

Invitation

You are cordially invited to the public defense to obtain the academic degree of

DOCTOR OF BUSINESS ECONOMICS

by Catherine Acosta Garcia

Essays on Taxation and Corporate Social Responsibility

Supervisors:

Prof. dr. Isabelle Verleyen - Prof. dr. Annelies Roggeman

Thursday, 23 January 2025 at 16h00

In the "Faculteitsraadzaal", Campus Tweekerken, Tweekerkenstraat 2, 9000 Ghent

Please confirm your attendance no later than 8 January by email to catherine.acostagarcia@ugent.be

EXAMINATION BOARD

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Abstract

The deepening of economic globalization has introduced major challenges for corporate taxation. While tax laws are developed at the national level, businesses often operate globally, leading to mismatches between where economic value is created and where taxes are paid. Many corporations exploit these gaps by taking advantage of inconsistencies in national tax systems to reduce their tax obligations. Reducing tax liabilities through these strategies raises concerns about the authenticity of corporate social responsibility (CSR) efforts. Although the connection between CSR and tax avoidance has garnered increasing attention, critical questions remain. These include understanding the factors that align corporate tax practices with CSR principles, evaluating the effectiveness of CSR in addressing tax avoidance, and exploring the role and implications of tax transparency. This dissertation addresses these pressing issues by applying diverse theoretical frameworks and methodological approaches to advance the literature on corporate taxation and CSR through three studies.

The **first study** investigates the effect of economic freedom on the relationship between CSR and tax avoidance. Economic freedom refers to the extent to which market forces guide economic activities and encompasses elements such as property rights protection, small government, stable monetary policy, open foreign trade and regulatory efficiency in credit, labor and business markets. The study also examines how society's tolerance for unequal power distribution (power distance) influences the role of economic freedom in this relationship. Analyzing data from more than 3,000 publicly listed firms in 44 countries from 2010 to 2018, the findings reveal that higher economic freedom weakens the positive relationship between CSR and tax avoidance, particularly in cultures with lower power distance. These insights are valuable for both corporate managers and policymakers aiming to foster a socially and fiscally responsible business environment.

The **second study** examines the influence of a tax transparency regulation, the public Country-by-Country Reporting (CbCR), on the CSR performance of European multinational banks. The analysis shows that public CbCR significantly enhances CSR performance, especially in banks that were likely paying lower taxes before the regulation was introduced. Improvements are particularly evident in the promised CSR, such as setting environmental, social and governance (ESG) targets, policies and reporting, rather than in the realized aspects, like measurable outcomes or avoiding ESG controversies. These findings suggest that the CSR performance changes linked to public CbCR may be driven by reputational concerns. The study contributes to the ongoing policy debate on the expansion of public CbCR requirements to other industries and underscores the need to integrate tax and CSR metrics for a more comprehensive assessment of corporate responsibility.

The **third study** employs a critical discourse analysis approach to investigate how European electric utilities legitimize their tax practices in tax transparency reports. The findings show that corporations justify their tax behavior by appealing to various authorities, rationales, values, and examples of "good" behavior, positioning themselves as socially responsible tax actors. The interplay between taxation, sustainability, and CSR discourses is central to this legitimation process, reflecting underlying ideological assumptions. The study raises the concern that qualitative tax disclosures may create an illusion of transparency without contributing to genuine accountability.

Together, these studies enhance the understanding of the CSR-taxation relationship and provide actionable insights for policymakers, corporate managers, and researchers working toward greater corporate social and fiscal responsibility in the global economy.

Curriculum vitae

Catherine Acosta Garcia holds a Master's degree in Economics from Universidad de Buenos Aires, Argentina, and a Bachelor's degree in Economics from Universidad del Valle, Colombia. After gaining professional experience in taxation, she joined the Department of Accounting, Corporate Finance, and Taxation as a PhD researcher in January 2020. Her research has been published in the *Society and Business Review* (<https://doi.org/10.1108/SBR-11-2023-0345>) and presented at several national and international conferences. These include the Research Day in Accounting (Brussels, 2022; Ghent, 2023), the Annual Congress of the European Accounting Association (Bergen, 2022; Espoo, 2023), and the International Congress on Social and Environmental Accounting Research (St. Andrews, 2024, virtual). Catherine also participated in specialized taxation events such as the Ghent Conference on International Taxation (Ghent, 2023) and the Transparency and Tax Avoidance Conference (Prague, 2022).