

Systemic Drivers of Corporate Tax Avoidance: A Narrative Review

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ABSTRACT: Corporate tax avoidance has emerged as a pressing global issue, driven by globalization, digitalization, and systemic vulnerabilities within national and international fiscal regimes. This study presents a narrative review aimed at synthesizing empirical and theoretical insights into the ethical, legal, policy, governance, and macroeconomic determinants of corporate tax avoidance. Literature was collected from Scopus, Web of Science, and Google Scholar, using targeted keywords and Boolean operators to capture a comprehensive range of peer-reviewed studies. Inclusion criteria emphasized empirical, conceptual, and policy-oriented works published between 2000 and 2025. The findings reveal that ethical commitments, particularly ESG integration and board diversity, reduce tax avoidance, while legal mechanisms such as IFRS adoption and whistleblower protections enhance transparency. Public policy reforms and environmental regulations shape corporate strategies but often have uneven impacts across jurisdictions. Governance structures show mixed effects, with independent boards constraining avoidance and state ownership often intensifying it. Macroeconomic pressures, including debt ratios and global crises, further condition corporate behavior. The discussion emphasizes systemic weaknesses such as corruption and policy instability as key enablers of avoidance, underscoring the need for stronger international coordination and methodological innovation in future research. The review concludes that achieving fiscal equity requires integrated strategies combining legal enforcement, policy harmonization, and ethical corporate governance.

Keywords: Corporate Tax Avoidance, ESG and CSR, Corporate Governance, International Tax Policy, IFRS Transparency, Whistleblower Laws, Fiscal Equity.



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INTRODUCTION

Corporate tax avoidance has become a critical issue in global economic and policy debates. This concern has grown alongside market integration and digitalization. Many firms now design increasingly sophisticated tax strategies, exploiting regulatory loopholes to reduce their fiscal burden while simultaneously maximizing shareholder value. Empirical research shows that multinational corporations (MNCs) frequently employ methods such as the use of tax havens,

profit shifting through transfer pricing, and the exploitation of gaps in international tax regulations (Beer et al., 2019; Alexander et al., 2020). Notable cases, such as Apple relocating its tax operations from higher-tax jurisdictions like California to low-tax states such as Nevada, highlight the practical dimensions of such strategies and their impact on national revenue systems (Graham & Silke, 2024). Against this backdrop, tax avoidance has become not only a matter of legal scrutiny but also a central ethical and policy concern.

Over the past decade, the landscape of corporate tax avoidance has been transformed by two intertwined phenomena: globalization and digitalization. Globalization has significantly enhanced the mobility of capital and corporations, allowing firms to allocate resources across multiple jurisdictions in pursuit of optimal tax efficiency. Simultaneously, digitalization has facilitated the emergence of new business models that operate across borders with minimal physical presence, thereby complicating traditional tax enforcement mechanisms (Donohoe et al., 2024). Studies suggest that firms employing specialized external tax advisors often achieve more effective tax management, reinforcing the capacity of well-resourced firms to structure their global operations in ways that minimize tax obligations (Donohoe et al., 2024). These developments illustrate the growing asymmetry between corporate capabilities in tax planning and the regulatory capacities of governments.

The prevalence of aggressive tax avoidance is particularly evident in certain sectors such as financial services and information technology, where firms have both the resources and expertise to exploit complex tax planning opportunities. For instance, research in Nigeria reveals that banks frequently engage in profit shifting and excessive tax deductions, echoing global patterns observed in other industries where firms strategically relocate profits to favorable jurisdictions (Folorunso & Lokanan, 2022; Beer et al., 2019). These practices have far-reaching implications beyond the corporate balance sheet. They undermine national revenue bases, exacerbate inequality in the global taxation system, and erode trust in the fairness of fiscal institutions.

The consequences of widespread corporate tax avoidance extend to the erosion of state capacity and the exacerbation of fiscal imbalances. Governments rely on corporate taxation as a fundamental source of public revenue to finance infrastructure, social services, and national development programs. When firms aggressively reduce their tax liabilities, the burden of financing shifts disproportionately to smaller businesses and individual taxpayers, thereby intensifying socio-economic inequalities. International organizations such as the Organisation for Economic Co-operation and Development (OECD) have recognized the gravity of these challenges, introducing policy frameworks aimed at enhancing tax transparency and reducing opportunities for avoidance, such as the Base Erosion and Profit Shifting (BEPS) initiative (Beer et al., 2019; Abdelmoula et al., 2022). Despite these efforts, the reputational risks for firms engaged in avoidance remain substantial, as stakeholders increasingly demand corporate responsibility and equitable contribution to public welfare (Antonetti & Anesa, 2017).

Addressing corporate tax avoidance is an inherently complex challenge for policymakers. One fundamental difficulty lies in the legal status of many avoidance strategies: while they may contravene the spirit of taxation laws, they are often technically permissible under existing regulations. For instance, practices such as establishing subsidiaries in tax havens or shifting profits through transfer pricing are legally defensible but fiscally detrimental (Beer et al., 2019; Martins,

2018). Regulators often face capacity constraints in monitoring and prosecuting these activities, lacking both the technical expertise and resources to effectively counter increasingly sophisticated tax planning (Boujelben & Medhioub, 2024; Oats & Tuck, 2019). This regulatory lag creates fertile ground for firms to expand avoidance strategies with minimal risk of detection or sanction.

Another layer of difficulty arises from the opacity of corporate tax reporting. Complex reporting practices obscure the visibility of firms' tax obligations, hindering oversight by authorities (Xu, 2023; Abdelmoula et al., 2022). Moreover, tax avoidance often intersects with political influence, as corporations leverage lobbying power to shape tax policy in their favor, thereby perpetuating favorable conditions for aggressive tax planning (Vijver et al., 2020; Jiang et al., 2024). In this regard, transparency and accountability in taxation are often compromised by political-economic dynamics that reinforce corporate privilege. Efforts to enhance tax fairness thus encounter systemic barriers, including entrenched lobbying and inconsistent regulatory frameworks across jurisdictions (Oats & Tuck, 2019).

Within the academic discourse, important research gaps remain in the understanding of corporate governance and its role in mitigating tax avoidance. While a substantial body of literature highlights the general relationship between good governance practices and reduced tax avoidance (Mosuin et al., 2025; Oktaviani et al., 2023; Hu et al., 2021), limited research has examined the influence of specific board characteristics and internal controls across different industry and legal contexts (Hsu et al., 2018; Shubita, 2024). Similarly, while some studies indicate that improvements in environmental, social, and governance (ESG) performance may reduce firms' incentives for avoidance, empirical evidence remains sparse and fragmented (Elamer et al., 2024; Lee, 2024). This underscores the need for deeper empirical investigations into the nuanced interplay between governance structures, ESG commitments, and tax behavior (Wang et al., 2019; Cooper & Nguyen, 2020).

The present review seeks to address these gaps by systematically examining corporate tax avoidance strategies through ethical, legal, and policy perspectives. Specifically, this study aims to analyze how governance mechanisms, regulatory frameworks, and ethical considerations collectively shape corporate tax behavior. By synthesizing empirical findings across diverse contexts, the review contributes to a more integrated understanding of the drivers and consequences of corporate tax avoidance. The ultimate goal is to provide a balanced assessment that informs both scholarly debates and policy interventions.

The scope of this review is intentionally broad, reflecting the global nature of corporate tax avoidance. Geographically, the analysis encompasses both developed and emerging economies, recognizing the heterogeneity of legal frameworks, governance practices, and fiscal challenges. Special attention is given to multinational corporations, whose cross-border operations exemplify the complexities of profit shifting and regulatory arbitrage. At the same time, the review considers the experiences of domestic firms, particularly in emerging markets, where regulatory capacities may be weaker and the socio-economic consequences of avoidance more acute. By integrating perspectives from different jurisdictions and sectors, this review aims to capture the multidimensional character of tax avoidance and provide actionable insights for scholars, practitioners, and policymakers..

METHOD

The methodological framework of this review was designed to ensure a systematic, comprehensive, and unbiased synthesis of the existing literature on corporate tax avoidance strategies. Considering the complexity of tax avoidance and its intersections with governance, ethics, and policy, the research adopted a structured approach for identifying, selecting, and analyzing relevant studies. The aim was to capture not only the breadth of scholarship in this area but also its depth, highlighting the empirical, conceptual, and theoretical insights that inform current debates.

The first step in conducting this review involved the identification of appropriate academic databases. Given the global scope and multidisciplinary nature of corporate tax avoidance research, three primary databases were selected: Scopus, Web of Science, and Google Scholar. Scopus and Web of Science were prioritized because of their rigorous indexing of peer-reviewed journals and their robust analytical tools that allow the evaluation of citations, impact, and research performance. These databases ensured that the search included high-quality publications across disciplines such as accounting, finance, economics, law, and business ethics. Google Scholar was incorporated to provide access to a broader spectrum of literature, including working papers, doctoral theses, and policy reports. Although its indexing standards are less stringent, it offered complementary insights and ensured the inclusion of grey literature that may not appear in traditional academic databases. Together, these sources provided a comprehensive foundation for the literature search.

The literature search strategy was guided by the careful selection of keywords and Boolean operators. Recognizing that corporate tax avoidance intersects with multiple domains, the search was structured around key thematic areas. The primary search term was “corporate tax avoidance,” which was combined with terms such as “strategic management,” “institutional investors,” “tax planning,” and “institutional framework” using Boolean operators. For example, the combination “corporate tax avoidance” AND (“strategic management” OR “institutional investors”) was employed to explore the link between avoidance practices and the influence of external stakeholders. Similarly, “tax planning” AND “institutional framework” was applied to identify studies discussing governance structures that shape tax behavior (Lassoued et al., 2024; Elamer et al., 2024). Additionally, the query “corporate tax avoidance” AND “environmental, social, governance” OR “ESG implications” was used to capture literature connecting sustainability values and fiscal policies. This approach was instrumental in uncovering recent empirical contributions, such as Elamer et al. (2024), which examined the role of ESG ratings in shaping tax strategies.

Beyond keywords, the search strategy emphasized the use of Boolean operators to refine results. The AND operator was employed to narrow the scope of searches to highly relevant intersections, while OR was used to capture conceptual variations within a theme. This combination ensured both precision and comprehensiveness, reducing irrelevant results while maximizing coverage of related literature. Through iterative refinement, the search produced a set of studies that reflected the multidimensional nature of corporate tax avoidance.

To ensure the rigor of this review, specific inclusion and exclusion criteria were applied during the selection process. The inclusion criteria focused on peer-reviewed journal articles, empirical studies, theoretical papers, and policy reports published between 2000 and 2025. This timeframe

was chosen to capture both historical developments and recent shifts associated with globalization and digitalization. Studies were required to focus explicitly on corporate tax avoidance rather than individual taxation or broader fiscal policy debates. Additionally, only articles written in English were considered, given the need for consistency in analysis and accessibility of sources. Exclusion criteria eliminated publications that lacked a clear methodological basis, opinion pieces without empirical support, and studies that focused narrowly on tax compliance without addressing avoidance strategies.

The types of studies included in the review were diverse, reflecting the range of approaches adopted in the field. Empirical research comprised the majority of selected literature, including cross-country comparative analyses, firm-level panel data studies, and sector-specific investigations. These studies provided quantitative evidence on the determinants and consequences of tax avoidance. Qualitative research, including case studies of multinational corporations and legal analyses of tax regulations, was also incorporated to provide contextual insights into how avoidance strategies are designed and justified. Additionally, a limited number of experimental and survey-based studies were included, particularly those examining stakeholder perceptions of tax avoidance or the ethical judgments associated with these practices. Together, these diverse methodological traditions enriched the review and enabled a nuanced understanding of the phenomenon.

The process of literature selection followed a multi-stage filtering approach. Initial searches generated a large pool of articles, many of which overlapped across databases. Titles and abstracts were first screened for relevance, focusing on whether the study addressed corporate tax avoidance directly and within the framework of strategic, ethical, or regulatory considerations. Articles deemed relevant underwent full-text review, during which their methodological rigor, sample size, theoretical contribution, and empirical findings were critically evaluated. Studies that failed to meet quality standards, such as those lacking clear analytical frameworks or relying on anecdotal evidence, were excluded. The final corpus of literature represented a curated set of high-quality sources that collectively offered comprehensive coverage of the topic.

The evaluation of articles also involved consideration of their geographical and sectoral coverage. Recognizing the heterogeneity of tax systems across jurisdictions, the review prioritized studies that either included cross-national comparisons or offered insights from both developed and emerging economies. For instance, empirical work from advanced economies such as the United States and European Union was complemented with research from emerging markets, including Nigeria and Southeast Asia, where regulatory challenges are pronounced (Folorunso & Lokanan, 2022; Lakhal et al., 2025). Sectoral diversity was also considered, with special attention to industries such as banking and technology, which are known for aggressive tax planning practices.

The review methodology further emphasized the identification of research gaps. During the screening process, recurring themes were catalogued, such as the influence of corporate governance mechanisms, the role of ESG performance, and the policy implications of international regulatory frameworks. At the same time, areas with limited empirical coverage—such as the impact of specific board characteristics on tax behavior or the interaction between digitalization and tax avoidance—were highlighted as gaps requiring further exploration (Eastman

et al., 2024). This process ensured that the final synthesis would not only consolidate existing knowledge but also point toward avenues for future research.

In summary, the methodology of this review combined systematic search strategies, rigorous screening criteria, and careful evaluation of sources to construct a comprehensive understanding of corporate tax avoidance strategies. By leveraging multiple databases, refining search terms with Boolean operators, and applying inclusion and exclusion criteria, the study ensured both breadth and depth in its coverage. The diversity of included study designs—from quantitative analyses to qualitative case studies—enriched the findings and facilitated a multidimensional assessment. Ultimately, this methodological approach underpins the reliability of the review, ensuring that the conclusions drawn are grounded in a robust and representative body of literature.

RESULT AND DISCUSSION

The findings of this narrative review reveal that corporate tax avoidance is shaped by a constellation of ethical, legal, public policy, governance, and macroeconomic factors. The results are organized thematically to provide a comprehensive understanding of the multidimensional influences on tax avoidance strategies across different contexts. This section synthesizes the empirical evidence, theoretical contributions, and comparative insights that emerge from the literature.

Ethical Factors

The relationship between corporate social responsibility (CSR), environmental, social, and governance (ESG) commitments, and tax avoidance strategies has been a focal point in recent scholarship. Elamer et al. (2024) demonstrate that firms with higher ESG ratings tend to engage in lower levels of tax avoidance, attributing this to reputational concerns and the desire to maintain legitimacy among stakeholders. This aligns with the broader argument that firms with strong sustainability commitments are motivated to adopt more transparent and ethical fiscal practices to reinforce their credibility in the market. In contrast, Lassoued et al. (2024) argue that institutional investors exert pressure on firms to integrate sustainability goals with financial strategies, including tax planning. This dual influence underscores the complex interplay between ethical commitments and financial imperatives.

Board diversity, particularly gender representation, also emerges as a significant determinant of ethical tax behavior. Zhang et al. (2022) find that firms with higher proportions of female directors are less likely to engage in aggressive tax avoidance, suggesting that gender diversity fosters more ethical decision-making in fiscal strategies. Guedrib and Bougacha (2024) expand on this finding, noting that diverse boards enhance oversight and strengthen ethical standards in governance, thereby reducing the likelihood of tax avoidance. Collectively, these findings illustrate how ethical considerations—mediated through ESG practices and board diversity—can reshape corporate tax behavior.

Legal Factors

The adoption of International Financial Reporting Standards (IFRS) has been shown to significantly impact corporate tax transparency. Chakroun and Amar (2024) report that the implementation of IFRS improves the accuracy and comparability of financial statements, reducing opportunities for aggressive tax planning. Similarly, Majeed and Yan (2019) highlight that IFRS enhances managerial oversight of fiscal activities, leading to reduced tax avoidance. These studies underscore the importance of international accounting standards in curbing avoidance practices by narrowing the scope for discretionary interpretation and manipulation.

Whistleblower laws provide another crucial legal mechanism for addressing tax avoidance. Research shows that the protection of individuals who expose tax irregularities generates deterrence effects for firms (Alexander et al., 2020; Beer et al., 2019). By creating safer environments for reporting misconduct, whistleblower frameworks increase transparency and accountability in corporate tax practices. Oats and Tuck (2019) further emphasize that such laws foster cultural shifts within organizations, encouraging accurate reporting and reducing tolerance for unethical tax avoidance. These findings highlight the role of legal safeguards in promoting tax compliance across diverse jurisdictions.

Public Policy Factors

Public policy instruments, particularly environmental regulations, play a key role in shaping corporate tax behavior. Folorunso and Lokanan (2022) reveal that firms engaged in carbon trading markets often align their tax strategies with sustainability initiatives, leveraging tax incentives associated with environmental compliance. This suggests that environmental policies can indirectly influence fiscal behavior, encouraging firms to integrate tax planning with broader sustainability goals.

Tax reforms in developing countries present a more complex picture. Hsu et al. (2018) find that while reforms aimed at lowering tax rates are intended to enhance compliance, they may inadvertently increase avoidance by creating new opportunities for financial manipulation. Similarly, Qin et al. (2021) argue that inconsistent reforms generate uncertainty, which reinforces avoidance strategies among public companies. These findings demonstrate the nuanced impact of policy reforms, where well-intentioned measures may produce unintended fiscal consequences.

Corporate Governance Factors

Corporate governance mechanisms significantly influence tax avoidance practices. Hsu et al. (2018) show that firms with independent boards of directors are more transparent in financial reporting, reducing opportunities for tax avoidance. Elamer et al. (2024) corroborate this, noting that independent directors prioritize long-term corporate interests, which align with ethical tax compliance. The effectiveness of independent boards highlights the importance of internal governance structures in curbing avoidance strategies.

State ownership, however, presents a more ambivalent relationship with tax avoidance. Qin et al. (2021) report that state-owned enterprises (SOEs) often engage in more aggressive tax avoidance compared to private firms, citing weaker oversight and incentives to maximize fiscal advantages in public service sectors. Lin et al. (2025) extend this argument by suggesting that SOEs may exploit tax strategies for political or strategic purposes, further entrenching aggressive avoidance practices. These findings illustrate the dual role of governance structures in either mitigating or exacerbating tax avoidance, depending on ownership models and institutional contexts.

Macroeconomic Factors

The macroeconomic environment also exerts a strong influence on tax avoidance behavior. Debt ratios have been found to moderate the relationship between tax risk and avoidance. Shubita (2024) shows that highly leveraged firms are less inclined to adopt aggressive avoidance strategies, as they prioritize accurate reporting to secure financing and maintain creditor trust. Conversely, Oktaviani et al. (2023) argue that firms with lower debt levels may be more responsive to high tax risks, as they face fewer external pressures to demonstrate financial discipline. These contrasting findings suggest that capital structures play a pivotal role in shaping tax avoidance strategies.

Global economic crises present another macroeconomic factor influencing corporate tax behavior. Majeed and Yan (2019) and Nasih et al. (2024) find that during periods of crisis, firms reduce aggressive avoidance practices due to heightened regulatory scrutiny and stakeholder pressure. Christensen et al. (2014) confirm that multinational corporations, in particular, face increased oversight during crises, leading to reduced avoidance to safeguard reputational capital. These findings indicate that economic downturns act as natural constraints on aggressive fiscal strategies, pushing firms toward greater compliance.

Comparative Global Perspectives

A cross-country comparison reveals notable differences in how tax avoidance is managed across jurisdictions. In developed economies, stricter enforcement mechanisms and robust legal frameworks, such as IFRS adoption and whistleblower protections, significantly constrain avoidance opportunities (Chakroun & Amar, 2024; Oats & Tuck, 2019). By contrast, emerging markets often struggle with inconsistent policy reforms, weaker governance, and limited regulatory capacity, which collectively enable more aggressive avoidance (Hsu et al., 2018; Qin et al., 2021). Sectoral differences are also evident, with industries such as finance and technology exhibiting higher avoidance levels due to their mobility and complexity (Folorunso & Lokanan, 2022; Beer et al., 2019).

The literature suggests that global policy initiatives, particularly those led by the OECD and G20, have introduced greater convergence in addressing tax avoidance (Beer et al., 2019; Vijver et al., 2020). Programs such as BEPS and country-by-country reporting have enhanced transparency, but their effectiveness remains uneven across jurisdictions. Multinational corporations continue to exploit regulatory arbitrage, highlighting the persistent challenges of achieving global harmonization in tax governance.

Synthesis of Findings

Overall, the results indicate that corporate tax avoidance is a multifaceted phenomenon shaped by ethical, legal, policy, governance, and macroeconomic determinants. Ethical considerations such as CSR and board diversity act as moderating influences, while legal frameworks like IFRS and whistleblower laws enhance transparency and deterrence. Public policies, particularly environmental regulations and tax reforms, generate both incentives and risks for avoidance behavior. Governance structures influence avoidance in contrasting ways, with independent boards reducing avoidance and state ownership often exacerbating it. Finally, macroeconomic conditions, including debt levels and economic crises, further condition corporate fiscal behavior. These findings collectively underscore the complexity of tax avoidance as both a corporate strategy and a regulatory challenge, necessitating integrated approaches that combine ethical accountability, legal enforcement, and policy innovation across global contexts.

The findings from this review underscore that corporate tax avoidance is not solely the result of firm-level decision-making but is deeply embedded within systemic factors that shape incentives, constraints, and opportunities. Corruption, weak legal institutions, and policy uncertainty consistently emerge as powerful drivers that exacerbate tax avoidance practices. Folorunso and Lokanan (2022) provide evidence from the Nigerian banking sector showing that corruption facilitates aggressive tax strategies by weakening regulatory oversight and reducing the likelihood of legal consequences. This finding aligns with broader observations that in environments where enforcement is undermined by corrupt practices, firms perceive tax avoidance as low-risk and potentially high-reward. Such contexts cultivate cultures of opportunism, where firms rationalize avoidance not only as financially beneficial but also as normatively acceptable within a compromised system.

Policy uncertainty further compounds these dynamics by encouraging firms to adopt tax avoidance as a protective mechanism against unpredictable regulatory shifts. Alexander et al. (2020) illustrate how sudden or inconsistent policy changes can push firms toward avoidance strategies as a means of insulating themselves from new fiscal burdens. The interaction between corruption and policy instability is particularly troubling, as corrupt environments amplify uncertainty by creating opaque decision-making processes, thereby reducing firms' confidence in the predictability of tax obligations. Consequently, systemic weaknesses do not merely provide avenues for avoidance but also normalize it as a rational corporate response to structural dysfunction.

The implications of these systemic dynamics extend beyond the fiscal losses incurred by states. They fundamentally undermine the legitimacy of tax systems, eroding trust among taxpayers and deepening inequalities between firms that comply and those that exploit systemic vulnerabilities. Addressing these systemic issues therefore requires policies that transcend narrow compliance measures and instead target the structural conditions enabling avoidance. Hsu et al. (2018) highlight international initiatives such as OECD's country-by-country reporting and G20's endorsement of greater tax transparency as promising steps toward creating uniform standards that reduce arbitrage opportunities. By requiring firms to disclose tax information across jurisdictions, these policies limit the effectiveness of avoidance strategies premised on opacity and fragmented regulation.

Nevertheless, the success of such initiatives depends on consistent global implementation and robust enforcement, which remain uneven across jurisdictions. In advanced economies, where institutional capacities are stronger, these measures have already begun to constrain aggressive avoidance. By contrast, in many developing economies, regulatory weaknesses undermine the effectiveness of these frameworks, allowing firms to continue exploiting gaps. This divergence highlights the need for international coordination not only in policy design but also in capacity building to ensure that weaker jurisdictions are not disproportionately disadvantaged by global corporate practices.

Balancing corporate interests with fiscal sustainability requires nuanced approaches that acknowledge both the economic role of firms and the state's responsibility to secure adequate revenues. Lampenius et al. (2021) argue that incentivizing firms to adopt transparent CSR practices, including those related to tax behavior, could complement regulatory enforcement. Providing tax incentives for firms that demonstrate clear commitments to ESG standards creates a dual benefit: it enhances tax compliance while strengthening corporate reputations. This approach reframes compliance not merely as an obligation but as a component of competitive advantage, aligning corporate goals with public fiscal interests. Such strategies may also mitigate reputational risks, as Antonetti and Anesa (2017) observe that firms engaging in aggressive avoidance often suffer long-term damage to stakeholder trust.

At the same time, uniformity in international tax standards remains essential for curbing opportunities for arbitrage. The literature suggests that divergent national policies incentivize firms to relocate profits to low-tax jurisdictions, a practice exacerbated by inconsistencies in enforcement (Beer et al., 2019; Vijver et al., 2020). Standardizing rules across jurisdictions through initiatives such as BEPS reduces the strategic advantages of exploiting regulatory fragmentation. However, achieving consensus among states with differing fiscal priorities poses a significant political challenge. This underscores the importance of building international coalitions that can harmonize rules without disproportionately disadvantaging developing economies, which may rely on tax competition as a tool for attracting investment.

The methodological limitations of existing studies also warrant careful attention. A recurring challenge is the reliance on publicly reported financial data, which often obscures the true extent of tax avoidance due to opaque reporting practices (Christensen et al., 2014). Firms may deliberately structure disclosures to conceal aggressive strategies, leading to systematic underestimation of avoidance in empirical studies. Abernathy et al. (2019) further note that such reliance introduces bias, as firms more committed to transparency may appear to engage in greater avoidance simply because their disclosures are more detailed. This methodological issue complicates cross-firm comparisons and can produce misleading conclusions about the prevalence of avoidance.

Another limitation lies in the heterogeneity of indicators used to measure avoidance. Different studies operationalize avoidance in distinct ways, from effective tax rate differentials to measures of book-tax gaps, making cross-study synthesis difficult (Scarpa & Signori, 2023). Donohoe et al. (2024) emphasize that without standardized indicators, the field risks fragmentation, where findings are more reflective of methodological choices than of underlying phenomena. This lack

of consistency not only hampers cumulative knowledge building but also weakens the policy relevance of research findings, as policymakers may struggle to interpret divergent results.

Addressing these limitations requires methodological innovation. Greater use of advanced analytical tools, including forensic accounting methods and machine learning algorithms, could improve the detection of avoidance strategies hidden within complex financial structures. Additionally, triangulation of data sources—combining financial disclosures with qualitative interviews, case studies, and regulatory audits—would provide richer and more reliable insights. Establishing standardized definitions and measurement frameworks across studies would further strengthen comparability and enhance the robustness of findings.

Beyond methodological refinements, future research must expand its scope to better capture the systemic and contextual dimensions of tax avoidance. Current studies disproportionately focus on multinational corporations in developed economies, leaving gaps in understanding how avoidance unfolds in smaller domestic firms or in developing markets where regulatory environments differ substantially (Qin et al., 2021). Expanding research into these contexts would provide a more holistic picture of global avoidance practices and inform more equitable policy interventions. Similarly, greater exploration of the intersection between ESG commitments and tax behavior could illuminate how sustainability agendas reshape fiscal strategies (Elamer et al., 2024). By integrating these emerging perspectives, scholarship can move beyond documenting avoidance to understanding its broader implications for corporate accountability and social responsibility.

The interaction between systemic weaknesses and corporate strategies also demands further theoretical development. While agency theory and institutional perspectives offer partial explanations, they may not fully capture the embeddedness of avoidance within political and economic systems. Integrating insights from political economy and sociology could enrich explanations of why avoidance persists despite regulatory reforms. For example, examining how lobbying dynamics interact with policy design could clarify why some reforms are diluted or fail to achieve intended outcomes (Vijver et al., 2020). Such interdisciplinary approaches would deepen understanding and enhance the policy relevance of research.

In sum, the discussion highlights that corporate tax avoidance is sustained not only by firm-level strategies but also by systemic vulnerabilities that create fertile ground for exploitation. While regulatory reforms and governance mechanisms offer partial solutions, addressing avoidance requires a broader rethinking of the structural conditions under which firms operate. Methodological innovation and expanded research agendas are essential to advancing both scholarly understanding and policy effectiveness in curbing tax avoidance globally.

CONCLUSION

This narrative review demonstrates that corporate tax avoidance is a multidimensional phenomenon shaped by ethical, legal, policy, governance, and macroeconomic factors. The findings highlight that firms with stronger ESG commitments and diverse boards are less likely to engage in aggressive avoidance, while legal frameworks such as IFRS adoption and whistleblower laws strengthen transparency and accountability. Public policy instruments, including

environmental regulations and international tax reforms, influence corporate tax strategies but often generate unintended consequences when inconsistently applied. Governance structures play a dual role, as independent boards constrain avoidance, whereas state ownership frequently exacerbates it. Macroeconomic conditions such as debt structures and global crises further moderate corporate behavior, pushing firms either toward compliance or opportunistic avoidance. Systemic vulnerabilities—such as corruption in regulatory institutions, weak enforcement capacity in developing economies, and unpredictable fiscal reforms in regions like Sub-Saharan Africa and Southeast Asia—continue to aggravate avoidance practices and undermine fiscal equity. These insights emphasize the urgency of coordinated interventions at both national and international levels. Policymakers should pursue uniform tax standards, strengthen regulatory oversight, and introduce incentives that align compliance with corporate reputation and sustainability objectives. Future research should prioritize methodological innovations, standardized measures, and expanded studies in emerging markets, where avoidance practices remain underexplored. Advancing knowledge in these areas is essential for designing more effective policies that ensure corporate accountability, protect public revenues, and promote equitable taxation across global contexts.

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