

CROSS-CULTURAL EVIDENCE ON TAX DISCLOSURES IN CSR REPORTS – A

TEXTUAL ANALYSIS APPROACH

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Abstract: This study examines how dimensions of culture influence tax disclosure in corporate social responsibility (CSR) reports. Drawing on Hofstede’s framework of cultural dimensions, we employ textual analysis and analyze 4,425 CSR reports from 24 countries, which is the largest sample that has been analyzed in a tax context. Within these CSR reports, we find significant variation across countries and dimensions of culture in 1) whether firms mention taxes, 2) how often tax is mentioned, 3) whether negative sentiments are expressed, and (4) which tax themes are discussed. For instance, tax disclosure frequency ranges from 16 percent to 95 percent. Firms in some countries are more likely to criticize the tax system while firms in other countries are more likely to highlight their taxes paid as a contribution to tax revenue, emphasize their compliance with tax laws, or point out their socially responsible tax practices. Among other results, we find that countries that exhibit high masculinity and high levels of disparity between those in power and those with little or no power are associated with fewer CSR tax disclosures and disclosures that depict a less positive attitude towards taxes. Moreover, strong national governance and lower economic well-being are associated with more frequent and less negative tax disclosures.

Data availability: Data are available from sources identified in the paper.

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