

Corporate tax avoidance, firm performance, and the role of media attention

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Abstract

Recent years have seen a growing public interest in the issue of corporate tax avoidance, and a common theme in the public discussion is the notion that large multinational firms do not pay their “fair share”. While tax avoidance may have a positive direct effect on firm performance due to a lower tax burden, tax avoidance can also produce reputational risks that may impact brand value. However, previous research has not established whether the benefits of tax avoidance for firms outweigh its costs. We therefore seek to identify boundary conditions under which reputational risks are particularly high and hence, under what conditions tax avoidance can harm firm performance. In particular, we study the role of media attention to corporate tax avoidance both in the popular press and the social media. Our results suggest that newspaper attention to a firm’s tax avoidance has a negative effect on firm performance. With regard to social media attention, we find no conclusive evidence.

Keywords: *tax avoidance; firm performance; media attention*

Track: Marketing Strategy & Theory