Corporate Social Responsibility and Corporate Tax Planning: Does CSR/tax payment Orientation matter?

Edosa Joshua Aronmwan[1] and Omena Obehi Igbinoba[2]

[1,2]Department of Accounting, Faculty of Management Sciences, University of Benin
Email: joshua.aronmwan@uniben.edu.ng

Abstract
This study provides empirical evidence on the relationship between corporate social responsibility and tax planning. In line with the reasoning of Davis et al. (2016) and Mao (2019), firms were divided into two groups based on the connection between their level of corporate social responsibility and tax payments. Corporate social responsibility was measured using the amount of donation by a company while tax planning was measured using the cash flow effective tax rate (ETR). Using the Pooled Ordinary Least Squares regression technique and a sample of 364 firm-year observations, the study found on one hand that there is a significant negative relationship between corporate social responsibility (CSR) and corporate tax planning (CTP) among firms with CSR/tax payment substitute orientation. On the other hand, a significant negative relationship was also discovered to exist between corporate social responsibility (CSR) and corporate tax planning (CTP) among firms with CSR/tax payment complement orientation. The study therefore concludes that a firm's CSR/tax payment orientation matters and should be considered by policy makers and regulatory agencies when making fiscal policies. The study recommends that tax authorities that want to positively shape the orientation of taxpayers should ensure that the inefficiencies in converting tax revenue to social welfare are addressed.

Keywords: Corporate social responsibility; tax planning; effective tax rate; tax payment orientation; tax avoidance.

1.0 Introduction

Based on the stakeholders' theory, the relationship that exists within a corporate entity goes beyond the relationship between the manager and shareholders; to include the relationship with other interest groups that have a stake in the activities of such entity. Consequently, literature documents that there is always a conflict of interest when trying to satisfy corporate stakeholders (Dowling, 2013; Hoi, Wu, & Zhang, 2013; Huseynov & Klamn, 2012). One of such areas of conflict relates to taxation, corporate social responsibility, and tax planning (Huseynov & Klamn, 2012; Whait, Christ, Ortas, & Burritt, 2018; Zeng, 2019).

Tax is a compulsory levy imposed by the relevant tax authorities, from which, the provision, maintenance of infrastructure and development of the society is carried out. It is a major means by which individual and corporate taxpayers demonstrate their civic responsibility to the society at large (Christensen & Murphy, 2004). However, corporate entities tend to plan their affairs in such a way as to minimise tax payments because corporate taxes are charges against profit and form part of the business cost incurred by corporations that reduces shareholders' wealth (Hanlon & Heitzman, 2010).

Corporate tax planning (CTP) simply entails strategising on how to pay the least amount of tax possible. Such strategies could be legal or illegal, aggressive or moderate (Chen, Chen, Cheng, & Shevlin, 2010). As a strategy, corporate tax planning can be beneficial to some stakeholders and detrimental to others. Tax planning serves as a major strategic issue in corporate decision making and the probability of managers aggressively engaging in it in a bid to maximise shareholders' wealth is on the increase all over the world (Lanis & Richardson, 2012). From the perspective of the society, the payment of taxes facilitates the financing of infrastructures. Thus, a company that adopts an aggressive tax planning policy will negatively impact the well-being of the society at large (Lanis & Richardson, 2012; Sikka, 2010). That is, when a company engages in aggressive tax planning, such company is generally considered not to be paying its fair share of taxes to the government and according to Christensen and Murphy (2004), that company is seen as socially irresponsible. Furthermore, drawing inspiration from the theories on corporate culture, engaging in corporate social responsibility (CSR) is a function of a corporate culture that considers the interests of stakeholders and not just shareholders. As such CSR is a tool for mitigating tax planning (Mao, 2019) and preventing the society from experiencing irreparable losses as a result of violation of the 'invisible' contract between firms and the society (Weisbach, 2002).

Although, it is generally agreed that corporate socially responsible firms should strive to make profit, obey laws, be ethical, and be a good corporate citizen (Carroll, 2015), but can a firm be truly socially responsible and still maximise shareholders' wealth? We argued that the payment of taxes by corporate entities should serve as a pointer to the legal aspect of corporate social responsibility; however, with the persistence of aggressive tax planning been carried out by corporations (Lanis & Richardson, 2012), actions by corporations as regards tax payments and CSR activities tend to create an atmosphere of organized hypocrisy which may be understood as the gap between corporate talk, decision, and actions (Sikka, 2010) and this has over-time become a real cause of concern. As touching the link between tax planning and corporate social responsibility, one of the observed gap in literature is the dearth of literature. The few existing studies such as Hanlon and Heitzman (2010); Hoi et al. (2013); Huseynov and Klamn (2012); Kraft (2014); Laguir, Stagliano and Elbaz (2015); Lanis and Richardson (2015); Sikka (2010); Watson (2015); and Ylonen and Laine (2015) have harped on developed/industrialised countries such as USA, UK, France, Australia, Germany, China while studies such as Amidu, Kwakye, Harvey, and Yorke (2016) and Mgbame, Chijoke-Mgbame, Yekini, and Yekini (2017) in developing countries in general and Nigeria in particular are quite few.

In addition, these studies all had conflicting findings as to the association between CSR and corporate tax planning. Some (Fitri & Munandar, 2017; Mgbame et al., 2017) found a negative realationship between CSR and tax planning suggesting that payment of taxes is a means of contributing to the society and thus a subset of the goals of CSR. Conversely, others (Mao, 2019; Zeng, 2019) discovered a positive relationship between these variables suggesting that CSR is a risk management tool and likened to an insurance mechanism against reputation risk and tax planning related implicit cost.

Considering the peculiarity of the Nigerian environment that is characterized by complexities in tax laws (Mgbemena & Idem, 2019), cases of corruption which weakens tax morale (Enyi, Adegbie, & Agbetunde, 2019; Jahnke & Weisser, 2019; McCulloch, Moerenhout, & Yang, 2021), pervasive socio-economic and environmental deprivation, and an environment where corporate social responsibility reporting is largely voluntary (Mgbame et al., 2017), it is possible that firms that engage in "publicly visible forms" of CSR (donations, host community development and employment) are just doing this for legitimacy concerns while secretly engaging in "non-publicly visible forms" of corporate social irresponsibility (aggressive tax planning). This may account for why Davis, Guenther, Krull, and Williams (2016) asserted that the relationship between CSR and tax payments may be seen as substitute or complementary. That is, if tax payment is seen as a complementary action to CSR, entities engaging in CSR would be less tax aggressive whereas, if it is seen as a substitute action, the reverse would be the case. Mao (2019) extended this view by noting that it is equally possible for CSR not to have any relationship with tax planning. In this case, both are perceived as independent strategies aimed at maximising shareholders' wealth.

This study is novel as it is a departure from prior studies because it considers the substitute/complementary arguments of Davis et al. (2016) and Mao (2019) in explaining the relationship between CSR and tax planning within the Nigerian context.

The rest of the paper is divided into: literature review and hypotheses development; methodology, data presentation and analyses, discussion of findings, and conclusion and recommendations.

2.Literature Review And Hypotheses Development

2.1Conceptual Review on Tax Planning and Corporate Social Responsibility

Taxes serve as one of the major source of revenue to the government and it is one of the fundamental ways in which individuals and corporate entities show allegiance and interact with the government. Beyond this, the payment of taxes has a community and societal implication because taxes play a major role in the funding and provision of public goods used by the society at large (Lanis & Richardson, 2013). It therefore becomes a cause for concern when taxpayers engaged in aggressive tax planning.

From the point of view of the society, the payment of taxes (corporate or personal) would lead to an increase in government revenue, which in turn would lead to an increase in the provision of infrastructure. However, just as taxes are beneficial, there are also cost implications which many taxpayers (corporate and individual) tend to focus on and thus, are tempted to engage in activities to minimise tax liabilities.

In literature, we have various concepts that have been used to describe the act of reducing one's tax liability. These concepts include tax planning, tax management, tax aggressiveness, and tax sheltering (Boussaidi & Hamed, 2015; Salihu, Obid, & Annuar, 2013). According to Chen et al. (2010), tax planning activities may be described as a continuum of legal, grey, or illegal actions aimed at reducing tax payment and those that fall within the grey area better describes tax aggressiveness. Tang and Firth (2011) added that tax planning involves taking advantage of the loopholes and uncertainty in the tax system in order to report a favourable tax position resulting into tax minimisation. The Chartered Institute of Taxation of Nigeria (CITN, 2017) decomposed tax planning into two forms- tax avoidance and tax mitigation, stating that the latter involves the use of fiscal incentive accorded to taxpayers by tax legislations via fulfilment of the requirements and conditions that the particular tax legislation entails (CITN, 2017). In other words, tax planning is a broad concept that encompasses tax avoidance and tax mitigation.

Corporate tax planning also entails strategically structuring the operations of a business in order to minimise its tax liabilities. These structures usually encompass activities taken to minimise tax liabilities and they may not be compatible with societal expectations of corporations (Christensen & Murphy, 2004; Sikka, 2010). According to Lanis and Richardson (2012), aggressive corporate tax planning is a broad scheme or arrangement, which is not within the spirit of the law, put in place by management to reduce the tax payable. Looking at it from a societal perspective, Slemrod (2004) viewed aggressive corporate tax planning as corporate selfishness which produces an irrecoverable loss to the society as a whole while Christensen and Murphy (2004) noted the issue as just being socially irresponsible. Tax planning may also be seen as the shifting of the wealth or worth of the society from the government to companies (Kiabel & Akenbor, 2014). That is, companies hold on to what should have been given to the society via government channels.

Furthermore, Avi-Yonah (2008) argued from the perspective of the entity that if the entity is mindful about social responsibility as a legitimate function, then it would undertake paying taxes as its fair share of contribution to foster the growth and development of the society. Similarly, Davis et al. (2016) asserted that having a tax orientation that sees tax as a component of CSR, may influence an entity's disposition to tax and CSR such that engaging in one would affect the cost/benefit of engaging in the other. In other words, the orientation that paying taxes as a form of corporate social responsibility is expected to affect a firm's behaviour as regards the extent of tax planning. However, this orientation may conflict with the primary economic motive of any company, therefore making it difficult to clearly advocate and determine the course of action that a company might take in this regards. This is implied from Lanis and Richardson (2012) who documented that aggressive tax planning could either lead to significant cost [benefit] that would be borne [enjoyed] by shareholders in the absence [presence] of sound corporate governance.

From the foregoing, we observe that there is no clear accepted definition of the act of exploiting set conditions and avenues in reducing one's tax liability. Therefore, we align with the Chartered Institute of Taxation of Nigeria being an authority on tax matters in Nigeria and describe the activities by companies to reduce their tax liabilities as corporate tax planning. In addition, corporate tax planning may be achieved using either conforming or non-conforming tax strategies. Conforming tax strategies arise when a firm reduces its income tax liability by engaging in activities that reduce both book income and taxable income (Badertscher, Katz, Rego, & Wilson, 2019) while non-conforming tax strategies involves reducing taxable income but not the financial statement (book) income (Halon & Heitzman, 2010). Though both conforming and non-conforming tax strategies reduce tax liability, most studies have focused more on non-conforming tax strategies (Badertscher et al., 2019).

According to Carroll (2015), corporate social responsibility is a widely used concept with no generally accepted definition, but an agreement that it entails striving to be profitable, law abiding, ethically disposed, and being a good corporate citizen. Corporate social responsibility involves an entity being responsible for the impact its business activities has on environmental and social well-being. According to Groen (2014), CSR is not just a responsibility to shareholders, but to all relevant stakeholder groups. That is, it goes beyond fulfilling the expectations of owners of businesses to equally fulfilling the desires of other interest groups like the government, host community, and general public. This is further expanded by Amidu et al. (2016) who opined that CSR involves acting ethically and contributing to economic growth and development which culminates in an improved way of life for all stakeholders.

Avi-Yonah (2008) posed that the desire for an entity to be socially responsible is a function of its perception of the legality and ethics surrounding CSR. That is, if the entity strongly believes that CSR is a legitimate and necessary function, then the entity will ordinarily pay the right amount of taxes, but if it sees CSR as illegitimate or a supplementary function, then the question to minimise tax payment will certainly arise. In addition, Sikka (2010) documented that a litmus test of the claims by an entity of being socially responsible is the correct payment of taxes, others may include the extent of donations, employment opportunities, and provision of social amenities to the host community where it operates.

Carroll (1991) provided the composition of corporate social responsibility using a pyramid as consisting of economic responsibility, legal responsibility, ethical responsibility and philanthropic responsibility. All these contributing in unequal proportion, sum up as the totality of the expectations of stakeholders. The economic responsibility perspective connotes that the business is created as an economic entity designed to provide goods and services with a view of making profit for shareholders. The legal responsibility perspective demonstrates that though the entity desires to make a profit, it must be done within the ambits of the law. Ethical responsibility perspective involves acting with fairness to all stakeholder groups and not just to the shareholders while the philanthropic responsibility perspective comprises of corporate actions towards the society. It involves engaging in activities that would improve the welfare of the citizens as well as improve the corporate image of the business.

Thus, from the foregoing, a socially responsible company should strive to make profit, obey the laws and regulations of the land, be ethical as well as being a good corporate citizen. However, to what extent can a company really do this? Can a right mix/balance be achieved between these components? Are not the legal aspects (like tax compliance) and the philanthropic aspects (like donations, employment opportunities) being traded for the economic aspect (profit making for shareholders)?

According to Banerjee (2008), a balance can be achieved thereby leading to a win-win situation as CSR makes good business sense and enhances shareholders' value. Furthermore, Lanis and Richardson (2015) opined that a company with high level of CSR would generally be less tax aggressive. However, the conflict of interest via the reduction of taxes; which benefits shareholders; but is a reduction in the earning capacity of government to provide for the society at large (Sikka, 2010), makes it difficult to emphatically determine the true nature of any entity's social responsibility.

Empirical Review and Hypotheses

In trying to address the question whether corporate tax avoidance is consistent with corporate social responsibility, theories such as legitimacy theory, shareholders' wealth maximisation theory, agency theory, and stakeholders' theory are brought to bear. As regards shareholders' wealth maximisation, the submission of Friedman (1970) is that "CSR is pure and unadulterated socialism" which negate managers' intention to maximise firm value and increase shareholders' wealth. Thus, managers, being agents of the shareholders, owe them a principal responsibility and would not want to go ahead to spend shareholders' money on the general public or other stakeholders if it believes that such would not contribute to shareholders' wealth.

Drawing from the agency theory, McWilliams, Siegel, and Wright (2006) opined that corporate social responsibility is a misuse of corporate resources that would be better spent on value-added internal projects or returned to shareholders. However, from the perspective of the legitimacy theory, managers may involve in CSR to align themselves as legitimate in the sight of the general public and may therefore carry out CSR for duty's sake (Lanis & Richardson, 2012). To ensure that CSR is not in excess but that a balance among the various components of CSR as documented by Carroll (2016) is achieved, managers may therefore want to trade off some aspects of CSR perhaps legal responsibility (tax compliance) for philanthropic responsibilities (donation) or vice versa so as to still maximise the economic responsibility (profit to shareholders).

This is further buttressed by Davis et al. (2016) who posited on one hand that socially responsible firms may avoid tax obligations because it is seen as reducing their ability to further engage in CSR. On the other hand, CSR may be engaged in by such firms in other to be perceived as legitimate and reduce the negative perception associated with low payment of taxes. Put differently, they claimed having an orientation that tax is a component of CSR may cause an entity's disposition to tax to influence its disposition to CSR such that engaging in one would affect the cost/benefit of engaging in the other.

Empirically, the findings on the nexus between CSR and tax planning has been mixed. The findings of Hoi et al. (2013) suggest that firms with extreme irresponsible CSR activities have a higher propensity to engage in tax avoidance strategies. Thus, a positive relationship explains the association between CSR and tax avoidance. Watson (2015) investigated if the association between CSR and tax avoidance can be explained by the moderating effect of earnings. Using the OLS regression technique and measuring tax avoidance using cash ETR, it was discovered that when earning is low, CSR is positively related to tax avoidance activities. However, as earnings improve, this relationship changed.

Similarly, Mao (2019) examined the effect of CSR on tax avoidance by Chinese companies. The study adopted a matching propensity approach over a period of eight (8) years ranging from 2009 to 2016. The findings revealed that companies engage in CSR as a risk management strategy to mitigate the reputation risk associated with engaging in tax avoidance. Within a cross-country setting, Zeng (2019) evaluated the nexus between CSR and tax avoidance using 9945 firm-year observations from listed companies operating in 35 countries. Tax avoidance was measured using different measures including book-tax difference and effective tax rate. The study found a statistical significant relationship between CSR and tax avoidance.

In a study focused on listed Chinese firms, Gulzar, Cherian, Sial, Badulescu, Thu, Badulescu, and Khuong (2018) examined the connection between CSR and corporate tax. The sample comprised of 3481 firm-year observations for seven years (2009-2015). CSR was captured using CSR rating conducted by Rankins (RKS) corporate social responsibility rating agency while tax avoidance was measured using current ETR and cash ETR. The findings revealed that socially responsible firms engage more in tax avoidance compared to less socially responsible firms.

Flowing from the foregoing, we hypothesize that for: *firms with CSR/tax payment substitute orientation, there will be a significant positive relationship between CSR and corporate tax planning (H1)*

On the other side of the debate, some researchers have observed a negative relationship between CSR and tax planning. Fitri and Munandar (2018) investigated the influence of CSR, leverage, and profitability on tax aggressiveness. Using a sample of 36 manufacturing companies listed on the Indonesian Stock Exchange between 2010 and 2015, the study found that CSR exhibites a significant negative relationship with tax aggressiveness. The authors opined that the relationship between this two variables can be explained in part by corporate culture and stakeholders' theory which submit that being less tax aggressive is a way of paying attention to the needs of the government in particular and the society in general. Lanis and Richardson (2015) corroborated this position too as they found out that the higher the level of CSR performance of a firm, the lower the likelihood of corporate tax avoidance. Similarly, Laguir et al. (2015) found out that the greater the activity in the social dimension of CSR, the lower the level of corporate tax aggressive.

Davis et al. (2016) investigated firms on the Compustat database within 2002 to 2011 and observed that tax payment is viewed as a substitute for CSR as a negative relationship between these two varaibles was discovered among the sampled firms. Using a cross-sectional research design, Mgbame et al. (2017) conducted an enquiry on the effect of CSR performance on tax aggressiveness of listed Nigerian companies. A sample of 50 companies for 7 years (2007-2013) was used. CSR was captured using the amount of donations made by each company while tax aggressiveness was captured using different variants of the ETR. The study found a significant negative relationship between CSR and tax aggressiveness thus indicating that socially responsible companies are less tax aggressive due to legitimacy concerns and the need to show their level of corporate transparency and integrity.

Ortas and Gallego-Alvarez (2020) conducted an investigation on the influence of CSR performance on tax aggressiveness using an unbalance panel dataset of 2696 companies for the period 2002 to 2014. The findings revealed that companies with high levels of CSR performance as associated with lower levels of tax aggressiveness. This lends credence to the assertion that some companies view tax obligations as a subset of their CSR.

Drawing from the stakeholders' theory, the purpose of a business is to create as much value for its stakeholders. Thus, socially responsible firms do not only act in the interest of its owners, but in the interest of all identified stakeholders' group (Carroll, 1991; Garriga & Mele, 2004). Therefore, based on this theory, for a business to succeed and be sustainable in the long run, it has to ensure the interest of various stakeholders are aligned in the same direction. Managers would then strive to satisfy the various stakeholders' group based on the respective expectations of these groups. Although, managers may not be able to maximise value for all groups because of the trade-off and conflict in expectations, they are to strive to satisfy (satisfying condition). Thus, a positive association should be expected between CSR and tax payment.

Flowing from the foregoing, we hypothesize that for *firms with CSR/tax payment complementary orientation, there will be a significant negative relationship between CSR and corporate tax planning (H2).*

3.Methodology

3.1Research Design and Sampling Method

In carrying out this research, the panel data research design was employed due to the cross-sectional and time effects present in the variables used. A total of 364 firm-years observation of 52 companies quoted on the Nigerian Stock Exchange between 2009 and 2015 was used. This number was randomly selected from a target population of 117 companies (total population of companies less financial and oil and gas companies). Companies in financial services were excluded because of the peculiarity of their regulatory environment and the application of accounting policies and estimates as regards loan loss provision and reversal (Hsieh, 2012; Lanis & Richardson, 2012) while oil and gas companies were excluded because of the difference in applicable tax rate (Alm, 2019).

3.2Model Specification

In order to examine the relationship between CSR and tax planning, we drew from the legitimacy theory, shareholders' wealth maximisation theory, agency theory, and stakeholders' theory that all predict that a relationship exists between these two variables. Hsieh (2012) and Lanis and Richardson (2011) asserted that variables such as specific company attributes, corporate governance mechanism also predict the nature of corporate tax planning. Literature has shown that companies that engage in tax planning in previous years would likely continue especially when there is no tax audit (Annuar et al., 2014; Gomes, 2016). Also, board independence, a corporate governance mechanism has been argued to affect corporate tax planning behaviour (Aliani, 2013; Armstrong, Blouin, Jagolinzer, & Larcker, 2015). Non-executive directors help to ensure that the interests of shareholders are protected and that the board acts in an ethical and complaint manner towards laws and regulations. Consequently, with more non-executive directors (board independence) on the board, the less the likelihood of engaging in aggressive tax planning (Lanis & Richard, 2011). Thus, to serve as control variables, we included a variable to capture a company's previous year corporate tax planning behaviour and board independence to arrive at the model for this study. The model was estimated using the Pooled Ordinary Least Squares technique with heteroskedasticity and autocorrelation consistent standard errors.

$CTP_{it} = \beta_0 + \beta_1 CSR_{it} + \beta_2 PCTP_{it-1} + \beta_3 BIND_{it} + \varepsilon_{it}$ (1)

Where:

CTP_{it} = corporate tax planning of company 'i' in year 't'

CSR_{it} = corporate social responsibility of company 'i' in year 't'

$PCTP_{it-1}$ = corporate tax planning of company 'i' in year 't-1'

$BIND_{it}$ = board independence of company 'i' in year 't'

$\beta_0, \beta_1, \beta_2, \beta_3$ = Coefficients

3.3Operationalization of variables

Corporate tax planning was measured using cash flow effective tax rate (ETR). This was gotten by dividing cash tax paid by net cash flow from operating activities (Salihu, Annuar, & Obid, 2015). Unlike accounting ETR and current ETR, which equates a numerator free from the effects of accrual management with a denominator affected by it, thus creating ambiguity (Aronmwan & Okaiwele, 2020), cash flow ETR is completely free from the effects of accrual management and is expected to also measure the conforming aspect of tax planning (Hanlon & Heitzman, 2010).

In addition, lower values of ETR implies aggressive tax planning behavior because ETRs inversely captures the extent of tax planning. Consequently, this study adopted the method used by Lanis and Richard (2011) that involves multiplying the ETR by minus one (-1) so as to obtain an increasing measure for corporate tax planning. In this regards, lower values of ETR now implies lower levels of tax planning therefore simplifying interpretations.

Corporate social responsibility was measured using the log value of donations made by a company. This is in line with Chauhan and Amit (2014). Davis et al. (2016) asserted that an entity may see tax payment as a substitute for CSR or as a complement of CSR. Therefore, to determine the CSR/tax payment orientation for each company, we conducted a correlation analysis for donations made by each company and the cash tax paid over the seven (7) year period. This was done using the Pearson correlation and a positive correlation was taken to mean that a company has a CSR/tax payment complementary orientation while a negative correlation meant a CSR/tax payment substitute orientation. Based on this, the entire sample was then divided into the two (2) strata of CSR/tax payment orientation for the purpose of testing the hypotheses.

Previous year tax planning behaviour was captured using the cash flow ETR in the immediate past year in line with Amidu et al. (2016) and Gomes (2016) while board independence was captured using the ratio of non-executive directors to total board members.

4.Results and Discussion

4.1Results

Descriptive analysis, correlation analysis and a regression analysis were used to achieve the objectives of this study. These are presented in this section alongside the inferences gathered therefrom.

Table 1: Descriptive statistics

Variable	Mean	Std. Dev.
CTP	-0.159863	0.24093
CSR	21137.49	80713.33
PCTP	-0.152692	0.238134
BIND	0.657582	0.154592

CTP = Corporate tax planning;
CSR = Corporate social responsibility;
PCTP = Previous year corporate tax planning;
BIND = Board independence

Source: Researchers' extraction from Eviews (2021)

Based on the descriptive analysis in Table 1, it is observed that corporate tax planning as measured using cash flow ETR has an absolute mean of approximately 0.16 and standard deviation of 0.24. The largeness of the standard deviation suggests large variability in the ETRs of sampled companies while the mean value presupposes that sampled companies on the average pay 16kobo for every N1 generated from their operations. Comparing this with the corporate tax rate of 30% suggests that companies effectively pay less than what is expected of them. This is further corroborated by the negative sign of the mean thus suggesting aggressive tax planning behaviour.

Corporate social responsibility (CSR) as captured using donations made during the year has a mean value ('000) of N21137.49 and a standard deviation ('000) of N80713.33. This provides information on the extent of cash donations made by the sampled companies. Furthermore, the large standard deviation suggests a wide disparity in the amount of donations made by the respective companies.

Looking at the previous year corporate tax planning behaviour (PCTP), the absolute mean value of 0.152, which is very close to the mean value of the current year (0.159) suggests that the tax planning behaviour of companies are relatively the same over a short period (one year). Also, since the value is lower than the current tax rate of 30%, it may be argued that companies that engage in aggressive tax planning in the previous year continue with this behaviour in the current year and a likely explanation for this may be the ineffectiveness of deterrent measures or the low frequency of tax audit.

Finally, board independence; a measure for corporate governance has a mean value of approximately 0.66 and a standard deviation of 0.15. Since the mean value is above 50%, it may be argued that board independence is a practice that is fairly adhered to by the sampled companies. In addition, the value suggests that of every three (3) board members, at least one (1) is an external director/member.

Table 2: Correlation Matrix

	CTP	CSR	PCTP	BIND
CTP	1			
CSR	-0.1546	1		

	0.0031			
PCTP	0.2847	-0.1222	1	
	0.0000	*0.0197*		
BIND	-0.1344	-0.1281	0.0964	1
	0.0102	*0.0145*	*0.0661*	

p-value in italics

Source: Researchers' extraction (2021)

The correlation matrix in Table 2 is an analysis tool used to examine the strength of the association between variables. The correlation coefficient between corporate tax planning (CTP) and corporate social responsibility (CSR) is -0.15 with a significant p-value of 0.0031 suggesting a fairly strong inverse association between these two. The correlation coefficient between corporate tax planning (CTP) and the previous year corporate tax planning (PCTP) is 0.28 and equally significant. This also indicates that a fairly strong direct association exists between the variables. The opposite goes for corporate tax planning (CTP) and board independence (BIND) with a correlation coefficient of -0.13 and a significant p-value of 0.0102.

Table 3 is the regression output for firms with CSR/tax substitute orientation (column 1) and those with complementary orientation (column 2). Focusing on column 1, the R squared of 0.1326 and adjusted R squared of 0.1191 reveals that the explanatory variables taken together jointly explain about 13% and 12% of the variation in corporate tax planning respectively. In addition, the p-value of the F statistics is 0.0000. This is less than 0.05, thus, this model has a sound predictive power and is relevant for policy making. It was also observed that at 5% significance level, corporate social responsibility (CSR) has a significant negative relationship with corporate tax planning (CTP) among firms with CSR/tax payment substitute orientation as inferred from the coefficient of approximately -0.03 and the one tail p-value of 0.0062. Therefore, hypothesis one is rejected and this study asserts that firms with CSR/tax payment substitute orientation have a significant negative relationship between CSR and corporate tax planning. The coefficient also implies that a one unit change in CSR will lead to a 0.03 unit decrease in CTP. Previous year CTP has a significant positive relationship with CTP as observed from the coefficient of approximately 0.239 and one tail p-value of 0.005. This further implies that a one unit change in previous year CTP will lead to a 0.239 unit increase in CTP. Lastly, it is observed that board independence (BIND) has a significant negative relationship with corporate tax planning (CTP) as inferred from the coefficient of approximately -0.246 and one tail p-value of 0.026. This further shows that a 1 unit change in BIND will lead to a 0.246 unit decrease in CTP.

With respect to CSR/tax complementary orientation (column 2). The R squared of 0.0838 and adjusted R squared of 0.0671 reveals that the explanatory variables taken together jointly explain about 8% and 7% of the variation in corporate tax planning respectively.

Table 3: OLS regression

	(1) Substitute orientation	**(2) Complementary orientation**
Variable	Coef. t-Stat	Coef. t-Stat

	Two tailed One tailed	Two tailed One tailed
CSR	-0.0253 -2.5272 0.0123* 0.0062*	-0.0126 -1.8054 0.0729*** 0.03645**
PCTP	0.2389 2.5823 0.0106* 0.0053*	0.2653 2.1315 0.0345** 0.0173**
BIND	-0.2460 -1.9591 0.0516** 0.0258**	-0.1439 -0.9928 0.3223 0.1612
C	0.0850 1.0517 0.2943 0.1471*	0.0099 0.1061 0.9157 0.4579
R-squared	0.1326	0.0838
Adj. R-squared	0.1191	0.0671
F-Stat	9.7908	5.0041
Prob(F-Stat)	0.0000	0.0024
Obs	196	168
* sig. @1%, **sig. @5%, ***sig. @10%		

Source: Researchers' extraction (2021)

Juxtaposing with the result in column 1, it is noticed that the explanatory variables explain less of the variation in firms with CSR/tax complement orientation than firms with CSR/tax substitute orientation. In addition, the p-value of the F statistics is 0.0024. This is less than 0.05, thus, this model has a sound predictive power and is relevant for policy making. It is equally observed that at 5% significance level, corporate social responsibility (CSR) has a significant negative relationship with corporate tax planning (CTP) among firms with CSR/tax payment complementary orientation as inferred from the coefficient of approximately -0.02 and the one tail p-value of 0.04. Therefore, we accept hypothesis two that firms with CSR/tax payment complementary orientation, have a significant negative relationship between CSR and corporate tax planning. The coefficient further shows that a one unit change in CSR will lead to a 0.02 unit decrease in CTP. Previous year CTP has a significant positive relationship with CTP as observed from the coefficient of approximately 0.27 and one tail p-value of 0.017. This further shows that a one unit change in previous year CTP will lead to a 0.25 unit increase in CTP. Lastly, it is observed that board independence (BIND) has an insignificant negative relationship with corporate tax planning (CTP) as inferred from the coefficient of approximately -0.14 and two tail p-value of 0.32. This further shows that a 1 unit change in CSR will lead to a 0.14 unit decrease in CTP.

4.2Discussion of Findings

Firstly, corporate social responsibility (CSR) was found to exhibit a significant relationship with corporate tax planning (CTP), although this relationship is negative among firms with CSR/tax payment substitute orientation as inferred from the coefficient of approximately -0.03 and the one tail p-value of 0.0062. Thus, we reject the directional hypothesis of a significant positive relationship between corporate social responsibility (CSR) and corporate tax planning (CTP) and assert on the contrary that a significant negative relationship exists between these two variables among firms with CSR/tax payment substitute orientation. This implies that firms with CSR/tax payment substitute orientation engage in CSR activities and distance from aggressive tax planning activities. This finding disagrees with the findings of Mao (2019) who opined that firms that view CSR as a substitute for tax payment would engage more in tax aggressive practice while using CSR as an insurance mechanism to hedged against the risk of penalties and fines associated with tax aggressiveness.

Findings from this study also negates the findings of Davis et al. and McGee (2010). Firms with CSR/tax payment substitute orientation are firms that naturally view tax payment as a hindrance to the maximization of social welfare. Consequently, Davis et al. (2016:3) documented that such firm view the payment of taxes as "detracting from social welfare because tax payments reduce innovation, job growth, and economic development" and also because they believe that resources are better put to efficient use by the private sector rather than the public. Thus, instead of transferring such resources that can be used for social welfare to the public sector in the form of tax payment, such firms will rather substitute such and use it by themselves for the good of the public.

A plausible explanation for the deviation of our findings may be that though Nigerian firms may have a CSR/tax payment substitute orientation and would rather directly use resources for the good of the society in form of CSR activities than indirectly through the payment of taxes, the agitation of tax authorities via frequent tax audits, the negative reputation effect associated with been caught avoiding taxes as well as the possible penalties associated with such could moderate this orientation and thus account for the negative relationship between CSR and tax planning of firms with CSR/tax payment substitute orientation.

Secondly, it was observed that corporate social responsibility (CSR) has a significant negative relationship with corporate tax planning (CTP) among firms with CSR/tax payment complementary orientation as inferred from the coefficient of approximately -0.01 and the one tail p-value of 0.04. Therefore, we accept the directional hypothesis of a significant negative relationship between corporate social responsibility (CSR) and corporate tax planning (CTP) among firms with CSR/tax payment complementary orientation at 5% significance level. The implication of this is that firms with this orientation complement their CSR activities by paying their taxes and being less aggressive with tax planning strategies. Although this is similar to the findings for the first hypothesis, the reason differs. Firms with CSR/tax payment complementary orientation view the payment of taxes as at least part of their social responsibility and a necessary activity to satisfy the government, which they see as a stakeholder. Thus, they would engage in CSR activities as well as pay their tax levies hence, the negative relationship between CSR and tax planning activities.

This view is tandem to the findings of Avi-Yonah (2008) and Kim, Park, and Weir (2012) who all asserted that a positive relation exists between CSR activities and tax payment. In addition, this finding aligns with the findings of Mgbame et al. (2017) who found that socially responsible companies are less tax aggressive due to legitimacy concerns and the need to show their level of corporate transparency and integrity. It also agrees with the position of Fitri and Munandar (2018) who discovered that CSR exhibits a significant negative relationship with tax aggressiveness because socially responsible firms have a corporate culture that integrates the interest of all stakeholders such as the government, host community, public and not just the shareholders.

5. Conclusion, Limitation, and Recommendations

This study sought to investigate the relationship between corporate social responsibility (CSR) and corporate tax planning. It considered the question of how the CSR/tax payment orientation of firms would influence the relationship between CSR and tax planning. CSR was measured using donations while tax planning was captured using cash flow effective tax rate. The findings revealed that CSR is significantly related to tax planning and firms can either have a CSR/tax payment substitute orientation or a CSR/tax payment complement orientation. Those with CSR/tax payment substitute orientation are expected to avoid taxes and thus, result in a positive relationship between CSR and tax planning. However, our findings negate this as we discovered a significant negative relationship between CSR and tax planning among firms with CSR/tax payment substitute orientation.

We also found that the CSR of firms with CSR/tax payment complementary orientation is also negative and significantly related to tax planning. The implication of this is that firms with CSR/tax payment complementary orientation view the payment of taxes as at least part of their social responsibility and a necessary activity to satisfy the government, which they see as a stakeholder. Thus, they engage in CSR activities as well as pay their tax levies.

The overall implication of this study for policy makers interested in social welfare is that the CSR/tax payment orientation of firms matter and should be considered when making policies. Furthermore, a tax authority interested in positively shaping the orientation of taxpayers must ensure that the inefficiencies in converting tax revenue to social welfare are addressed as this is a likely reason for some companies having a CSR/tax payment substitute orientation.

The major limitation of this study is in the aspect of measurement as CSR was captured using a single proxy measure despite its multifaceted nature. In addition, because the study relied on effective tax rate as a measure of tax avoidance, it was censored to fall between one (1) and zero (o). However, we believe that this has in no way compromise the reliability of the findings of the study.

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