# CSR Decoupling and Tax Avoidance: a Conceptual Framework

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**Abstract**

This paper proposes a conceptual framework to investigate the relationship between CSR and tax avoidance. CSR and tax avoidance are claimed to share a similar feature of morality, thereby forming the basis of argument in the linkage between the two strategies at corporate level. While prior studies examined the relationship to ascertain corporate intention of engaging in CSR, this paper proposes that the corporate intention, implied by CSR decoupling, be embedded in the framework to investigate corporate perception on what constitutes moral judgment. Specifically, this paper proposes a framework to understand if companies view tax avoidance as an immoral act. The premise of neo-institutional theory is utilised to explain the intention of CSR, through CSR decoupling, and its influence on tax avoidance. This paper proposes that the significant gap in the literature should be addressed by incorporating the intention of CSR into examination rather than concluding it; and seek to ascertain if companies view tax avoidance as immoral, concluding the huge assumption that prior studies have relied on.

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**Keywords:** Business Ethics, Corporate Social Responsibility, CSR Decoupling, Tax Avoidance

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# Introduction

Corporate Social Reporting (CSR) is no longer new in corporate world. Although the term itself has not reached consensus on its definition, Carroll (1979; 1999) saw evolution of CSR definition and concept over time ever since the term was first introduced by Bowen in the early 1950s, whom the author regards him as the father of contemporary CSR. In a nutshell, CSR is easily understood as corporate contribution, as part of society to benefit society, upon making profit out of doing business. This development of CSR has caught attention of majority stakeholders including but not limited to society, employees, consumers, government authorities and investors, particularly other than profit seeking parties. These stakeholders are sensitive to companies' activities that could possibly cause unfavourable consequences to the society and have extra concern on corporate information that relates to CSR. This is due to the fact that companies exist in a non-vacuum environment, particularly means that they depend heavily on external sources to live; for instance companies need society for consumption of their goods and services, suppliers for their productions, employees to run daily activities of the business, etc. Hence, information on CSR sought by the said parties is as crucial as other sustainability efforts by companies. Having said that, during the last couple of decades, companies globally have included CSR and governance as part of their sustainability effort, often recently is widely known as Environmental, Social and Governance (ESG). Today, sustainability reporting has becoming a corporate fashion where CSR is embodied, with primary aim to address moral behavior of companies.

While aforementioned paragraph outlines the idea that CSR is corporate responsibility to ensure the wellbeing of society as a whole, tax payment on the other side of the coin is argued to carry similar set of idea. Tax payment is imposed on proportion of corporate profit and its ultimate purpose is for the government to use it for the wellbeing of society, only that tax is imposed by statute. Tax is generally known as collection by the government of a proportion of income on individual including corporate entities with primary purposes, amongst others are, to combat poverty through redistribution of income to the poor as well as contributes directly to the provision of social goods (Freedman, 2003; Landoff, 2006; Friese et al, 2008; Sikka, 2010; Sikka, 2013). Having said that, tax in itself has pure ethical value that gives out to society, but the value is somehow undermined when tax collection worldwide has diminished. For instance, recent studies show that the world's tax losses are projected to be over 200 billion dollars and are predicted to rise significantly over years (Clausing, 2016; Cobham and Jansky, 2018; Cobham and Jansky, 2019; Torslov et al., 2018). In emerging economic setting, Jenkins and Newell (2009) prove that the government of developing economies are criticized for failing to supply sufficient government public services or even if that is not the case, the economic growth in this setting has made a moderate progress.

Since tax has been the biggest provider to the world's revenue, most governments have been keeping their eyes open on issue of decreasing tax income during the last couple of decades. Tax avoidance and tax evasion have becoming topic of interest in corporate world for their said contribution to the reduced tax collection (Finer and Ylön, 2017; America, 2016; Dallyn, 2017; Jenkins and Newell, 2013; Sikka and Willmott, 2010). While tax evasion is an explicit attempt to escape tax, tax avoidance is an implicit attempt to escape tax, extended by exploiting gaps in tax legislation frequently in ways not designated by the government (Sikka, 2010; Sikka, 2013). While tax evasion is direct act of fraudulent, common techniques of tax avoidance on the other hand include transfer pricing, business structure and ownership, and thin capitalisation (Bagchi, 2016; Jenkins and Newell, 2013; Becker et. al., 2012; Buettner and Wamser, 2007; Bartelsman and Beetsma, 2003; Clausing, 2003; Desai et. al., 2005). Although tax evasion and tax avoidance are both highly synonym with immoral behavior, however, emphasis should be made clear on the varying extent of immorality between them (Hasseldine and Morris, 2013). This is because while tax evasion is illegal, tax avoidance is not. The main issue when some corporate practices are not made illegal by law but engaging in these practices has detrimental effect to people at large is that companies tend to embrace them one way or another when the practice seems beneficial to them. Hence, this legitimate act of avoiding tax has been receiving a lot of critique such as immoral, reckless, unethical and even disloyal (Jenkins and Newell, 2013; Hoi et. al., 2013; Preuss, 2010).

A group of researchers, particularly in the area of relationship between CSR and tax avoidance, argue that the two strategies are related at corporate level from moral standpoint. One of the most interesting debate is the trilogy of argument in the Smoke and Mirror (Sikka, 2010; Hasseldine and Morris, 2013; Sikka, 2013). The basic idea of the argument is the paradoxicality of both strategies in corporate world where companies engage heavily in CSR as contribution to society while at the same time engage in tax avoidance to reduce companies' cost but at the expense of the society (because tax collection by the government will eventually be invested back to society's wellbeing). The misalignment of companies' behaviour, in both CSR and tax strategies, from moral standpoint has brought the argument to live. However, the research area of the relationship between CSR and tax avoidance is still relatively new, given the level of awareness among key actors and the breadth of prior literature on the subject. Recent evaluation of prior literature finds that this field of research has received insufficient attention, indicating that it is still in its infancy and commendable of future investigation (Whait, et al., 2018; Stephenson and Vracheva, 2015). According to Whait et al. (2018), only 143 articles on the subject were published during the years under investigation, although the data shows a rise in papers published on the subject beginning year 2010, suggesting a corresponding increase in its awareness. Overall, prior literature establish positive, negative and even no connection between CSR and tax avoidance. The findings, which are based mostly on legitimacy theory, agency theory and stakeholders' theory, vary according to geographical setting.

While prior literature have established connection between CSR and tax avoidance, there are still gaps in the research area. The main gap is that most past studies rely on the premise that tax avoidance is viewed unethical. However, there is very little evidence that prove companies view tax as a return to society. It is rather unexpected view that paying tax is a negative consequence of an activity on society, with the idea that paying tax negatively impacts society by impeding innovation, job creation and economic development, particularly in the context of investment and entrepreneurship (Djankov et al, 2010). In fact, majority of companies believe lobbying for reduced corporate taxes is a way to help the general public through improved societal welfare (Davis et al, 2013). Another gap in the literature is that prior studies have focused on CSR as a one-dimensional concept. However, CSR is fundamentally composed of a few basic aspects such as economic, legal, ethical, and philanthropic (Carroll, 1979). Whait et al. (2018) argue that future research in this field should avoid considering CSR as a monolithic concept and instead concentrate on the potential impacts of various aspects of CSR on tax avoidance.

Another gap from the literature is the dearth of theoretical analysis in the subject area (Whait et. al., 2018; Hanlon and Heitzman, 2010). The findings vary according to geographic region, relying heavily on legitimacy theory, agency theory and stakeholder theory. Whait et al. (2018) argue that although these ideas are prominent in explaining the relationship between CSR and tax avoidance, they are also underutilised. Another gap found is the dearth of regional context. Although largest tax revenue losses often occur in low- and middle-income nations, majority of which are developing countries (Cobham and Jansky, 2018; Cobham and Jansky, 2019), analysis on the subject area of the linkage between CSR and tax avoidance reveals that majority of studies have concentrated on established economic environment such as United

States, Europe, China, United Kingdom, North America, South America and Australia, as opposed to developing ones (Whait et al., 2018). These major identified gaps demand further investigation in the research area to address these issues. Hence, the aim of this paper is to propose a conceptual framework that comprises of proposed constructs to fill these identified gaps in the literature.

# Theoretical Background

## Linkage of CSR and Tax Avoidance

The first two paragraphs of this section provide some insight of prior studies in the research area of the relationship between CSR and tax avoidance, making them rather descriptive. Nevertheless, subsequent paragraphs engage the central argument of this paper. In a recent study, Zeng (2019) finds that CSR and tax avoidance are positively related although it varies according to legal and institutional environment of different countries. The author asserts that CSR and country-level governance are interchangeable in the sense that for companies to participate in tax avoidance, country-level governance does not have to be strong. In another recent study that examines the impact of CSR on corporate tax avoidance comparing CSR and non-CSR companies, Mao (2019) finds that CSR companies are more active in their tax avoidance, indicating that engaging in CSR activities is one of their risk management strategy. Lanis and Richardson (2015) investigate whether CSR performance is linked to tax avoidance by examining companies from KLD database. The authors find that companies who are more socially responsible engage in less tax avoidance, a negative connection. Hoi et al. (2013) conclude that companies which engage in excessive irresponsible CSR activities engage in more aggressive tax avoidance (CSR is negatively related to tax avoidance – CSR and tax payment are complementary), implying that CSR is a dimension of corporate culture that influences the companies' tax related behavior. Zeng (2016) who examines connection between CSR, tax aggressiveness and corporate market value using Canadian listed companies finds that more socially responsible companies engage in less tax avoidance, implying a negative association. By the fact that CSR is beneficial for corporate reputation, companies who pay more tax and engage in CSR have greater market value (Zeng, 2016).

In another study, Davis et al. (2013) reveals a range of approaches to corporate tax in corporate accountability reports. For instance, tax is regarded negatively in terms of innovation, production, job generation, and economic growth (Davis et al, 2013). The authors demonstrate that majority of companies view lobbying for lower corporate taxes as a means of enhancing social welfare and some companies even gloss over the tax issue in their corporate accountability reports although some do recognize socially responsible behavior by paying taxes (Davis et al, 2013). Davis et al. (2013) find that CSR is positively associated with tax avoidance. In a subsequent research, Davis et al. (2016) find that CSR is positively linked to tax avoidance, implying that CSR and tax payment are mutually exclusive. Mao and Wu (2019) find that tax avoidance is negatively associated with CSR. When examining the indirect impact of CSR on tax avoidance, the authors assert that profitability serves as a mediator between CSR and tax avoidance with CSR performance reduces the profit while profit increases tax avoidance. CSR has no discernible impact on the mediating effect of profit on tax avoidance among Chinese listed companies (Mao and Wu, 2019). Lanis and Richardson (2012) who examine the relationship between CSR and corporate tax aggressiveness using Australian corporate setting find that CSR is negatively associated with tax avoidance. Holland et al. (2016) who examine tax-related disclosures by companies in the United Kingdom find that managers view tax avoidance as a possible threat to legitimacy.

Out of the aforementioned prior studies in the area of relationship between CSR and tax avoidance, one of the major points of contention is that tax should be seen as a component of CSR. This perspective is founded on stakeholder theory, which holds businesses responsible to more than just their shareholders, but also to the interests of other stakeholders, including but not limited to society, the government, labor unions, workers and consumers (Margolis and Walsh 2003; Mackey et al. 2007; Davis et al, 2016; Lanis and Richardson, 2015). The emphasis is on the repercussions of business activity that may benefit or damage society as a whole rather than on particular groups of interest. Having said that, companies engage in activities that go beyond profit maximization (Margolis and Walsh 2003; Mackey et al. 2007). Porter and Kramer (2006) assert that society plays major role in the eventual success of businesses since society is involved in virtually every activity in corporate value chains and engaging in behavior that could cost society would jeopardize companies' long-term survival. Avi Yonah (2008) and Schon (2008) assert that companies' existence in strong corporate competitive environment requires them to cope with the environment owned by other organisations and people. As a result, development and implementation of business policies and objectives will need participation that is not just shareholder-centric. For instance, CSR initiative should be integrated into business strategy in acknowledgment of the companies' social responsibilities (Williams, 2007).

Another point of contention in the literature is that CSR acts as a vehicle for companies to interact with society. Avi Yonah (2008) asserts that CSR may be regarded as a legitimate economic activity rather than an expense to maximize shareholder value. To this end, prior studies on CSR disclosure have mostly relied on legitimacy theory to explain CSR behavior of companies. For example, CSR is frequently described as a mechanism for companies to gain license to operate and act as a goodwill in the public eye (Chen et al., 2008; Podnar and Golob, 2007; Deegan, 2002; Aharony and Geva, 2003; Alsaadi et al., 2017; Cespa and Cestone, 2007; Kim et al., 2012; Lin et al., 2008). Another related perspective asserts that dedication to CSR is primarily motivated by the need to safeguard companies' reputation in order to guarantee their legitimacy, sustainability and eventual survival (Hoi et. al., 2013). While tax avoidance is a perfectly legal practice that forces companies to view tax avoidance as unavoidable (due to the need to increase shareholder wealth), many view it as immoral and unethical (Jenkins and Newell, 2013; Hoi et al., 2013; Lenssen et al., 2010; Sikka, 2010, Sikka, 2013). As a result, companies are compelled to develop a plan to solve this tax avoidance problem, which is often claimed via CSR. In this case, CSR is utilized as a risk management technique. In this risk management framework, CSR functions as a hedging mechanism, similar to the insurance protection idea by playing a critical role when adverse events occur, which are often unanticipated (Hoi et. al., 2013; Minor and Morgan, 2011; Godfrey et al., 2009). Since strenuous efforts to reduce taxes are seen as unethical and a threat to businesses' survival, this issue compels companies to devise a plan to preserve their legitimacy (Lanis and Richardson, 2015; Avi-Yonah, 2008; Dowling, 2014). Hence, companies engage in CSR as part of an attempt to earn public approval, motivated by public perception that companies behave ethically when they do CSR.

While aforementioned discussed prominent theories associated with the linkage of CSR and tax avoidance, majority of prior research in the area have studied CSR as an aggregate measure with the main objective of ascertaining the intention of engaging in CSR, if companies engage in CSR in good faith or otherwise reason such as to conceal any unfavourable behavior (in the context of this discussion is tax avoidance practice) that could be risky to their sustainability. The analyses were mostly performed on the assumption that companies view tax avoidance as immoral, however, very few have proven this. Therefore, this paper proposes a concise framework that enable incorporation of the intention of doing CSR through a construct known as 'CSR decoupling' to conclude and explain corporate behaviour from ethical perspective. For this reason, the neo-institutional theory enables such explanation, particularly relevant through the lens of emerging economies for their specific characteristic and culture, thereby provides a strong foundation for the argument. Furthermore, the neo-institutional lens has recently been applied to researches in emerging markets and multinational corporations operating in emerging markets (Tashman et al., 2019; Meyer and Peng, 2016; Marano et al., 2017). Further discussion of the neo-institutional lens is discussed in the conceptual framework section.

## CSR Reporting, CSR Performance, CSR Decoupling and Tax Avoidance

CSR reporting, in general, refers to companies' self-assessment of their CSR performance, which is made public in their annual report, sustainability report or CSR report. CSR reporting demonstrates to shareholders and other stakeholders that businesses are responsible and transparent, thus ensuring their sustainability (Suchman, 1995). For instance, CSR reporting is frequently equated with information asymmetry (Hickman, 2020; GarciaSánchez & NogueraGámez, 2017; Lopatta et al., 2016; MartnezFerrero et al., 2016; Michaels & Grüning, 2017) in the sense that it alleviates information asymmetry, thereby alleviating the agency problem between managers and all stakeholders. Additionally, knowledge on CSR benefits companies when customers take it into account when making buying decisions (Ellen et al., 2006; Oberseder et al., 2011; Janssen & Vanhamme, 2015; Kim, 2017). Additionally, information on CSR is believed to impact and retain high-quality workers (Lee et al., 2013; Vlachos et al., 2013; Tyagi & Mallya, 2019). Also, information about CSR is included in investors' and creditors' financing decisions, placing companies in a favorable position to secure external and internal funding (Sprinkle and Maines, 2010; Hamrouni et al., 2019; Feng et al., 2015). CSR, in general, enhances brand image, adds to good reputation, helps in retaining customers, employees and suppliers, improves stock returns, increases corporate value and aids in the effective use of corporate resources (Tsoutsoura, 2004; Karagiorgos, 2010; Gras-Gil et al., 2016).

On the other hand, CSR performance is generally defined as an external assessment of companies' CSR activities and socially responsible behavior (Hinze & Sump, 2019). Companies have been evaluated on their sustainability performance for a variety of reasons, most notably the increasing need for environmental, social and governance information, for which corporate disclosure on sustainability alone may not be sufficient to meet user needs. For instance, among the reasons cited by established external agencies such as Kinder, Lydenberg, and Domini (KLD) are global challenges such as climate risk, increased regulatory pressures and data security concerns, all of which represent new and increasing risks for investors; as well as a new generation of investors who demand sustainability information (MSCI, 2021). Garcia-Sánchez et al. (2021; page 10) states that "…*good CSR information can help financial analysts do their job well and reduce errors in the future earnings forecast…financial analysts would also like to confirm and assess the goodness of the reported information. A high number of analysts following a firm suggests a higher level of monitoring. If a firm fails to walk the CSR talk, financial analysts can play a vital role to catalyze this complex information*…" Credibility of CSR information is critical not only for information users (Gao et al., 2016; Cormier and Magnan, 2014; Dhaliwal et al., 2012), but also for businesses to assess their own performance to reflect their confidence in sustainability-related activities (Dhaliwal et al., 2011, 2012).

When CSR reporting and CSR performance do not align, the misalignment is referred to as CSR decoupling (Tashman et al., 2019). Decoupling occurs for a variety of causes in the area of CSR. Tashman et al. (2019) argue that although CSR reporting is a kind of corporate best practice (that may be emulated by other companies operating in the same economic context), CSR performance, on the other hand, includes a significant deal of expectation (that come from environment of complex economic networking). Thus, a difficulty arises when companies are too ambiguous about how these two components should be evaluated, resulting in decoupling. Another often cited motivation for CSR decoupling is the need for improved reputation and credibility. Indeed, separating CSR from business operations may have direct effect on companies' image and legitimacy, particularly if the negative consequences of CSR are severe. For instance, Deegan (2002) argues that managers are prone to participate in CSR decoupling when companies' real CSR performance falls short of expectations. For this reason, we argue that companies engage in CSR decoupling to deceive the public so as to be seen morally better.

While above paragraphs explain CSR decoupling as intention to deceive society from ethical standpoint, tax avoidance has long been receiving great attention on its ethical issue. The tax imposed on companies, as members of society where their commercial activities are located and where their profits are generated, will eventually be given out to society. As a result, when companies ostensibly honouring this payment of tax but in actual fact avoiding tax and do not pay fair share of tax, it will obstruct proper flows of this important public resource back to society. This circumstance leads to the condemnation of tax avoidance that is perceived as impairing social welfare of society (Freedman, 2003; Slemrod 2004; Landolf, 2006; Williams 2007; Erle 2008; Friese et al. 2008; Schon 2008; Lanis and Richardson, 2015). Looking at this angle, tax appears as if it is a withdrawal from shareholders to the government rather than a deposit to society, particularly when return to the shareholders in terms of dividend is strategized as maximizing profit but return to the government in terms of tax, on the contrary, is strategized as minimizing cost (Sikka, 2010). On top of that, Sikka (2010) believes that as a result of corporate competitiveness and expanding sector that offers consulting services to minimize tax, the propensity to increase profit by avoiding tax would persist in the social system.

## CSR Dimension

CSR is evaluated in accordance with the idea of stakeholder theory that takes into consideration perspectives of all stakeholders including shareholders, employees, consumers, corporate peers, the government, non-governmental organisations, down to include the natural resources such as environment and future generations (Turker, 2009). From this stakeholders' standpoint, a framework for assessing CSR is developed to incorporate aspects that effectively describe CSR occurrences involving various groups of stakeholders. This is referred to as multidimensional CSR. While many sources have classified CSR into different dimensions, most of them are mostly akin. For instance, the Global Reporting Initiative (GRI) sustainability standards define CSR activities in terms of three dimensions: economic, environmental and social. Another benchmark, the MSCI ESG Index, classified sustainability concerns into three categories: environmental, social and governance. Renowned academics who actively engage in CSR research describe the total score of CSR as taking into account areas such as employee relations, environment, community, diversity, human rights, product quality and safety, and governance (Hoi et al., 2013; Davis et al., 2016; Kim et al., 2012; Lanis and Richardson, 2012, 2013, 2015).

A few logical arguments explain the significance of dimension in CSR. CSR is integrated into companies' strategy; therefore, analysing CSR across many dimensions may provide holistic approach to assess corporate behavior across multiple dimensions. Besides that, it also assists managers in planning CSR in depth, since managers will be able to determine if their CSR communication is successful or whether their CSR commitment is adequate, based on the stakeholders' perception. For instance, if stakeholders view companies as underperformer in any dimension of CSR but companies think they are doing well, this shows inadequate CSR communication in that area; alternatively, it implies a lack of corporate commitment in that area (Costa & Menichini, 2013). As a result, managers are able to manage CSR effectively, focusing their efforts on areas that need more attention and investment. Furthermore, CSR dimension offers useful information on many aspect of companies' CSR commitment because companies have shown to act responsibly and irresponsibly in various CSR dimensions (Costa & Menichini, 2013). Since businesses respond differently to various CSR dimensions, the overall CSR score of companies, in the absence of identifying distinct aspects, may have misled an analysis. Recognizing the importance of CSR dimensions, it is crucial for researchers to take into account various dimensions of CSR in their analysis.

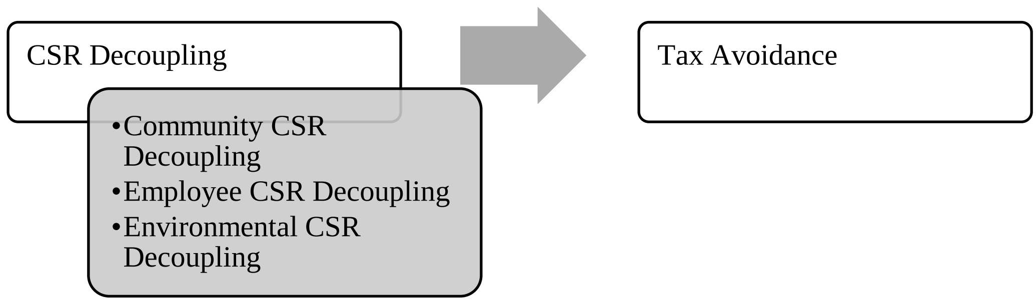
## Conceptual Framework

In light of the neo-institutional perspective, DiMaggio and Powell (1983) argue that homogeneity is unavoidable, particularly once companies reach their maturity stage of incorporation. Although there is variation in daily work activities among companies, adoption of homogeneity provides legitimacy necessary for companies' ultimate survival. The term 'homogeneity' is often used in corporate world to refer to the same notion of isomorphism in Meyer and Rowan (1977). Meyer and Rowan (1977) argue that companies' structures are isomorphic for two primary reasons: first, due to technical and exchange interdependence; and second, as a reflection of socially constructed reality. The authors conclude that companies generally imitate the structure of other companies in the same environment. Having said that, the authors emphasize that isomorphism results in the development of formal structures that disregard efficiency in order to seem legitimate, place a premium on ceremonial procedures and emphasize the critical role of institutions in ensuring companies' stability. The authors suggest that isomorphism is critical for businesses' success and survival, since it protects a company from failing if it enters a new environment as an autonomous organisation. For instance, one hospital tends to resemble another, and one school resembles another.

Another argument that companies survive through isomorphism is related to legitimacy in the sense that mimicking the institutionalised structure of existing businesses legitimises companies' actions, thus protecting them from public scrutiny. Previous paragraph that explains how companies survive by being isomorphic to their institutionalised environment rather than their own efficiency has raised a number of problems (Meyer and Rowan, 1977). The first problem is that corporate efficiency does not match with the pressures of institutionalised ceremonial uniformity. Although many ultimately adopt the latter, this is seen as a cost to efficiency (Meyer and Rowan, 1977). The second problem is that companies' ceremonial adherence to a set of rules is comprised of settings created by different organisations, resulting in regulations that contradict with one another. By choosing efficiency above established ceremonial rules compliance, or vice versa, businesses will jeopardise critical resources, stability and eventually put themselves at danger of collapse. Therefore, the feasible option is for businesses to choose both, conforming to established ceremonial norms and being efficient at the same time. This describes Meyer and Rowan's suggested decoupling device. By adhering to this idea, businesses divorce their formal structure from their everyday operations by being isomorphic to other companies within the same industry that follow the same institutionalised norms but engage in diverse daily activities at the same time.

From ethical standpoint, engaging in CSR should be align with payment of tax, both of which are returns to society. However, in the event where companies manage tax to the extent that they involve in tax avoidance to minimize tax obligation, it triggers the need for companies to show their ethicality through enhanced closure of CSR, implied through CSR decoupling, following the legitimation strategy adopted widely in corporate world. Tax avoidance is risky to companies' reputation and survival, hence, we argue that committing it must be accompanied by the said legitimation strategy through a medium of ethical conduct, in this context, through CSR decoupling. The improved CSR reporting enables companies to adhere to institutionalised ceremonial norms of a business environment that pledges business ethic to external audiences while also managing expenses efficiently via tax avoidance, thus elucidating Meyer and Rowan's decoupling device. The proposed framework (below Figure 1) is intended to examine the influence of CSR decoupling on tax avoidance, guided by the neo-institutional theory. We argue that if companies view tax as a component of their social contribution to society, it is reasonable to assume that those with strong commitment to CSR would participate in less tax avoidance since tax avoidance would be inconsistent with the beneficial impact of CSR. Hence, we argue that if companies view tax avoidance as immoral, in order for companies to commit tax avoidance, they must deceive through CSR decoupling. The intention of CSR, implied through the concept of CSR decoupling, is embedded in the framework to understand the corporate view on what constitute moral judgement.

Figure 1. Proposed Conceptual Framework




# Conclusion

The proposed framework adds to the body of literature in a number of ways including introduces a novel idea that clarifies the intention of CSR through CSR decoupling, a concept borrowed from the research field. CSR intention (to deceive), implied through CSR decoupling, is incorporated in the framework to help understand corporate behavior on tax avoidance. Majority of prior research have studied CSR as an aggregate measure with the main objective of ascertaining the intention of CSR, if companies engage in CSR in good faith or otherwise reason such as to conceal any unfavourable behavior that could be risky to their sustainability. The outcome of the proposed framework will enhance readers' comprehension of the subject matter, especially if businesses regard tax avoidance as unethical. In addition, the proposed study contributes to the literature by examining CSR as a multidimensional concept. Whait et al. (2018) assert that prior research in this field have shown limited results when CSR is seen as one-dimensional concept. Capelle-Blancard & Petit (2012) agree that assessing CSR as overall score is difficult since companies may have made substantial contributions to one area of CSR while acting recklessly in another. Thus, taking the CSR score as a whole could have caused misleading interpretation of the issue discussed. Furthermore, the proposed study will provide theoretical contribution by examining companies' behavior in relation to CSR and tax avoidance through the lens of behavioral theories, most notably neo-institutional theory. While dominant theories such as legitimacy, agency and stakeholder theories are often used to explain corporate behavior in connection to CSR and tax, none have ever been founded on neo-institutional theory, a theory that is widely applied in CSR and tax arena independently.

Given that majority of worldwide tax revenue losses originate in developing nation (Cobham and Jansky, 2018) and tax being the primary source of income in the majority of developing countries, contribution to the literature in this area is critical. The proposed conceptual framework is crucial to the body of literature to better understand corporate tax behavior, particularly how companies view tax avoidance from ethical standpoint. Often prior studies in the area relied on the assumption that companies view tax avoidance as immoral, but very few has proven it. This proposed framework intends to understand if companies view tax avoidance as immoral, giving some insight to corporate tax morale. Findings of the proposed study will bring new insight to corporate management team to clearly define part of tax issue that relates to ethics that should be part of their sustainability voluntary disclosure. This will help to reduce speculation on companies' ethical behavior relative to tax issue. It is recommended that this paradigm be empirically evaluated in future studies across variety of organisational contexts.

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