aims to ensure that research does not only depend on one database, so that it can obtain a wider and more diverse spectrum of literature.

2.2.2. Search Keywords

To search for relevant literature, this study used a combination of the following keywords in the database search:

1. “Tax avoidance” AND “corporate social responsibility”
2. “Tax avoidance” AND “firm performance”
3. “Tax avoidance” AND “CSR” AND “industry variation”
4. “Corporate social responsibility” AND “firm performance” AND “tax strategy”
5. “Industry-specific tax avoidance impact”

These keywords are combined with Boolean operators (AND, OR) to narrow or broaden the search, depending on research needs. In addition, truncation (tax avoid to cover “tax avoidance” and “tax avoidance”) and wildcards (CSR to cover “corporate social responsibility”) are used to capture a wide variety of relevant terms andin this study.

2.3. Literature Inclusion and Exclusion Criteria

To ensure that only relevant and high-quality studies were analyzed, this study applied the following inclusion and exclusion criteria:

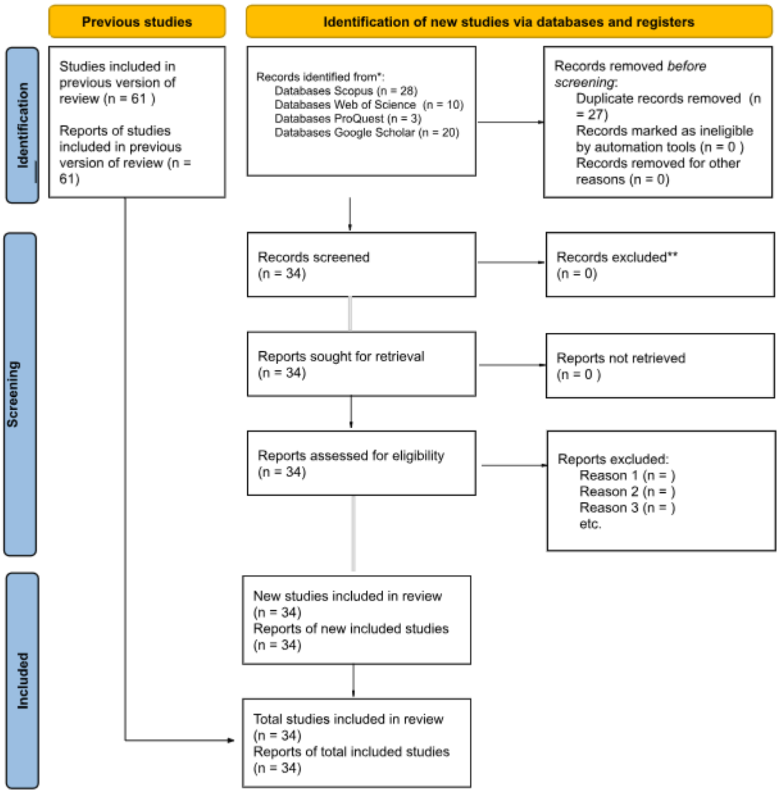
2.3.1. Inclusion Criteria:

1. Studies published in peer-reviewed journals in the last 12 years (2012–2024) to ensure that the literature analyzed remains current and relevant.
2. Articles that discuss the relationship between tax avoidance, CSR, and firm performance with an empirical or theoretical approach.
3. Study that discusses the differences in the impact of tax avoidance on CSR and firm performance in various industries.
4. Research that uses quantitative, qualitative, or mixed methods that have transparent data and analysis.
5. Articles are available in English, as the majority of academic literature of international standards is in this language.

2.3.2. Exclusion Criteria:

1. Studies that only discuss tax avoidance without linking it to CSR or firm performance.
2. Articles based on commentary, opinion, or editorial that do not include empirical analysis.
3. Research that only focuses on the legal and regulatory aspects of tax, without highlighting its impact on CSR or firm performance.
4. Studies that are not available in full text (abstract or summary only).
5. Articles published in languages other than English, unless translated and of high relevance to the research topic.

Table 1 Prisma Diagram



Source: Processed Data, 2025

At the identification stage, a total of 61 studies had been included in the previous version of the systematic review. For study updates, searches were carried out on several databases, namely Scopus (28 studies), Web of Science (10 studies), ProQuest (3 studies), and Google Scholar (20 studies). Of the total search results, 27 studies were removed as duplicates, while no studies were marked as ineligible by the automated tool or removed for other reasons.

In the screening stage, a total of 34 studies were screened, and no studies were excluded in this process. Subsequently, 34 study reports were requested to be retrieved, and no reports failed to be accessed.

At the feasibility assessment stage, all 34 study reports were assessed for feasibility. Some reports may have been excluded for some reason, but the number is not indicated in this chart. At the inclusion stage, 34 new studies were included in the systematic review, so the total number of studies included in the latest review was 34 studies.

This PRISMA diagram shows that after a rigorous selection process, only studies that met the criteria were included in the final analysis. By applying the PRISMA method and using various academic databases, this research aims to provide a comprehensive systematic review of how tax avoidance strategies influence CSR and firm performance in various industries. A rigorous selection process ensures that only high-quality and relevant studies are analyzed, so that the research results can make a significant contribution to academics and practitioners in understanding the dynamics of corporate tax strategies in the context of social responsibility and business performance.

3. RESULTS

This section presents the results of a Systematic Literature Review (SLR) conducted to understand how tax avoidance strategies influence corporate social responsibility (CSR) and firm performance in various industries. The results of this research are organized into two main parts: descriptive findings and key themes identified.

3.1 Descriptive Findings

3.1.1. Literature Distribution Based on Publication Year, Journal, and Geographical Region

Analysis of the collected literature shows a varied distribution based on year of publication, academic journal, and geographic region.

- Year of Publication: The majority of research on tax avoidance and CSR in the context of firm performance has increased significantly Last 12 years (2012–2024). This reflects increasing academic attention to the impact of tax policy on corporate sustainability strategies and business performance.
- JAcademic journals: Most studies come from highly reputable journals in the fields of accounting, finance, and management, such as the Journal of Business Ethics, Accounting Review, Journal of Corporate Finance, and Tax Policy and the Economy.
- Geographic Areas: More studies have been conducted in countries with complex tax systems, such as the United States, United Kingdom, Germany, and Australia. Developing countries, such as Indonesia, Brazil and India, still have less research on the relationship between tax avoidance and CSR.

These findings indicate that there are still geographical gaps in tax avoidance research and its impact on CSR and firm performance, thus opening up opportunities for further exploration in developing countries.

3.1.2. Research Trends Related to Tax Avoidance, CSR, and Firm Performance

From the literature analysis, there are three main trends developing:

1. Shifting Focus from Regulation to Strategic Impact
    - Early research on tax avoidance focused heavily on tax regulations and legal compliance.
    - The latest trend emphasizes the strategic impact of tax avoidance on various aspects of business, including CSR and firm performance.
2. Increased Attention to Social Responsibility
    - Several companies are starting to use CSR as a legitimation tool to offset their tax avoidance practices, in order to avoid pressure from regulators and stakeholders.
    - There are studies that show that companies that practice tax avoidance are more likely to increase CSR spending to maintain their positive image in the eyes of the public.
3. Differences in the Impact of Tax Avoidance in Various Sectors
    - Industries that are highly monitored, such as banking and manufacturing, are more careful in implementing tax avoidance and often balance this with CSR initiatives.
    - In contrast, the technology sector and digital platform-based industries are more flexible in tax avoidance, with CSR often becoming a strategic tool to reduce public pressure.

3.2 Key Themes Identified

Based on the results of the analysis, there are three main themes that were identified in this research.

1. The Most Common Tax Avoidance Strategy

Research shows that companies implement various tax avoidance strategies to reduce their tax liabilities, including:

- Profit Shifting: Moving profits to countries with lower taxes through transfer pricing or the use of offshore entities.
- Tax Havens Utilization: Establishing an entity in a low-tax or zero-tax country to avoid a large tax burden.
- Debt-Based Tax Shield: Using debt as a tool to reduce taxes through deducting loan interest.
- R&D Tax Credits: Optimize tax deductions through research and development incentives.

These strategies differ between industries depending on tax regulations, level of competition, and stakeholder expectations.

2. The Impact of Tax Avoidance on CSR in Various Industries

The literature shows a complex relationship between tax avoidance and CSR:

- Industries with strict regulations (Banking, Pharmaceuticals, Manufacturing):
  - Companies in this industry are more careful in carrying out tax avoidance due to high levels of supervision from the government and the public.
  - Tax avoidance is often balanced with an increase in the CSR budget to reduce reputation risks.
- Industries with high tax flexibility (Technology, Digital Services, E-commerce):
  - Technology companies tend to have more aggressive tax structures, with high levels of tax avoidance.
  - CSR is more focused on technology and innovation-based social projects than traditional philanthropic initiatives.
- Extractive industries (Oil, Gas and Mining):
  - Tax avoidance is often associated with social conflict because companies operate in areas directly affected by their activities.
  - CSR is used as a tool to gain social legitimacy and reduce resistance from local communities.

These findings indicate that CSR can be a strategic tool for companies in managing the risks posed by tax avoidance practices, depending on the nature of the industry they operate in.

3. Relationship between Tax Avoidance and Firm Performance

Literature analysis found that the influence of tax avoidance on firm performance is not always positive and can vary depending on several factors:

- Positive Effects:
  - Tax avoidance can increase short-term profitability because it reduces tax liabilities, allowing companies to allocate more capital to strategic investments.
  - Investors tend to respond positively to aggressive tax strategies if they think they can increase company value.
- Negative Effects:
  - If tax avoidance practices are deemed unethical, the company may face reputational risks, which can impact customer loyalty and support from stakeholders.
  - Increasingly stringent regulations in many countries mean increased legal risks, which can harm company performance in the long term.
- Neutral Effect:
  - Several studies show that tax avoidance does not have a direct impact on firm performance, especially when combined with an effective CSR strategy.
  - In some cases, investors focus more on a company's long-term stability than simply tax efficiency.

The results of this research show that the impact of tax avoidance on CSR and firm performance is very dependent on the industrial context and company strategy.

1. Companies often use CSR as a legitimacy tool to reduce the negative impact of tax avoidance.
2. Firm performance can increase in the short term due to tax avoidance, but the long-term impact depends on how the company balances tax and CSR strategies.
3. Regulations and stakeholder expectations play an important role in determining the extent to which companies can carry out tax avoidance without facing social and economic backlash.

These findings provide valuable insights for academics, regulators and business practitioners in designing more effective tax policies and CSR strategies.

4. DISCUSSION

4.1 Interpretation of Findings

4.1.1. The Relationship Between Tax Avoidance and CSR

The relationship between tax avoidance and corporate social responsibility (CSR) has become a focal point of research, indicating varied dynamics depending on industry context and external pressures. Firm behavior in this area often involves balancing aggressive tax strategies with CSR initiatives to manage reputation and external stakeholder pressures effectively.

1. CSR as Legitimacy

A significant observation in the literature is that companies engaging in aggressive tax avoidance often increase their CSR expenditures to enhance legitimacy and mitigate negative public perceptions. This aligns with legitimacy theory, suggesting that CSR efforts serve as a shield against scrutiny for tax practices deemed aggressive or unethical. For instance, Alsaadi discusses that financial and tax reporting conformity in jurisdictions influences companies' relationships with CSR and tax avoidance, suggesting that CSR may be used to mitigate socially irresponsible behaviors stemming from aggressive tax strategies (Alsaadi, 2020). Similarly, Abid and Dammak indicate that firms audited by high-quality auditors invest more in CSR to counteract the reputational risks of tax avoidance, reaffirming their commitment to broader stakeholder considerations (Abid & Dammak, 2021). Thus, CSR functions as a strategic tool for firms to attain social legitimacy amid aggressive financial practices.

2. Low CSR in Companies with Weak Tax Regulations

On the other hand, firms operating in industries with lenient tax regulations often exhibit minimal CSR investments, particularly when external pressure is low. This understanding is supported by various studies that showcase how a lack of stringent oversight correlates with lower CSR engagement among companies practicing aggressive tax avoidance. For instance, Xaviolyn et al. suggest that companies with weaker accountability structures may not feel compelled to invest in CSR, as their aggressive tax tactics might go unnoticed (Xaviolyn et al., 2023). Furthermore, Zeng's research points out that where companies are less committed to sustainability, they tend to engage more in harmful tax practices, indicating a relationship where weak regulatory environments breed lower CSR activity (Zeng, 2019). This can be seen as an instance of “organized hypocrisy,” where firms only invest in CSR as a reaction to intense scrutiny rather than as an inherent corporate ethos (Alsaadi, 2020).

In conclusion, the relationship between tax avoidance and CSR is complex and influenced heavily by the regulatory environment and external pressures. Companies may leverage CSR to garner legitimacy in the eyes of stakeholders while sometimes curtailing such investments when external pressures and regulations are weak. This duality suggests a nuanced landscape where CSR is not merely an ethical consideration but a strategic maneuver in corporate governance.

4.1.2. Implications of Tax Avoidance on Stakeholder Trust and Corporate Reputation

Tax avoidance poses complex implications for stakeholder trust and corporate reputation. It has a dual nature, characterized by both positive and negative effects depending on the contexts and ethical considerations surrounding its practice.

1. **Positive Impact of Tax Avoidance**

When implemented legally and transparently, tax avoidance can enhance corporate reputation and stakeholder trust. Investors often perceive tax avoidance as a strategic move that maximizes profitability, thereby potentially increasing net income for shareholders. For instance, Payne and Raiborn assert that aggressive tax avoidance within legal parameters can be seen as an efficient corporate strategy, drawing a distinction between what is legal and what is ethical in terms of tax behavior (Payne & Raiborn, 2015). The argument presented by Chouaibi et al. also indicates that tax avoidance can be viewed through the lens of corporate social responsibility, which may suggest that, under certain conditions, it can reflect a rational business decision aligned with stakeholder interests (Chouaibi et al., 2021). Moreover, the literature highlights that ethical considerations are critical in stakeholders' acceptance of tax avoidance strategies, as it may impact overall firm valuation (Wang et al., 2019).

2. **Negative Impact of Tax Avoidance**

Conversely, when stakeholders perceive tax avoidance as unethical or aggressive, it can lead to significant reputational damage and a loss of trust. Various studies highlight that companies embroiled in tax scandals face declines in stock prices and increased litigation risks due to negative stakeholder perceptions. Rachmad et al. emphasize that while companies may reduce their immediate tax liabilities, they incur long-term costs including reputational damage and heightened scrutiny from regulatory bodies (Rachmad et al., 2023). Additionally, ethical considerations are paramount; the work by Frecknall-Hughes et al. discusses how tax practitioners' ethical dilemmas can affect corporate tax practices, suggesting that unethical practices lead to decreased stakeholder trust (Frecknall-Hughes et al., 2016). Furthermore, the decline in trust stemming from perceived unethical tax behaviors can result in wider societal backlash against corporations, negatively affecting their reputational standing (Judijanto, 2024).

3. **Balancing Ethics and Transparency**

To mitigate the adverse effects while capitalizing on the positive aspects, companies must strive to balance their tax strategies with ethical considerations and transparency. The literature underscores that while tax avoidance may be legally permissible, ethical responsibilities require businesses to contribute fairly to societal needs through tax payments (Payne & Raiborn, 2015). Moreover, the application of corporate social responsibility (CSR) practices has been shown to influence tax attitudes positively, suggesting that integrating ethical frameworks can enhance stakeholder relationships and corporate reputation (Huseynov & Klamm, 2012). This necessitates that businesses not only focus on financial performance through tax avoidance but also consider their ethical obligations towards stakeholders and the broader community. In summary, while tax avoidance can bring financial benefits and efficiencies, it must be practiced with careful attention to ethical implications and stakeholder transparency to maintain trust and protect corporate reputation.

4.2 Industry-Specific Effects

4.2.1. Differences in the Impact of Tax Avoidance on CSR and Firm Performance in Various Industries

The impact of tax avoidance on Corporate Social Responsibility (CSR) practices and firm performance exhibits notable variations across different industries, reflecting diverse operational contexts and regulatory environments. This analysis synthesizes relevant literature regarding these variances, focusing on the manufacturing, financial, technology, and energy sectors.

1. **Manufacturing Industry**

Firms are typically more conservative regarding tax avoidance due to strict regulatory oversight. According to Ariff et al., firms with higher environmental, social, and governance (ESG) performance are often deterred from aggressive tax avoidance strategies as they aim to align their financial practices with sustainability commitments (Ariff et al., 2024). This industry tends to prioritize CSR initiatives that focus on sustainability and environmental impact to comply with regulations and maintain public support. Elamer et al. suggest that companies increasingly recognize the importance of integrating CSR into their strategic frameworks to enhance firm value and public perception, particularly as consumers and stakeholders demand greater accountability (Elamer et al., 2024).

2. **Financial Industry**

Companies frequently engage in tax avoidance through sophisticated financial instruments. Such practices are supported by regulations that may favor tax efficiency. The use of CSR as a tool in this sector is primarily aimed at bolstering the company's reputation among stakeholders, including regulators and customers (Alkurdi & Mardini, 2020). Moreover, organizations in this industry may adopt tax avoidance strategies not only for financial benefit but also to shield their image by portraying strong CSR commitments (Abd-Elmageed & Ashour, 2021). Balakrishnan et al. assert that firms with better transparency and information environments tend to navigate the complexities surrounding tax planning and CSR more effectively, enhancing their public image in the process (Balakrishnan et al., 2018).

3. **Technology Industry**

Is known for employing aggressive tax strategies that often involve profit shifting to low-tax jurisdictions. This approach is evident in firms' CSR initiatives, which tend to focus on social innovations and community empowerment through digital advancements. Li et al. point out that tech companies engaging in tax avoidance may face reputational risks, which can affect their financial performance, thereby necessitating a careful balance between tax strategies and CSR activities (Li et al., 2019). This sector illustrates how a proactive approach to CSR can mitigate potential backlash from aggressive tax avoidance practices, ensuring continued investor confidence and market stability (Li et al., 2022).

4. **Energy Industry**

Faces intense scrutiny regarding its tax practices and CSR performance due to its significant environmental footprint and regulatory pressures. Energy firms often implement CSR strategies that emphasize sustainability and investments in green energy (Rudyanto & Pirzada, 2020). Research by López-González et al. indicates that family firms in the energy sector typically strive to align their tax strategies with socially responsible practices as a method to enhance their reputational capital and stakeholder trust (López-González et al., 2019). The regulatory environment for energy companies necessitates a strong commitment to

CSR, which can counterbalance the negative perceptions associated with tax avoidance efforts (Guedrib & Bougacha, 2024).

In summary, the differences in the impact of tax avoidance on CSR and firm performance across various industries indicate that firms must adopt tailored strategies that reflect their specific operational challenges, regulatory requirements, and stakeholder expectations. The integration of CSR into tax strategies is increasingly recognized as a vital component of solid corporate governance and sustainable business practices.

4.2.2. Factors that moderate the relationship between tax avoidance, CSR and firm performance

The relationship between tax avoidance, corporate social responsibility (CSR), and firm performance is complex and influenced by various external factors. Three key factors that moderate this relationship include tax regulation, social pressure, and institutional ownership.

1. **Tax Regulation**

Countries with strong tax regulations tend to enforce stricter compliance, which affects corporate behavior concerning tax avoidance. Firms operating in environments with stringent tax codes are often compelled to increase their tax transparency and limit engagement in aggressive tax avoidance strategies. This finding aligns with Alsaadi, which indicates that jurisdictions with financial-tax conformity reduce instances of tax avoidance by promoting responsible reporting practices (Alsaadi, 2020). Additionally, Du and Li argue that better CSR performance correlates with lower levels of tax avoidance in regions with rigorous tax governance, suggesting that regulatory frameworks significantly modulate the behavior of firms regarding tax practices (Du & Li, 2023).

2. **Social Pressure**

The influence of media and public scrutiny plays a significant role in determining how firms manage their CSR and tax avoidance strategies. Research suggests that firms facing significant social pressure are more likely to engage in CSR initiatives as a form of image management to counterbalance negative sentiment regarding their tax avoidance activities. Abid and Dammak's study finds that firms with higher levels of CSR transparency often demonstrate less aggressive tax behaviors, possibly as a strategic response to public expectations and media narratives (Abid & Dammak, 2021). Watson highlights that earnings performance can amplify these social pressures, where firms with poorer financial performance might feel compelled to undertake more aggressive CSR efforts to counterbalance their unfavorable tax avoidance perceptions (Watson, 2015), even though mixed results exist in other studies regarding the CSR and tax avoidance relationship.

3. **Institutional Ownership**

Companies that possess a higher fraction of institutional ownership tend to showcase increased transparency in their financial dealings, including tax and CSR strategies, to uphold their reputational standing with investors. Empirical studies demonstrate that institutional investors favor firms that maintain a balance between tax strategies and socially responsible practices (Arianti, 2020). Koh et al. contend that firms with substantial institutional stakes are driven to align their tax policies with their CSR commitments to mitigate reputational risks associated with tax avoidance (Koh et al., 2013). Furthermore, Dakhli emphasizes the mediating role of CSR in the relationship between ownership structure and tax avoidance, reinforcing the notion that institutional stakeholders advocate for less aggressive tax strategies in socially responsible firms (Dakhli, 2021).

In summary, the interaction between CSR, tax avoidance, and firm performance is significantly moderated by tax regulations, social pressure, and institutional ownership. Each factor plays a pivotal role in shaping corporate policies and practices, indicating the necessity for firms to navigate these external dynamics effectively.

4.3 Theoretical Implications

The findings of this research contribute to several major theories in corporate accounting and management:

1. Agency Theory:
   - Explains that tax avoidance can occur due to differences in interests between managers and shareholders.
   - Some managers may use tax avoidance to increase short-term profits, but this can be detrimental to the company in the long run if reputation is negatively impacted.
2. Legitimacy Theory:
   - Companies use CSR as a tool to increase social legitimacy in facing pressures due to tax avoidance.
   - This explains why companies in industries with high reputational risk often compensate with strong CSR strategies.
3. Stakeholder Theory:
   - Tax avoidance can have a negative impact if it ignores the interests of wider stakeholders, such as customers and the government.
   - Companies need to balance tax strategies with social responsibility so that they continue to receive support from various parties.

4.4 Practical Implications

4.4.1. Implications for Corporate Managers

1. Tax Transparency: Companies must consider the long-term impact of tax avoidance on their reputation.
2. CSR as a Business Strategy: Managers can integrate CSR in business strategies to reduce the negative impact of tax avoidance and increase company value.
3. Balance between Tax Efficiency and Ethics: Tax avoidance that is too aggressive can cause backlash, so a more balanced strategy is needed.

4.4.2. Recommendations for Policy Makers

1. Increased Tax Transparency: Stricter regulations are needed to reduce unethical tax avoidance practices.
2. Tax Incentives for CSR: The government can provide tax incentives for companies that demonstrate a high commitment to CSR.
3. Consistent Regulatory Enforcement: Differences in tax regulations between countries can lead to tax arbitrage, so international cooperation is needed.

4.5 Limitations and Future Research Directions

4.5.1. Limitations of This Study

1. Potential Publication Bias: The studies analyzed in SLR tend to come from journals that are more oriented towards significant results, so there could be a bias towards certain findings.
2. Variations in the Definition of Tax Avoidance: Various studies have different definitions of tax avoidance, which can influence the analysis results.
3. Focus on Secondary Studies: Because the approach used is a systematic literature review, this research does not include primary data that might provide deeper insights.

4.5.2. Recommendations for Future Research

1. Quantitative Study: Using empirical data to examine the relationship between tax avoidance, CSR, and firm performance in various industries.
2. Comparative Analysis Between Countries: Examining how differences in tax regulations affect CSR strategies in different regions.
3. Specific Industry Case Studies: Conduct more in-depth research on industries with high regulatory pressure, such as banking and pharmaceuticals.

5. CONCLUSION

5.1 Summary of Key Findings

This research shows that the relationship between tax avoidance, CSR, and firm performance are complex and influenced by industry factors, regulations and social pressures. Some companies use CSR as a tool to maintain social legitimacy after carrying out tax avoidance, while others do not show significant CSR commitment. RegulaTaxes and external pressures play an important role in determining corporate strategy.

5.2 Managerial and Policy Implications

- For companies: Tax avoidance strategies need to be balanced with transparency and strong CSR practices to maintain stakeholder trust.
- For regulators: Policies are needed that increase tax transparency and provide incentives for companies that demonstrate commitment to CSR.
- For stakeholders: Awareness of the impact of tax avoidance on corporate and economic sustainability must continue to be increased.

Tax transparency and CSR play an important role in improving corporate sustainability. Companies that are able to manage tax strategies ethically and strengthen their social responsibility will have a better reputation and stronger long-term performance. Therefore, a more balanced approach between tax efficiency and social commitment should be a priority for corporate managers and policy makers.

6. REFERENCES

Abd-Elmageed, M. and Ashour, B. (2021). Are tax avoidance, corporate social responsibility and financial performance affecting firm value in the egyptian listed companies?. الفكر المحاسبى, 25(1), 866-899. https://doi.org/10.21608/atasu.2021.170161

Abid, S. and Dammak, S. (2021). Corporate social responsibility and tax avoidance: the case of french companies. Journal of Financial Reporting and Accounting, 20(3/4), 618-638. https://doi.org/10.1108/jfra-04-2020-0119

Alkurdi, A. and Mardini, G. (2020). The impact of ownership structure and the board of directors' composition on tax avoidance strategies: empirical evidence from jordan. Journal of Financial Reporting and Accounting, 18(4), 795-812. https://doi.org/10.1108/jfra-01-2020-0001

Alsaadi, A. (2020). Financial-tax reporting conformity, tax avoidance and corporate social responsibility. Journal of Financial Reporting and Accounting, 18(3), 639-659. https://doi.org/10.1108/jfra-10-2019-0133

Amri, K., Douagi, F., & Guedrib, M. (2022). The impact of internal and external corporate governance mechanisms on tax aggressiveness: evidence from tunisia. Journal of Accounting in Emerging Economies, 13(1), 43-68. https://doi.org/10.1108/jaee-01-2021-0019

Arianti, B. (2020). The effect of independent commissioner's moderation of csr and institutional ownership on tax avoidance. Jabe (Journal of Accounting and Business Education), 4(2), 98. https://doi.org/10.26675/jabe.v4i2.8271

Ariff, A., Kamarudin, K., Musa, A., & Mohamad, N. (2024). Financial constraints, corporate tax avoidance and environmental, social and governance performance. Corporate Governance, 24(7), 1525-1546. https://doi.org/10.1108/cg-08-2023-0343

Armstrong, C., Blouin, J., Jagolinzer, A., & Larcker, D. (2015). Corporate governance, incentives, and tax avoidance. Journal of Accounting and Economics, 60(1), 1-17. https://doi.org/10.1016/j.jacceco.2015.02.003

Balakrishnan, K., Blouin, J., & Guay, W. (2018). Tax aggressiveness and corporate transparency. The Accounting Review, 94(1), 45-69. https://doi.org/10.2308/accr-52130

Chouaibi, J., Rossi, M., & Abdessamed, N. (2021). The effect of corporate social responsibility practices on tax avoidance: an empirical study in the french context. Competitiveness Review an International Business Journal Incorporating Journal of Global Competitiveness, 32(3), 326-349. https://doi.org/10.1108/cr-04-2021-0062

Dakhli, A. (2021). The impact of ownership structure on corporate tax avoidance with corporate social responsibility as mediating variable. Journal of Financial Crime, 29(3), 836-852. https://doi.org/10.1108/jfc-07-2021-0152

Drake, K., Lusch, S., & Stekelberg, J. (2017). Does tax risk affect investor valuation of tax avoidance?. Journal of Accounting Auditing & Finance, 34(1), 151-176. https://doi.org/10.1177/0148558x17692674

Du, M. and Li, Y. (2023). Tax avoidance, csr performance and financial impacts: evidence from brics economies. International Journal of Emerging Markets, 19(10), 3303-3328. https://doi.org/10.1108/ijoem-05-2022-0747

Elamer, A., Boulhaga, M., & Ibrahim, B. (2024). Corporate tax avoidance and firm value: the moderating role of environmental, social, and governance (esg) ratings. Business Strategy and the Environment, 33(7), 7446-7461. https://doi.org/10.1002/bse.3881

Frecknall-Hughes, J., Moizer, P., Doyle, E., & Summers, B. (2016). An examination of ethical influences on the work of tax practitioners. Journal of Business Ethics, 146(4), 729-745. https://doi.org/10.1007/s10551-016-3037-6

Goh, B., Lee, J., Lim, C., & Shevlin, T. (2016). The effect of corporate tax avoidance on the cost of equity. The Accounting Review, 91(6), 1647-1670. https://doi.org/10.2308/accr-51432

Guedrib, M. and Bougacha, F. (2024). The moderating effect of tax risk on the relationship between tax avoidance and firm risk: empirical evidence in the french context. International Journal of Law and Management, 66(4), 468-495. https://doi.org/10.1108/ijlma-06-2023-0140

Huseynov, F. and Klamm, B. (2012). Tax avoidance, tax management and corporate social responsibility. Journal of Corporate Finance, 18(4), 804-827. https://doi.org/10.1016/j.jcorpfin.2012.06.005

Judijanto, L. (2024). Development of tax avoidance research in asia through bibliometric analysis. West Science Accounting and Finance, 2(02), 367-378. https://doi.org/10.58812/wsaf.v2i02.1059

Koh, P., Qian, C., & Wang, H. (2013). Firm litigation risk and the insurance value of corporate social performance. Strategic Management Journal, 35(10), 1464-1482. https://doi.org/10.1002/smj.2171

Li, W., Lü, Y., & Li, W. (2019). Does csr action provide insurance-like protection to tax-avoiding firms? evidence from china. Sustainability, 11(19), 5297. https://doi.org/10.3390/su11195297

Li, Y., Al-Sulaiti, K., Dongling, W., Abbas, J., & Al-Sulaiti, I. (2022). Tax avoidance culture and employees' behavior affect sustainable business performance: the moderating role of corporate social responsibility. Frontiers in Environmental Science, 10. https://doi.org/10.3389/fenvs.2022.964410

Lianty, F. (2023). The effect of corporate governance on tax avoidance with corporate social responsibility as mediation. Jmbi Unsrat (Scientific Journal of Business Management and Innovation, Sam Ratulangi University), 10(3), 1814-1824. https://doi.org/10.35794/jmbi.v10i3.49565

López-González, E., Martínez-Ferrero, J., & García-Meca, E. (2019). Does corporate social responsibility affect tax avoidance: evidence from family firms. Corporate Social Responsibility and Environmental Management, 26(4), 819-831. https://doi.org/10.1002/csr.1723

McClure, R., Lanis, R., Wells, P., & Govendir, B. (2018). The impact of dividend imputation on corporate tax avoidance: the case of shareholder value. Journal of Corporate Finance, 48, 492-514. https://doi.org/10.1016/j.jcorpfin.2017.10.007

Payne, D. and Raiborn, C. (2015). Aggressive tax avoidance: a conundrum for stakeholders, governments, and morality. Journal of Business Ethics, 147(3), 469-487. https://doi.org/10.1007/s10551-015-2978-5

Rachmad, Y., A, N., & Yusmita, F. (2023). What motivates companies to avoid tax? Journal of Assets (Accounting Research), 15(1), 89-98. https://doi.org/10.17509/jaset.v15i1.51844

Rudyanto, A. and Pirzada, K. (2020). The role of sustainability reporting in shareholder perception of tax avoidance. Social Responsibility Journal, ahead-of-print(ahead-of-print). https://doi.org/10.1108/srj-01-2020-0022

Salhi, B., Riguen, R., Kachouri, M., & Jarboui, A. (2019). The mediating role of corporate social responsibility on the relationship between governance and tax avoidance: uk common law versus french civil law. Social Responsibility Journal, 16(8), 1149-1168. https://doi.org/10.1108/srj-04-2019-0125

Wang, F., Xu, S., Sun, J., & Cullinan, C. (2019). Corporate tax avoidance: a literature review and research agenda. Journal of Economic Surveys, 34(4), 793-811. https://doi.org/10.1111/joes.12347

Watson, L. (2015). Corporate social responsibility, tax avoidance, and earnings performance. Journal of the American Taxation Association, 37(2), 1-21. https://doi.org/10.2308/atax-51022

Xaviolyn, X., Hendi, H., & Krisyadi, R. (2023). The mediating effect of CSR disclosure on gender diversity, profitability, and tax avoidance. Manado Accounting Journal (Jaim), 535-549. https://doi.org/10.53682/jaim.vi.7938

Yoon, S., Xin, J., & Cui, Y. (2024). Effects of agency costs on the relationship between tax avoidance and firm value: a case of chinese companies. Journal of Social Economics Research, 11(1), 12-22. https://doi.org/10.18488/35.v11i1.3606

Zeng, T. (2019). Relationship between corporate social responsibility and tax avoidance: international evidence. Social Responsibility Journal, 15(2), 244-257. https://doi.org/10.1108/srj-03-2018-0056