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Corporate Social Responsibility and Tax Avoidance: The Effect of Family Ownership
Empirical Evidence in European Context

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ABSTRACT

This paper investigates the relationship between corporate social responsibility (CSR) and tax avoidance. It also looks at how ownership structure impacts this relationship. Based on a sample of 300 European companies over the period 2014 - 2019, we use OLS regression models and come up with a negative relationship between corporate social responsibility and tax avoidance, which is consistent with the concepts of agency theory. Furthermore, we find that family businesses mitigate this relationship. These results show that family firms are more socially responsible than non-family firms due to their socio-emotional endowments, and consequently are less tax avoidant.

1. Introduction

Paying tax is seen as a primary state financing function which ensures the availability of tax revenues for legal distribution of wealth, secures public service expenditure, alleviating poverty, providing a variety of smoldering public good education, health care, security, infrastructure, clean water and other services. Likewise, corporate social responsibility refers to the taking into account by companies, on a voluntary basis, of social and ethical issues in their activities. Company activities are understood here in the broad sense: economic activities, tax compliance activities, internal interactions (employees, managers, shareholders) and external (suppliers, customers, others).

The debate around that most of the websites of the companies mentioned proclaim will rely on their social responsibility and they use management measures to minimize tax obligations such as reducing tax payments which can be considered a clear measure of financial contribution and direct company accountant. Given that tax avoidance can have negative consequences that can negatively impact the image of a business, socially responsible businesses should not engage in tax saving activities. In an adversarial perspective, tax avoidance practices are adopted even where companies appear to be socially responsible (Preuss, 2010 and Sikka, 2010). In this regard, there has been conflicting evidence, which has sparked a growing debate

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about the behavior of socially responsible businesses in paying taxes. In this study, we will examine how tax avoidance relates to corporate social responsibility.

On the other hand, the effect of family ownership on corporate tax avoidance has become an increasingly important issue for academics in the fields of family business research and tax research. In this regard, family businesses represent an important part of the economic force in the world and they constitute a significant pillar of the international economy. They make up more than the majority of global companies. In principle, they represent an entity administered by members of the same family who have more of the majority of the capital of the company. The decision-making power belongs to the family. These decisions mainly concern the company's environmental development strategy and that of the manager's succession. In principle, these strategies are geared towards medium- and long-term projects. Compared to other types of companies, the family business benefits from many advantages which enable it to guarantee sustainable social and environmental development, particularly in Europe union, where they are considered the backbone of the economy (La Porta et al., 1999). On average, they paid a higher income tax. This corresponds to a high share of total tax revenue. Regardless of the type of ownership, the total tax burden for a single business can be around a third of pre-tax income and therefore represents a significant cost element. Therefore, avoiding taxes can be seen as a way to generate additional internal funds. In fact, tax avoidance can generally be in the interest of shareholders (Chen et al., 2010). Uncertain tax avoidance strategies can be challenged by tax authorities at any given time. This could lead to unwanted public scrutiny and reputational damage, that’s why some businesses may refrain from avoiding taxes. As a result, tax avoidance could threaten the family's status in the community and is therefore likely to result in loss of socio-emotional wealth.

A major aspect of socio-emotional wealth is that when family involvement is high family businesses are more likely to be motivated by non-financial goals than by exclusively financial goals, and preserving socio-emotional wealth of the family is a key objective of the dominant family.

Family businesses are run by founders who are reluctant to give up their position of influence. Founders can exercise direct and indirect influence to enforce their goals of socio-emotional wealth. Therefore, founders can indirectly influence participation in tax evasion to moderate the involvement of family businesses. This study seeks to find out whether socially responsible companies are less enforcing tax avoidance activities. Also, it investigates how family ownership could mitigate the relationship corporate social responsibility-tax avoidance. For the purposes of this study, we use a sample of European firms over the period 2014-2019.

This work is organized in the following manner: the first section presents the theoretical framework and research hypotheses, the second section describes the methodological aspects followed by the presentation and discussion of the empirical results; finally, the third section presents the conclusion, limitations, and future research.

2. Theoretical framework and hypotheses development

2.1. Corporate social responsibility and Tax avoidance

Based on the agency theory, a business is defined as a contract between shareholders and managers to maximize shareholder wealth (Jensen and Meckling, 1976). In fact, business leaders have no legal or moral obligation to pay a maximum amount of tax. Nevertheless, societal concerns regarding social and environmental issues have increased over the last decades; These concerns have also been translated into businesses, where behavior focused on friendly and socially environmental activities is expected. In particular, managers and shareholders do not necessarily have the same utility function and economic agents do not have access to the same way of financial information.

In recent years, tax avoidance has gained attention following financial scandals. So many companies have changed their image in terms of auditing, governance, and CSR. Likewise, social and government problems have increased and the number of companies engaged in voluntary CSR is increasing.

According to Muller and kolk (2015) tax is seen as a component of the companies' corporate social responsibility. The authors find that, multinational companies pay higher taxes than local companies; also, subsidiaries of more socially responsible multinationals pay more taxes than less socially responsible subsidiaries. This behavior is good for multinational company as it contributes to reducing the reputational risk associated with other irresponsible behavior. Barnett et al., (2006) define the reputation of the company as "*the remarkable rule based on evaluations of the financial, social and environmental effects attributed to the firms*''.

According to Randoy et al. (2003), Schulze et al., (2003), Steijvers et al. (2014), Zahra (2005) and Dyer et al. (2006) businesses involved in the application of social performance pay the availability of taxes to maintain their good image and reputation with the public. Godfrey (2005) shows that companies engaged in socially responsible activities aim to maintain on creating an image that drives the value of the firm. Also, López-Gonzálezand et al. (2019) note a balance between economic and social objectives in socially responsible companies that avoid all dangerous activity that could compromise reputation and image.

On the other hand, several studies find a negative association between corporate social responsibility and tax avoidance. Rahman et al. (2021) assert that companies involved in corporate social responsibility activities deter tax avoidance behavior even the State and tax authorities use CSR activities to encourage businesses to pay their tax allowances. Kovermann et al. (2021) show that socially responsible funders must decide if they are willing to invest in companies that have high CSR scores and good CSR performance while aggressively avoid taxes. Investors who perceive tax payments as part of a firm responsibility to society should select their investments carefully.

Furthermore, Liao et al. (2018) investigate the effect of CSR on financial fraud of companies in China. They find that CSR scores are negatively linked to financial fraud. Therefore, CSR is an ethical behavior that reduces corporate financial misconduct. This indicates that after China entered the world trade organization, it does not only support the continued economic development but also it responds to concerns of environmental protection, philanthropy, employer rights and other activities intrinsic to the community. Companies should accept CSR as an ethical obligation and, consequently, companies that devote resources CSR implementation are less prone to profit manipulation, and so provide more transparent financial reporting to investors. (Chih et al. 2008 ; Hong et al. 2011 and Kim et al. 2012).

According to Kim et al. (2017), companies that actively participate in CSR are less tax evasive. According to Watson's (2015) research, American businesses with low CSR scores engage in more aggressive tax practices. He contends that businesses that practice social responsibility draw consumers and investors who share their standards and values and deter aggressive tax practices as a result. In a similar vein, Hoi and colleagues (2013) show that socially irresponsible US businesses are more likely to avoid taxes. Ki (2012) indicates that there is a negative correlation between CSR and tax avoidance. As a result, the following is our research's first hypothesis:

H1: There is a negative association between corporate social responsibility and tax avoidance.

2.2. The moderating effect of family ownership

According to La Porta et al., (1999) and Surroca and Tribó (2008) the presence of family founders could constitute a mechanism that avoids any earnings management practice. Berrone et al. (2010) and Cruz et al. (2014) find that family businesses display superior social and environmental performance by responding to the demands of the parties, stakeholders and preserving their socio-emotional wealth. In fact, family businesses are generally characterized by non-financial goals, such as identity, reputation, longevity, and maintaining a positive image in the public domain (Anderson et al. 2003, Berrone et al., 2010 and Marques et al. 2014).

Landry et al., (2013) find a positive relationship between CSR activities and tax avoidance in the Canadian context, the authors also argue that family businesses are less tax aggressive than non-family businesses, and that the CSR in family businesses is not the engine of its tax behavior. Zeng (2018) also finds that in countries with weak governance mechanisms and higher CSR scores companies are less tax avoidant, implying that CSR and governance at the country level are substitutes. According to Panjaitan et al. (2021) corporate social responsibility in family firms is negatively associated with tax avoidance.

Based on agency theory, Gomez et al. (2014) find that family businesses have lower agency costs due to the concentration of ownership. Even Chen et al. (2010) find that family businesses are less tax avoidant than non-family businesses. This result is consistent with their contention that agency conflicts are different depending on the family and non-family ownership structure of a business, resulting in different appetites for fiscal aggression. They suggest that family owners are more sensitive to the non-financial costs associated with aggressive tax strategies (i.e. reputation costs) than non-family owners. This confirms the theoretical explanation that different agency conflicts lead to different tax strategies.

López-González et al. (2019), based on an international sample of 6442 company-year observations from the period of 2006 and 2014, examine whether family ownership influences tax avoidance via socially responsible performance. They suggest that social responsibility and Environmental associates negatively on tax avoidance rather than family businesses with better social performance displaying lower tax saving practices. With the same previous data López - González et al. (2019) examine the effect of CSR performance on tax avoidance. They also investigate whether family ownership influences tax avoidance practices as a result of socially responsible performance. Using an international sample of 6,442 observations over firm years from 2006 to 2014, the authors conclude that social and environmental performance is negatively related to tax avoidance; as a result, businesses with better social responsibility performance have lower tax-saving practices. In contrast, González et al. (2019) report that this negative relationship is weaker in family businesses. This suggests that despite the fact that family businesses display a more socially responsible behavior aimed at preserving their socio-emotional endowments, family ownership is positively related to tax avoidance practices. Therefore, the second hypothesis of our research is as follows:

H2: Family ownership moderates the relationship between corporate social responsibility and tax avoidance.

3. Research method

3.1. Sample selection and data collection

As shown in Table 1 the sample of our study gathered 300 European companies listed on the stock exchange over the period 2014-2019, i.e. 1800 year-observations. After the elimination of financial sector enterprises (banks and insurance companies) because they are associated with an accounting system different from the accounting system of economic enterprises (commercial, industrial and service) and because government regulations are likely to affect their tax avoidance measures differently. Holdings are also eliminated from this sample. We also exclude companies with negative pre-tax income, as it can be assumed that they do not have strong incentives for tax avoidance. Finally, we remove the missing observations and the outliers (175 observations) from our sample because they have a disproportionate impact on a regression model. It is important to detect outliers, as they can generate results that can mislead us. We finally got a sample of 1625 year-observations.

The data of this study are obtained from the DATA-STREAM database and the annual reports of the companies object of our study and obtained from these companies' website for the period 2014 to 2019. The CSR index adopted in our study is collected from Thomson Reuters ASSET4 database.

Table 1.
Summary of the sample selection

Elements	NbF
Initial population	**780**
Financial companies namely banks and insurance companies.	(115)
Companies missing information.	(38)
Loss-making companies	(327)
Final sample	**300**

NbF : Number of firms.

After the above exclusions, a final sample of 300 companies included all sectors from different countries. As shown in Table 2, the sample is composed of 65 family businesses (21.67%) and 235 non-family businesses (78.33%). As previously mentioned, Table 2 presents the sample breakdown by industry, showing that two dominant sectors: the service sector represents 37.68%, the industry sector represents 32.33% and covers a greater number of family businesses (38.46%); and the other sectors represent a minority.

Table2.
The distribution of the sample by sector of activity and by family ownership

Secteur	SIC Codes	NbF	P (%)	Nb fF	P (%)	Nb nfF	P (%)
Agriculture	01-09	2	0.67	1	1.54	1	0.42
Mining	10-14	22	7.33	4	6.15	18	7.66
Construction	15-17	40	13.33	6	9.23	34	14.47
Manufacturing	20-39	97	32.33	25	38.46	72	30.64
Wholesale trade	50-51	7	2.33	1	1.55	6	2.55
Retail trade	52-59	19	6.33	5	7.69	14	5.96
Services	70-89	113	37.68	23	35.38	90	38.30
Total		300	100	65	100	235	100

SICNcodes : Standard Industrial Classification ; NbF : Number of firms ; Nb fF : Number of family firms ; Nb nfF : Number of non-family firms ; P(%) : Percentage of firms in a sector compared with total firms.

3.2. Regression model and measurement variables

To investigate the relationship between tax avoidance and corporate social responsibility, we propose the following regression model:

$$TAit = \alpha 0 + \alpha 1\, CSRit + \alpha 2\, LEVit + \alpha 3\, ROAit + \alpha 4\, INVINTit + \alpha 5\, INTANGit + \alpha 6\, PROVISIONit + eit \quad (1)$$

This study also examines how does family property, i.e. ownership structure affects the relation between corporate social responsibility and tax avoidance. So, the model includes the variables from the first model with a new moderating variable i.e. family property; so that the second model is presented as follow:

$$TAit = \alpha 0 + \alpha 1\, CSRit * FAMILY + \alpha 2\, LEVit + \alpha 3\, ROAit + \alpha 4\, INVINTit + \alpha 5\, INTANGit + \alpha 6\, PROVISIONit + \alpha 7\, FAMILY + eit \quad (2)$$

With:

- TA: Tax avoidance is the company's CETR.
- CSR: The socially responsible activity disclosure scores.
- FAMILY: The family property
- LEV: The level of debt.
- ROA: The economic profitability of assets.
- INVINT: The total stocks
- INTANG: The value of intangible assets.
- PROVISIONS: The value of provisions.
- α, α1, α2…: constitute the parameters to be estimated.
- eit: error term.

3.2.1. Dependent variable: Effective cash tax rate (CETR)

CETR equals to the ratio of cash taxes paid over the pre-tax accounting income before exceptional items (López et al. 2019, Chen et al. 2010, Moore et al. 2017 and Dyreng et al. 2010).

$$CETR = \frac{\text{Corporate income tax payable}}{\text{pre tax accounting income}}$$

3.2.2. The independent variable: Corporate social responsibility

The CSR score is the weighted average value of the scores of the different dimensions: the economic, environmental, social, and corporate governance performance. The score varies between 0 and 100 and it assesses how companies respond to the various sustainable development challenges they face and identifies corporate leadership in addressing environmental, consulting, and social challenges through policies, systems, reports, and documented performance improvements.

We use Thomson Reuters ASSET4 ESG scores. The CSR strategy score reflects a company's practices to communicate that it incorporates economic (financial), social and environmental dimensions into its daily decision-making processes. It indicates a company's CSR strategy. According to Asset4, the aggregate score of the vision and strategy measures the commitment and effectiveness of a company in creating a global vision and strategy integrating financial and extra-financial aspects. It is, therefore, reasonable to argue that the more a company adopts these strategies and policies, the higher its vision and strategy, the more proactive and comprehensive they are (in terms of internal competencies and external reputational measures).

3.2.3. Moderating variable: Family firms

Ownership structure is the moderating variable of the study. A family business is an entity whose capital is on majority-owned by members of the same family and where two or more directors belong to the same family. In general, family boundaries can include blood ties (father, mother, brother, sister, cousin) and marriage ties (husband, wife, daughter-in-law, son-in-law) as they can extend over a generation (founders, children, and grandchildren).

Family ownership is equivalent to a fictitious variable that is set to 1 if the largest shareholder (the majority) is a family member with more than 20% of voting rights on the board and 0 otherwise.

3.2.4. Control variables

We include a set of control variables that may influence tax avoidance behavior in the regression model.

- **Leverage**

Leverage (LEV) is included in our study as a control variable to examine the effect of debt on firms' incentives for tax avoidance.

Debt level is measured by the ratio of total long-term debt divided by total assets (Lanis and Richardson, 2012, Lanis and Richardson, 2016).

- **The economic profitability of assets**

This variable is measured by the ratio: net income divided by total assets (Huseynov et al. 2012, Hoi et al. 2013, Gomez et al. 2010).

- **Inventory intensity**

Inventory intensity, the ratio of total inventory over total assets (Zeng, 2018)

- **Intangible assets**

Intangibility is measured as the ratio intangible assets over total assets (Kovermann and Wendt, 2019; Zeng, 2018).

- **Provisions**

Total provisions is defined as the ratio total provisions to total assets (Kovermann and Wendt, 2019).

- **Legal system**

The variable LS is coded as one for common law countries, i.e. UK and Ireland, and zero for common law countries, i.e. Germany, France, Denmark (La Porta et al. 1996; Zeng, 2018).

4. Empirical results

4.1. Descriptive statistics

Table 3 (full sample) shows that the average value (Std. Dev) of the CETR is 0.225 (0.179). Even the minimum and maximum values for CETR are 0.000 and 0.982. The standard deviations are found to be small, the smaller the standard error of the average, and the more accurate the estimate of the sample average. This implies that, on average, the payment of the cash tax on European companies is low, the less tax avoidance practices are weak.

Table 3 presents descriptive statistics for the two sub-samples (family and non-family). Family businesses reported lower CETR than non-family businesses (0.220 versus 0.227). This means that non-family businesses pay more taxes than family businesses. The difference in the average of the CETR is insignificant (statistic t = 0.711).

The independent variable is linked to the disclosure of information on the social responsibility of European companies. The average CSR is 56,635 and the standard deviation is 25,470 with a minimum value of 0.000 and a maximum value of 99.880. This implies that the score for voluntary disclosure of social responsibility information is very high (more than half) and indicates good performance. In terms of ownership structure, family firms have a lower average CSR (54,946) than non-family firms (57,131). The t statistic is 1.433, which indicates that the difference in averages is significant at the level of 10%. As for the moderating variable of binary character 0 and 1, our sample shows an average of 22.7% of family businesses with a standard deviation of 0.419.

European companies in this study have an average ratio of about 25.425%, it is important that family businesses with two average values are equal to (24,765) and (25.619) respectively. In addition, European companies have an ROA variable equal to 8.1%. Table 3 also shows that the average ROA value is 7.4% for family businesses and 8.3%, but the t statistic is 2.171, indicating that the difference in averages is significant at the level of 5%. For the inventory, there is an average (Std. Dev) of 0.114 (0.144). For intangible assets has an average value of 0.282 and a standard deviation of 0.253 and that family enterprises observe intangible assets are 0.315 higher than non-family enterprises and 0.272. Finally, provisions are surrounded by an average of 4.6%. The results indicate that the average legal system presence equals 0.245 with a standard deviation equal to 0.430. for both samples, family businesses have an average of 0.227 higher than non-family businesses (0.250). The difference between the two system groups is statistically insignificant. The correlation matrix shown in Panel B reports low or moderate correlation among variables; thus, there is not a serve multicollinearity problem.

Table 3.
Descriptive statistics of the full sample

Variables	**Full-sample**		**Family firms (1)**		**Non family firms (2)**		**t-statistic**
	Mean	**Std.Dev**	**Mean**	**Std.Dev**	**Mean**	**Std.Dev**	**(1) - (2)**
CETR	0.225	0.179	0.220	0.162	0.227	0.183	0.711
CSR	56.635	25.470	54.946	25.857	57.131	25.344	1.433*
FAMILY	0.227	0.419	1.000	0.000	0.000	0.000	_
LEV	25.425	16.042	24.765	16.556	25.619	15.889	0.879
ROA	0.081	0.094	0.074	0.057	0.083	0.102	2.171**
INVINT	0.114	0.144	0.116	0.099	0.113	0.155	-0.414
INTANG	0.282	0.253	0.315	0.245	0.272	0.255	-2.888***
PROVISION	0.046	0.071	0.039	0.041	0.048	0.078	2.992***
Legalsystem	0.245	0.430	0.227	0.419	0.250	0.433	0.924

CETR: Cash Effective Tax Rate; CSR: Corporate Social Responsibility; FAMILY: Family; LEV: Level of debt; ROA: Return (Economic profitability) of assets; INVINT: Total of stocks; INTANG: intangible assets; PROVISIONS: The value of provisions and Legalsystem.

Table 4.
Person correlation Matrix

	CSR	**FAMILY**	**CSR*FAMILY**	**LEV**	**ROA**	**INVINT**	**INTANG**	**PROVISION**	**Legalsystem**
CSR	1.000								
FAMIY	-0.036	1.000							
CSR*FAMILY	0.197	0.087	1.000						
LEV	0.072	-0.022	-0.019	1.000					
ROA	-0.060	-0.040	-0.041	-0.202	1.000				
INVINT	0.039	0.008	0.018	-0.305	0.177	1.000			
INTANG	0.035	0.070	0.058	0.070	-0.0179	-0.115	1.000		
PROVISION	0.148	-0.054	-0.037	-0.116	0.042	0.085	-0.027	1.000	
Legalsystem	-0.005	-0.022	-0.023	-0.074	0.063	0.109	0.103	-0.107	1.000

*CSR: Corporate Social Responsibility; FAMILY: Family; CSR*FAMILY: Corporate Social Responsibility in family firms; LEV: Level of debt; ROA: Return (Economic profitability) of assets; INVINT: Total of stocks; INTANG: intangible assets; PROVISIONS: The value of provision and legalsystem.*

4.2. Regression results

In order to properly study the effect of corporate social responsibility on tax avoidance, it is necessary to test the validity (explanatory power) of our empirical model. The results of the multiple regression of the first model shows that the model has an R^2 equal to 0.5397. this result indicates that the variability of the explanatory variable explaining the variable to be explained is 53.97%. Regarding the overall meaning of the model, the Fisher (F) statistic is of the order of 3.44. It shows that the model is globally significant and explanatory of the phenomenon studied at a threshold of 1%.

Table 5.
Results of model one multiple linear regression

Variables	Expected sign	Coefficient	T	P>|t|
CSR	-	-0.000418	-1.56	0.118
LEV	-	0.001682***	2.72	0.007
ROA	+	-0.2104294**	-2.04	0.041
INVINT	-	0.0279699	0.54	0.589
INTANG	-	-0.0598568	-1.33	0.183
PROVISION	+	0.0762459	0.74	0.456
Legalsystem	-	0.0260885***	5.42	0.000

*CSR: Corporate Social Responsibility; LEV: Level of debt; ROA: Return (Economic profitability) of assets; INVINT: Total of stocks; INTANG: intangible assets; PROVISIONS: The value of provisions and legalsystem. The symbol ***, **, and * indicate statistically significance at the 1 %, 5 %, and 10 % level, respectively.*

Table 5 presents the results of the multiple linear regression of Model 1 used to test H 1, indicating a negative relationship between CSR and tax avoidance. The coefficient of the CSR is negative and not significant (coef -0.000418). This confirms the findings of Preuss (2012) who asserts that the demands to engage in CSR can hide many inconsistencies in a company's approach to CSR, and for Sikka (2010), who finds that in some companies, socially responsible behaviors is not aligned with their actions in terms of paying their fair share of taxes. This result indicates that more socially responsible companies are more tax aggressive. In other words, European companies are strongly focusing on promoting CSR activities and are likely to engage in tax avoidance practices. Consequently, Hypothesis one of our study is not confirmed.

In regards to control variables, the LEV coefficient is positive and significant at 1%. This indicates that companies with higher indebtedness are more likely to engage in tax avoidance activities than companies with lower indebtedness. We also observe that the ROA regression coefficient is negatively and significantly associated with tax avoidance at the 1% level, indicating that profitable companies are less likely to engage in tax avoidance activities than less profitable companies. Our results also show that the INVINT and PROVISION regression coefficients are positively and not significantly associated with tax avoidance. In addition, the INTANG coefficient (coef -0.0598568) is insignificant and negatively associated with tax avoidance, that is companies with a high intensity of intangible assets are therefore less likely to avoid taxes. Finally, Model one shows that the “legal system” indicator has a positive and significant effect on “CETR” (coef 0.0260885, $p < 0.01$). Common law systems are also established through court decisions. In this system, laws are not only made by legislatures, they are also based on court decisions. Although legislatures make laws, they are interpreted by the courts and it is the decisions of judges as to the meaning and application of laws that give rise to the law. Therefore, the common law has more flexibility to adapt to new circumstances and new cases on social and environmental responsibility and human rights activities. in these countries when companies engaged in CSR, they are more tax avoidance.

Table 6.
Results of model two multiple linear regression

Variables	Expected sign	Coefficient	T	P>│t│
CSR	-	-0.0000858	-0.27	0.785
FAMILY	-	0.0295235	0.38	0.708
CSR*FAMILY	-	-0.0011808**	-2.14	0.032
LEV	-	0.0017098***	2.78	0.006
ROA	+	-0.2067603**	-2.01	0.045
INVINT	-	0.0245718	0.48	0.634
INTANG	-	-0.0582487	-1.30	0.193
PROVISION	+	0.075983	0.74	0.458
Legalsystem	+	0.0282281***	5.81	0.000

*CSR: Corporate Social Responsibility; FAMILY: Family; CSR*FAMILY: Corporate Social Responsibility in family firms; LEV: Level of debt; ROA: Return (Economic profitability) of assets; INVINT: Total of stocks; INTANG: intangible assets; PROVISIONS: The value of provisions; legalsystem. The symbol ***, **, and * indicate statistically significance at the 1 %, 5 %, and 10 % level, respectively.*

Model 2 is used to test H2 which focuses on the relationship between corporate social behavior of family businesses and tax avoidance. The results this second model present a Fisher's statistic measuring the overall meaning of the model, which is equal to 3.19, conforming the good quality of the model to a level of meaning below 1%. Therefore, an explanatory power of the model explains our phenomenon globally. Moreover, our model has an R^2 equal to 0,54,01. It is a hot result that the variability of the explanatory variable explaining the variable to be explained is 54,01%.

The CSR coefficient for non-family businesses is not significant (-0.0000858, value p 0.785). Even, this model indicates that the FAMILY coefficient is not significant (0.0295235, p-value 0.708) this result does not confirm that family businesses are more tax avoidance than non-family businesses. This finding suggests that regardless of their socially responsible behavior, family and non-family businesses differ in terms of tax avoidance.

However, the CSR * FAMILY interaction term is negative and significant (-0.0011808 p-value 5%). There is a moderating effect of family ownership on the CSR-tax avoidance relationship because companies with higher social and environmental responsibility are less engaged ix tax avoidance practices, so, property-based behavior increases the CSR effect on tax avoidance. As a result, family firms are less engaged in tax avoidance practices than non-family firms. In other words, firms have lower tax-saving shares when the CSR is higher. Overall, the above results empirically support our second hypothesis of the research.

In the face of risky tax situations, which can have negative outcomes that can significantly affect socio-emotional wealth (SEW), in particular the name and prestige of the family, financial incentives for tax avoidance are reduced. The findings imply that non-family firms are less likely to practice social responsibility and more likely to participate in tax avoidance activities. Furthermore, the findings imply that a family firm's CSR is not the driver of its tax avoidance behavior. Particularly, non-family enterprises that are more dedicated to community and society and more committed to their customers seem to be more tax-efficient. This implies that although non-family businesses try to provide a positive image to the public, their words and deeds may not always be in sync. However, non-family businesses that practice socially responsible corporate governance and responsible behavior towards their employees engage in tax avoidance strategies more frequently.

According to the control variables, the LEV coefficient is positive and more significant. This shows that European family firms are more indebted and more likely to engage in tax avoidance than family firms with lower debt capacity. Even the ROA coefficient is negatively and significantly associated with tax avoidance at the 1% level, i.e. profitable companies run by a family group are less likely to engage in tax avoidance activities than less profitable family firms. It is also observed that the INVINT and PROVISION coefficients are positively and not significantly associated with tax avoidance regardless of their type of ownership. Also, the INTANG coefficient (coef -0.0582487, p value greater than 10%) has an insignificant impact on tax avoidance. In Europe, family firms that invest in intangible assets have no effect on tax avoidance. Finally, model two shows that the “legal system” indicator in family firms has a positive and significant effect on “CETR” (coef 0.0282281, $p < 0.01$). The multivariate analysis, taking into account the characteristics of the environment and common low legal system, also shows that family ownership is a positive factor in the evaluation of CSR bidders in environments with greater protection of shareholders, of better accounting standards, more financial development (GDP) and thus, these family firms have more enforced tax avoidance activities.

5. Conclusions, limitations and future research

The objective of our research is mainly to examine the impact of corporate social responsibility on tax avoidance as well as the moderation role of ownership structure on this relationship in European companies belonging to the ASSET4 index during the period 2014 - 2019. Our empirical study is based on a sample of 1625 observations. We find a negative and non-significant relationship between CSR as measured by ESG score and tax avoidance. Besides, we examine the impact of family property on this relationship. Empirical results show a negative and significant association between CSR and tax avoidance for family businesses indicating that family property moderates the relation between CSR and tax avoidance behavior.

This study contributes to the literature on CSR and tax avoidance and on the understanding of the effect of family ownership on tax avoidance practices. Contrary to earlier research, our findings indicate that family ownership and management are linked to an increase in tax avoidance. Some of them have claimed that family businesses stay away from any actions that would endanger their reputation, their image, their existence, or the transfer of the legacy to their descendants. However, the fact that family firms are concerned about tax evasion to uphold their reputation supports our evidence. Due to the lower agency conflict among shareholders, our findings imply that while family businesses do engage in CSR initiatives from the SEW perspective, they do not engage in tax avoidance. We then add to the prior literature by arguing that when family firms engage in CSR activities, they avoid producing negative results that can strongly affect their SEW and therefore the name and reputation of the family.

The findings of this study offer valuable support for a number of agents. This study advances knowledge about the commitment of socially conscious enterprises to curtail tax avoidance strategies. In this context, the findings provide evidence to managers and shareholders in the analysis of how CSR performance is negatively linked to tax avoidance strategies, especially for family firms. Knowing how CSR affects tax avoidance is crucial for avoiding any actions that could harm the company's reputation and jeopardize its survival and legitimacy. Additionally, these businesses need to be focused on developing CSR initiatives that guarantee the preservation of their SEW. Our findings highlight the need for the most effective external legal oversight and control mechanisms that avoid and impede tax-saving practices for regulators and governments.

In this study, a greater attention ought to be given to good governance practices in family and non-family enterprises.

Like all research work this work has some limits. First, in an attempt to measure tax avoidance, our study is based on a single measure (CETR) which is determined from the information reported in the financial statements, more closely in the table of cash flows, because the ETR measure may not represent the tax situation (landry, 2013). Secondly, the definition of a family business in a European sample may not be applicable to other contexts. Finally, the number of family businesses is lower than the number of non-family businesses; this could have an effect on the results obtained.

Replicating this study in a sample of non-European businesses participating in comparable CSR activities and analyzing the effects of various ownership structures on family business behavior are two potential future research areas.

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