J Bus Ethics (2018) 147:469–487
https://doi.org/10.1007/s10551-015-2978-5

CrossMark

Aggressive Tax Avoidance: A Conundrum for Stakeholders, Governments, and Morality

Dinah M. Payne[1] · Cecily A. Raiborn[2]

Received: 3 September 2014 / Accepted: 29 November 2015 / Published online: 22 December 2015
© Springer Science+Business Media Dordrecht 2015

Abstract This is the conundrum that gives rise to the issue of tax avoidance: Although governments always seem to lack sufficient funds to support the needs of society, tax codes are often written that offer "a way out" of paying taxes for some but not all constituents. The ways out are referred to as loopholes that allow taxpayers to avoid taxes. This paper first defines the basic terms of tax avoidance and tax evasion and then offers an ethical review of the morality of aggressive tax avoidance. Aggressive tax avoidance is then addressed in relationship a corporate entity's tone at the top. The conclusion is drawn that use of the letter of the law to avoid payment of taxes sorely needed by governments for the good faith provision of public goods and services is ethically unacceptable. Several suggestions for change are provided, including a new financial statement disclosure and the possibility of a published corporate ethics report.

Keywords Ethics · Taxation · Tax avoidance · Tax inversion · Tone at the top · COSO

Introduction

This paper seeks to address the conundrum of the legal versus ethical issues (i.e., the letter versus the spirit of the law) associated with the practice of tax avoidance, particularly aggressive tax avoidance. The paper is not designed to be a compilation of tax rules, domestic or global. To properly discuss the issue of aggressive tax avoidance, however, certain basic tax definitions and explanations must be provided; therefore, the paper begins with a short discussion of these items. The second section stresses the importance of stakeholders in the consideration of business profitability; the third section reviews the concept of constituents paying a fair share of taxes as ethical behavior. The paper's fourth section presents three ethical frameworks to consider whether aggressive tax avoidance is ethical. To view the aggressive tax avoidance situation from a slightly different perspective, the paper then ties tax avoidance to an organization's tone at the top. The paper concludes with some suggestions for change, including a new financial statement disclosure and a published ethics report.

Basic Tax Concepts

Before a determination of whether aggressive tax avoidance is unethical or not can be made, the first order of business is to identify the difference between tax avoidance and evasion. Other fundamental questions are associated with aggressive tax avoidance that are founded in legal technicalities, such as tax systems and loopholes. Further, tax rates and base erosion and profit shifting must be considered. This section presents pertinent information on those issues, preliminary to our ethical assessment of aggressive tax avoidance.

Tax, Tax Avoidance, Tax Evasion

A tax can be defined as "a compulsory levy by the government on the people's income or wealth without a direct

✉ Dinah M. Payne
dmpayne@uno.edu

[1] University of New Orleans, New Orleans, LA, USA

[2] McCoy Endowed Chair in Accounting, Texas State University, San Marcos, TX, USA

quid pro" (Song and Yarbrough 1978). Although taxes are typically assessed on profits, wages, and other types of income, specific items are often excluded from taxability, generally because the taxing authority wants to promote a particular behavior. The US policy of non-taxation on governmentally paid interest is such an example.

Tax evasion is any dishonest or dubious action taken "outside the legal framework" to reduce or conceal taxable income amounts or increase deductions so as to reduce the true tax liability to less than the obligated amount under the legal tax framework (Sikka 2010). In comparison, tax avoidance (or tax mitigation) is the process of using legal means to reduce the amount of tax that is owed based on enumerated provisions in the tax law. Tax avoidance is an accepted and expected element in a corporate entity's tax planning function and arranging affairs so as to make the tax burden as low as possible is reasonable. As indicated by a quote from Judge Learned Hand, one has no "patriotic duty to increase one's taxes" to a pattern that "will best pay the Treasury" (Hand 1934). Thus, tax evasion is not only illegal; it is also unethical because it "entails deception and concealment," while tax avoidance is a matter of rational business planning involving (among other things) the amount and timing of tax deductions and for which the taxpayer (individual or corporate) is fully prepared to make full disclosure to tax officials (Hansen et al. 1992). In determining valid tax planning, the AICPA code of conduct requires that accounting professionals have a good faith belief that the tax avoidance position they have taken has "a realistic possibility of being sustained administratively or judicially on its merits" (AICPA 2009, p. 5a).

There are, however, ambiguous tax issues that are characterized by legal interpretations that could be suspected and, oftentimes, these types of issues involve what may be referred to as legal "loopholes." Interpreting the loopholes to the benefit of the taxpayer is not illegal *per se* because, regardless of whether the taxpayer took a specific position with the desire to evade taxes, when the law draws a specific line, one "may intentionally go as close to it as [one] can if [one does] not pass it" (Holmes 1930). Tax avoidance that is based on suspect legal interpretation or an obscure paragraph in the tax code and thus takes advantage of a legal "loophole" is what we will refer to as aggressive tax avoidance.

Table 1 presents a broad view of tax evasion, tax avoidance, and aggressive tax avoidance as they are related to law and ethics. Raiborn and Payne (1990) have asserted that the letter of the law (i.e., promulgated law approved objectively by society at large) is not the same as the spirit of the law (i.e., the subjective "right" behind a personal assessment of right or wrong)—and the spirit of the law is always a broader concept. Hansen et al. (1992) assert that tax avoidance is not a sound business practice, drawing support from a 1935 US Supreme Court case, *Gregory v. Helvering*: "the highest court of the land expects something beyond compliance with only the letter of the law." The legal loophole that allows tax avoidance also permits a disregard of application of the spirit of the law. Further, Hansen et al. (1992) assert that accounting professionals should be more interested in the spirit of the law, as in with what is morally correct, than with mere technical compliance with the law: "Tax avoidance does not provide an exemption from ethical behavior. … In seeking to earn profits and minimize costs professionals must be held accountable to some level of collective well-being."

Tax Systems and "Loopholes"

Only governments have the power to tax and, in doing so, there needs to be some recognition of the fact that taxation creates a burden on the entities being taxed. When international trade exists, formal tax treaties that indicate taxation jurisdiction are generally signed between countries so as to prevent or minimize double taxation of international income. Countries choose their international taxation approach for a variety of reasons, including economic position and tax treaty requirements. Further, countries may or may not have the same taxation system for individuals and corporate entities.

In the residential approach to international taxation, a government taxes all revenue of its local taxpayers without regard to where the income is earned, but typically allows local taxpayers a deduction or credit for taxes paid on foreign income. The primary difficulty associated with this approach is the determination of who is a "resident." In the territorial approach to international taxation, a government taxes all revenue earned in the country, regardless of the taxpayers' country of residency. Foreign income can often be deferred from tax until that income is repatriated (returned) to the country of residency. Many developed economies are currently "turning to the territorial approach," but the USA and its "close allies" employ a residential system (Dittmer 2012).

There are also some extremely large loopholes in US tax law that allow corporations to avoid many international commerce tax consequences by using off-shore tax shelters. Two important avoidance mechanisms used by US companies are referred to as the check-the-box loophole and the "look-through" rule. Check-the-box is essentially a type of tax arbitrage that allows US companies to exploit differences in tax jurisdictions (Slemrod and Yizhaki 2002); this loophole, created in 1997, acts much like wage arbitrage when a business is considering in which low cost country to "set up shop" (Savoie and Payne 2012). Under this rule, companies can choose how to classify subsidiaries for tax purposes. Originally designed to help

Table 1 Tax evasion and avoidance: characteristics and intent

Concept	Definition	Telling characteristics	Abides by the letter and/or the spirit of the law?
Tax evasion	Failure to pay legally due taxes An activity that takes place outside the legal framework	Deception and concealment, involving dishonest and dubious action	Illegal and unethical Violation of the letter of the law
Tax avoidance	Retention of income or wealth when there is no legal obligation to pay a tax Characterized by legal interpretation	Appropriate, rational good faith business planning, with full disclosure and realistic possibility of tax position being sustained	Legal and ethical: it is the legal utilization of enumerated tax provisions No violation of either the letter or the spirit of the law
Aggressive tax avoidance	Tax avoidance based on potentially questionable tax position or suspect legal interpretation; taking advantage of a legal "loophole"	Bad faith interpretation of letter of the tax law	Legal but potentially unethical No violation of the letter of the law, but possible violation of the spirit of the law

simplify multinational corporate tax filings, check-the-box allows the USA to tax foreign income such as dividends, interest, rents, and royalties earned ("passive income"), but not income from normal business transactions ("active" income). Companies can self-describe individual entities, including the use of a "disregarded" (or irrelevant for tax purposes) entity concept that allows entities to be treated one way in the USA and another way in a foreign country: These hybrid entities "are at the core of companies like Apple's tax strategies, and they have been used to bring about obscenely low effective tax rates" (Scott 2014a, b).

The Controlled Foreign Corporation (CFC) look-through rule, made available in 2006, was passed to help US corporations be more competitive by eliminating some tax circumstances that restricted efficient and flexible business operating decisions. This rule basically allows one CFC to receive passive income from another CFC to not report that income for tax purposes. The rule has been extended multiple times, including in January 2013 as part of the "fiscal cliff avoidance bill," and is often used to avoid taxes by "tech companies, pharmaceutical developers and medical technology companies" (Hickey 2013). Without the cash funding flexibility provided under the "look-through" rule during the financial crisis from approximately 2008–2011, "conditions in the credit markets would have made access to other sources of funding more difficult and unduly expensive in many cases" (Noren 2012).

Sikka (2010) reports that the US Treasury is losing over $345 billion each year as a result of tax avoidance and evasion tactics. Further, between 1998 and 2005, he reports that more than 65 % of domestic and foreign corporations did not pay any federal corporate taxes and that 25 % of the largest US companies had gross sales of over $1.1 trillion, yet paid no corporate taxes. As Azemar (2010) notes, "tax differentials among countries and the interaction between the home and the host countries' tax systems influence not only the location and the amount of capital invested abroad, but also the financing of the investment, the repatriation of dividends, and the transactions between related parties located in different jurisdictions." Willhite (2014) states that growing interest in tax avoidance is a result of the European Union's (EU) financial crisis, which has led to "a period of austerity, reductions in social welfare programs and voter anger." Fairless (2014) sums up the problem giving rise to the puzzle: "[W]hen public budgets are tight and citizens are asked to make efforts to deal with the consequences of the [financial] crisis, it cannot be accepted that large multinationals do not pay their fair share in taxes."

Beneficial tax rules that make tax avoidance fairly effortless are also causing a rising tide of antagonism and resentment. For example, Kang (2013) reported that Apple paid little or no corporate taxes on $74 billion in revenue between 2009 and 2012 by exploiting the Irish tax code. Willhite (2014) and Fairless (2014) state that the EU's investigation into tax positions granted to certain large companies (such as Apple) may be seen as amounting to "an unfair competitive advantage" if companies charged "prices internally that didn't reflect market conditions." Germany's book publishers have accused Amazon "of violating local competition rules" (Eddy 2014). Because of the circumstances, the EU began an investigation into whether the "tax deals … could amount to illegal state aid" (Sterling 2014). Additionally, Joaquin Almunia, VP of the European Commission responsible for competition issues, asserts that some of the tax strategies being used to reduce tax burdens of multinationals are "eroding the tax bases in some European states" (Scott 2014a, b).

If such extremely favorable tax treatment granted is deemed to be "legal aid" to those companies, EU rules have been violated and the companies would be obligated to repay those sums. The conundrum of tax evasion versus avoidance versus aggressive avoidance is real: While rational business people want to help meet their fiduciary duties to shareholders by legally reducing taxes as much as possible, governments, representing individuals and communities, expect businesses to meet their obligations to society by paying their fair share of taxes. Again, the question of the aggressiveness of the tax avoidance is at issue.

Tax Rates and BEPS

In the recent past, many countries have introduced tax incentives to attract the financial capital of more corporations (Weichenrieder 1996). As seen in "Appendix 1," statutory tax rates among countries vary dramatically—with the USA having one of the highest rates. Not only do US companies not want to have profits reported in this very high rate venue, but this situation also makes it unattractive for other countries to invest in, or set up operations that would bring income into, the USA. The inability to align US tax policy with that of the rest of the world "imperils our industrial base" and will likely result in the loss of US multinationals' market share to foreign multinationals (Myers 2009). Critics of the high US tax rate and policies on international tax collection argue that "the U.S. could experience declining international competitiveness and even suffer a growing 'hollowing out' of the domestic economy because companies choose to invest and operate elsewhere" (Czinkota et al. 2011). Dittmer (2012) is additionally critical of the USA's burdensome tax rate saying that it "inflicts tremendous compliance costs, creates enormous distortions of economic activity, deters companies from headquartering in the U.S., awards tax preferences to politically connected industries, and traps huge amounts of U.S. corporate profits overseas. To add insult to injury, despite these punitive features, the system captures a meager stream of tax revenue."

Some other implications of high corporate tax rates presented in *Paying Taxes 2014*, a report issued by PricewaterhouseCoopers and the World Bank/IFC (PwC and WB 2014, p. 12), follow:

- In most of 121 economies surveyed, businesses believed tax rates were among the top five constraints to their operations;
- High corporate tax rates are negatively correlated with corporate investment and entrepreneurship levels;
- Corporate tax rates might be negatively associated with economic growth; and
- A 1 % increase in the Total Tax Rate (the cost of all taxes borne by the organization) can be associated with a 3 % increase in tax evasion.

It is imperative, however, to note that many US multinationals do not pay the corporate statutory rate because of a variety of incentives, exemptions, exceptions, credits, and (to some extent) political influence. To illustrate, Citizens for Tax Justice (CTJ) reviewed profitable Fortune 500 companies in a variety of economic sectors and found a group of 15 companies that "paid no federal income tax on $23 billion in profits in 2014, and … almost no federal income tax on $107 billion in profits over the past five years. All but two received federal tax rebates in 2014…" (CTJ 2015). Information for these corporations is shown in "Appendix 2." Therefore, although the statutory rate is viewed as exceedingly high compared to that of other countries, the effective tax rate for US companies is much lower. According to the Sunlight Foundation, the effective corporate tax rate "has steadily dropped over the past four decades, from near 50 % to the upper 20 s" (Hatch 2011).

Given the wide diversity in statutory and effective levels of international taxation and the myriad of issues regarding who is taxed and what exemptions/exclusions/etcetera that may affect the statutory rates, the Organization for Economic Cooperation and Development (OECD) Centre for Tax Policy and Administration (in the summer of 2013) indicated that the G20 countries strongly supported addressing the issue of base erosion and profit shifting (BEPS) so as to improve and coordinate international taxation systems. Targets of reform included "hybrid mismatches, transfer pricing, tax treaties and [to promote] increased tax transparency"; additionally there seemed to be an increasing situation of "bilateral treaties designed to eliminate double taxation [that] may have helped to create double non-taxation, which was 'not politically or economically acceptable'" (Goodall 2013). A major consideration was that, by failing to coordinate holistic efforts in regard to taxation issues, individual countries could potentially see the passage of unilateral, economically harmful taxation actions, especially "where there is significant profit but little substance in a low or no tax jurisdiction" (EY 2013).

The OECD (2013, p. 8,13) claims that BEPS has harmed myriad stakeholders, including governments, businesses, and individuals for a wide variety of reasons, especially when performed by "shell companies that have little or no substance in terms of office space, tangible assets and employees." Governments have been harmed by having access to less revenue while bearing higher costs to ensure tax compliance; governments have also seen critically harmful underfunding of public investments that could stimulate economic growth. Businesses may face

reputational risk if their tax rate is considered too low or, if operating only domestically, they may be unable to compete effectively with multinational firms that can shift their tax burdens to lower tax rate venues. Finally, individual taxpayers may pay higher taxes to compensate for the reduced payments of corporate entities operating under loopholes. A more detailed presentation of costs and benefits is provided later in the paper in the utilitarian analysis section.

A coalition of business organizations expressed concerns that American multinationals were specifically being targeted under the guise of combating tax avoidance in a way that could possibly harm both the competitive positions of businesses and the US Treasury (NFTC 2009). Politi (2013) notes that the tax avoidance strategies US firms are using outside the USA are becoming more unpopular to those nations whose budgets and economic difficulty are endangered further by aggressive tax avoidance. To address the issue of tax avoidance, an OECD discussion draft has delineated both a general anti-abuse rule (GAAR) and a limitation on benefits (LOB) rule. A suggestion was made that only one or the other be included in the Model Tax Treaty because the two "should in principle address the same scenarios [i.e., artificial business structures], whilst not denying treaty benefits for genuine commercial arrangements"; the use of both within the Treaty "would almost certainly add complexity and uncertainty whilst not providing any additional protection against 'treaty shopping'" (Bell 2014).

A significant issue involves the difference between where profits are reported and where actual business activities occur that give rise to the taxable income. Transfer pricing agreements allow firms to redistribute profits among business units of a single firm by charging favorable prices for goods or services sold to each other: Oftentimes, transfer pricing is used to shift profits "from higher tax countries to lower tax regimes" (Tebogo 2011; McClearn 2012/2013). Part of the OECD's BEPS Action Plan is to develop transfer pricing documentation rules to enhance tax administration transparency. These rules include a requirement that multinational enterprises provide all relevant governments with information on global economic activity, income allocation, and taxes paid to countries according to a common format (OECD 2014, pp. 5–6).

Stakeholders: A Game of Tug

Given that the net profitability of a corporation belongs to its shareholders, they are the primary direct beneficiaries of reduced taxation on corporate profits. However, other organizational stakeholders may be indirectly affected by a corporation's use of legal loopholes or aggressive tax avoidance. Before one can determine whether tax avoidance through such means is ethical or unethical, all stakeholders should be identified. A stakeholder is any person or institution that has a direct or indirect interest in a particular entity's success or failure. Waddock et al. (2002) assert that stakeholders are due certain rights, including the right to receive respect, be treated with integrity, be protected by standards, be granted transparency in dealings between the parties and given accountability. The stakeholders of a corporation in regard to the issue of tax avoidance would encompass shareholders, employees, and governments of countries in which entity transacts business or reports profits, as well as management, potential investors, creditors, competitors, and society at large, among others.

Another stakeholder, albeit one found only in the background of the process, is the tax professional who provides information on tax avoidance "opportunities." Some tax professionals are viewed as individuals who "have largely abandoned concerns for the public interest or social welfare in favor of commercialism and client advocacy" (Shafer and Simmons 2008). After conducting a study on whether the size of firm impacts ethics in tax practice, Doyle et al. (2014) contend that, possibly, "greater ethical sensitivity might encourage the type of practitioners who are willing to develop and promote 'dodgy' schemes to consider the impact of such schemes on wider society, that is, to look beyond the tax they save their clients." An earlier study by these same authors indicated that "the moral reasoning of [tax] practitioners in private practice declined significantly [in tax context circumstances] from that used in a social context and from that used by non-specialists" (Doyle et al. 2013).

Hansen et al. (1992) note that tax professionals face an ethical dilemma represented by two opposing factions: a disproportionate underpayment of taxes, i.e., aggressive tax avoidance, or the ethics of mere, reasonable tax avoidance. Governments want to receive their fair share from each societal member; corporate managers want to minimize tax exposure so as to discharge their fiduciary duties to shareholders; shareholders want to receive the best return on their investment that they are legally allowed; and tax professionals are bound by the law and by professional standards to work within all the constraints demanded by all stakeholders. But tax professionals are also bound by their own ethical standards as well as those of their employers, families, and communities. Thus, the ethical problem presented by tax avoidance is really difficult to sort out for myriad stakeholders: Should the firm minimize the tax liability to the fullest extent allowed by a "loophole" to the letter of the law that does not invoke the true spirit of the law? Hansen et al. (1992) also suggest that

managers, in their controlling and decision-making activities, should always consider how their actions impact others, both internal and external to the organization; therefore, the profit maximization goal should be restrained by the requirement that profits be achieved through ethical means.

In sum, all stakeholders should be considered in the issue of aggressive tax avoidance. Some loopholes (such as accelerated depreciation methods) create minor tax savings; other loopholes (such as those allowing corporate tax inversions) create major tax savings. A tax inversion (also known as tax flight) is basically a financial transaction in which a US-based company uses a subsidiary or a merger to shift headquarters to a more tax-favorable country but keeps primary operations in the USA. Tax inversions have even been referred to as technically legal but "wrong" and "unpatriotic" by President Obama, who stated that such loophole tactics are tantamount to "gaming the system" and allow some companies to "cherrypick their taxes … and damage the country's finances" (McCoy 2014; AP 2014). Thus, although one study found that tax avoidance was viewed as legal as well as moral because the diminution of tax payments was thought to be clever and a good idea (Kirchler et al. 2003), other stakeholders may have extremely opposite ideas. The following section provides an analysis as to whether taking aggressive tax loophole positions that are not grounded in ethical considerations of affected stakeholders is a morally correct business behavior.

The "Fair Share" Ethical Debate

Ethics is the ability to choose between right and wrong, good and bad. One issue to address regarding aggressive tax avoidance should focus on whether it is ethical to circumvent paying one's fair share of taxes that are used to preserve or promote the public good. While the letter of the law allows tax avoidance but not tax evasion, the real question is whether the legal minimum of aggressive tax avoidance is sufficient to meet an ethical minimum of paying one's fair share of taxes.

St. Thomas Aquinas argued that "bad laws do not bind the conscience of man" (Udeh 2014); thus, ethical people may choose to break a law deemed to be unjust, subordinating the law to what is ethically mandated by conscience. A hallmark of such civil disobedience, which is viewed as an ethical position, is that the breaking of the law is done openly rather than clandestinely. People can do the morally right thing for one of the two reasons and, sometimes, for both: An individual does the right thing because it is (1) the right thing to do or (2) beneficial to do so. Based on such an outlook, it may be perceived that exploiting tax loopholes to the furthest possibility may be legal but not ethical (Raiborn et al. forthcoming).

Taxation is the only practical means of raising revenues needed to finance government spending on the services (such as education, physical infrastructure, health care, and defense) expected by citizens. McGee et al. (2008) proffer that there is an assumed connection between the level of a government's tax collections and the corresponding delivery of public goods and services, the provision of which spurs economic growth. Thus, the issue of underpayment of taxes begs the question of the morality of failure to pay one's fair share of taxes: Those who underpay may be forcing others to overpay such that the delivery of public goods and services does not suffer diminution or cessation. In undeveloped or lesser-developed countries, governments need to spend large quantities of money on essential public services to have a serious impact on growing the economy, raising employment levels, and reducing poverty. However, models by Jones and Manuelli (1990) and Rebelo (1991) indicated that increases in income taxes lead to permanent declines in the rate of economic expansion. Moreover, the most prevalent types of tax incentives granted by developing countries to promote corporate investment are often "the least meritorious" and questionable as to effectiveness (Tanzi and Zee 2001). As such, countries that most need high taxes generally may not charge high rates for fear of curbing economic growth and may grant tax breaks that may not be as economically useful as hoped. Multinationals may take advantage of a developing country's low tax rates and tax incentives only to avoid higher taxes in a home jurisdiction and without providing significant economic benefit to the developing country. In such instances, the question is whether the MNE has behaved ethically toward either the developing or the home country.

Unfortunately, limitations on the tax base also undermine the ability to propel development activities, often creating a vicious and unending circle of poverty. Attracting multinational enterprises through particular national tax incentives (whether low rates, tax credits, tax holidays or other means) is one means of gaining revenues, but it can become a costly cycle. As the general secretary for the International Trade Union Confederation stated, "National tax laws have not kept pace with the globalization of corporations and the digital economy, leaving gaps that can be exploited by multinational corporations to artificially reduce their taxes" (Crotty 2013). Approximately twice the entire Ugandan health budget is lost annually because of tax incentives for foreign businesses

(ActionAid 2012). In 2011, the Philippines lost 10.6 % of governmental revenues from tax perks or about 1.5 % of gross domestic product (Cerda 2014). In 2012 in Sierra Leone, tax incentives granted to six firms totaled 59 % of the entire government budget; the cost of all tax breaks given in 2012 was $224 m or 8.3 % of gross domestic product (Provost 2014). Zambia's Vice President stated that his government "is losing roughly $2bn a year through corporate tax avoidance…[which] is more than Zambia spends every year on health and education combined" (Robinson 2013). Such issues highlight the issues of equity and justice as well as call into question the morality of failure—even through legal means—to pay "one's fair allocation" of taxes. (It is also possible that losses of tax revenue in lesser-developed countries reflect an inability of the government to properly enforce the tax code and/or collect taxes due—neither of which relate to equity or justice issues.)

Many authors (among them Crowe 1944; Torgler 2003; Reckers et al. 1994) have reviewed the ethics of tax obligations. The moral question related to tax underpayment is based on attitudes about tax payments in general, of which there seem to be three (McGee 2006; McGee et al. 2008; Song and Yarbrough 1978) that are summarized by McGee et al. (2005). First, tax evasion is always or almost always unethical because individuals and corporations have a duty to pay taxes necessary to support the public goods and services provided by the government. Failure to pay a fair share of taxes imposes a disproportionately higher rate of payment upon individuals who do pay. Similar rationale can be used to support the immorality of aggressive tax avoidance. Second, the anarchist viewpoint asserts that tax payment is equivalent to robbery: There is "never any duty to pay taxes because the state is illegitimate, a mere thief that has no moral authority to take anything from anyone" (McGee et al. 2005). Under this perspective, neither tax evasion nor aggressive tax avoidance would be deemed unethical. Third is the position that tax underpayment may be ethical in some circumstances, but not in others. For example, paying taxes to a morally bankrupt government is not ethically required.

The moral dilemma of aggressive tax avoidance is compounded by the moral duties owed by management to the various stakeholders discussed in an earlier section. Management owes a strong fiduciary duty toward shareholders to act in the best interests of the shareholders. Reasonably arguable then is that management must seek to pay the least tax legally possible to the shareholders' immediate benefit in the form of organizational profitability. However, such an attitude begs the question of what management's ethical responsibilities are toward society as a whole, given the symbiotic relationship (the mutual exchange of value) between business and society.

Ethical Theory Applied to Aggressive Tax Avoidance

In considering the morality of aggressive tax avoidance, it must be noted that a culture is continuously formed and reformed as a result of a society's beliefs, values, attitudes and behaviors: Culture helps determine which of society's beliefs are so important as to develop into promulgated law (Adler 2002, pp. 16–20). Thus, laws will change over time: Witness changes in laws associated with the legality of infanticide, slavery, the death penalty, or even the production and sale of alcohol. The law is not the sole determinant of what is morally correct; it is the result of the society's determination of what is morally correct. Society's culture makes the determination of what is moral and then, if sufficiently important, that principle is turned into promulgated law. The point is that abiding by legal mandates will not necessarily or always produce ethical behavior. In the instance of aggressive tax avoidance, we assert that, while a good faith, though stretched, interpretation of the law may be legal, it is not ethical. Therefore, we invoke utilitarian analysis, Rawlsian analysis, and contractual rights analysis to conclude that aggressive tax avoidance merely to maximize profit, without due consideration to all affected stakeholders, is morally wrong.

To help achieve understanding of what behavior is right or wrong, approaches to ethical decision making have been developed and can be classified as either teleological or deontological. Teleological frameworks, of which only one is widely used in social ethical debate, base what is right or wrong on the consequences of the actions that might be taken: The utilitarian analysis dictates, at its most basic level, that the alternative that provides the greatest good for the greatest number affected by the decision is the morally right decision. On the other hand, the deontological frameworks, of which there are many, base the morally correct decision in inherent duties or rights to act or not act.

Utilitarian Analysis

Jeremy Bentham (1789) originated the idea of utilitarianism. Use of this analysis assumes a number of things (some of which are not necessarily accurate): All effects can be known; all effects can be quantified; and all stakeholders are identified. Although these assumptions are massive in nature, it is still possible to develop a utilitarian analysis in the form of broad-brush assessments of positive and negative effects on several easily identifiable stakeholders.

No endeavors have been made to attribute numerical values to any of the costs or benefits but readers can make their own reasonable extrapolations to estimate present and future, known and unknown costs or benefits.

Comprehensive analysis would require consideration of all stakeholders and a judgment as to which costs and benefits would be borne by which stakeholders. Use of such a table, however, should provide a considered conclusion that aggressive tax avoidance comprised only of legal loopholes, wherein the interpretation of the law may either be suspect or create a legally unforeseen ability to pay little to no corporate tax, is unethical. If one believes that the societal harm caused by reduced tax collections and governmental provision of benefits is greater than the benefits provided to the individual company engaging in such actions, then aggressive tax strategies would not meet an ethical determination under utilitarianism. Table 2 provides a broad-brush attempt to identify the costs and benefits of aggressive tax avoidance versus fair tax payment from the standpoint of government, a business, stockholders, and other stakeholders.

Rawlsian Analysis

John Rawls (1958, 1971) developed a deontological framework founded in the concept of justice or fairness. Rawls' principles of justice can only be invoked behind a "veil of ignorance," in the decision maker's "original position": This is to say that a decision maker would know nothing about his own attributes or condition in life when making moral standards. As such, the decision maker would not develop moral standards or societal edicts that would harm those least advantaged in our society, as doing so would have personal negative impact if the decision-maker condition were, in reality, among the least advantaged. Rawls developed three principles to guide decision makers in establishing societal rules. Under these principles, each person is presumed to have entered into a social contract with all others in society to obey moral rules that are necessary for people to live in peace and harmony.

First, the principle of equal liberty indicates that each person has an equal right to the most extensive basic liberties compatible with similar liberties for all. Aggressive tax avoidance using legal "loopholes" does not grant all equal liberty. Entities with the ability to employ "high-power" tax professionals who can decode obscure tax-advantageous provisions may obtain greater benefits than those companies without the same level of resources. Second, the difference principle presumes that social and economic inequalities are arranged so that they are to the benefit of those least advantaged in our society. Corporate entities are, by far, not the "least advantaged" in society: If they were, the concept of corporate philanthropy would not be one focal part of corporate social responsibility. Such giving, however, is not only done for ethical reasons but for self-interest reasons: "philanthropy can also help companies reduce business risk, open up new markets, engage employees, build the brand, reduce costs, advance technology, and deliver competitive returns" (Conant, n/d). Third, the Principle of Fair Equality of Opportunity promotes the idea that the disadvantaged would have the best opportunities under conditions of fair equality of opportunity. Both Rawls' second and third principles are violated if the aggressive use of tax loopholes deprives the disadvantaged (including those without sufficient means to circumvent tax payment) of the ability to avoid taxes. Moreover, these principles are violated from the perspective of the rightful provision of public goods and services: Entities with greater ability to pay taxes are the same ones with the talent to avoid paying their fair share of taxes. Thus, under Rawlsian analysis, the indiscriminate and aggressive use of legal loopholes is immoral (see also Raiborn et al. forthcoming). Table 3 provides a more complete view of the application of Rawls' analysis.

Contractual Rights Analysis

A third framework to assess aggressive tax avoidance is provided by contractual rights concepts. The force of legal structures, rather than moral tenets, is behind the imposition and recognition of these contractual rights. Contractual rights have four characteristics:

- Specificity to the individuals or groups involved in the contract *(i.e.*, those in privity; in this case, the contract is a social one between individual members of society, their governments, and their societies);
- Enforcement by the legal system that enacted the pertinent contract law;
- Knowledge about and willingness to agree to the contract by all parties in privity; and
- Honesty as to contractual facts and with no coercion or illegal actions.

By existing in society, business has an implicit contract with society to act in a symbiotic way to benefit both parties. In other words, business has tacitly agreed to contribute its fair share to the tax base and, as with other members of society, expects to and does take advantage of publicly provided goods and services. Contractual rights theory requires us to abide by the law: Our assertion is that business has a moral and legal obligation to abide by both the letter and the spirit of the law. Thus, the idea that no party in privity should intentionally misrepresent contractual issues or obligations is pertinent to this discussion: The premeditated and aggressive interpretation of tax law in violation of the spirit of the law violates the idea of contractual integrity. Aggressive tax avoidance should be viewed as immoral under the theory of contractual rights. See Table 4 for a more complete rationale for this conclusion.

Table 2 Benefits and costs of aggressive tax avoidance and fair tax payment

Stakeholder	Aggressive tax avoidance		Fair tax payment	
	Benefits	Costs	Benefits	Costs
Government	Encourages businesses to relocate for tax incentives Sees employment increases from relocated businesses Sees stimulation of country economic welfare Has more money in circulation that could lower interest and/or tax rates	May need to make cuts in public service or may underfund public investments that could promote economic growth and reduce poverty Must provide additional public services for new businesses Has higher cost to ensure tax compliance Undermines integrity of tax system if some parties believe low corporate taxes are unfair Has non-optimal resource allocations Places disproportionate tax burden on some societal members because of others bearing a disproportionately low tax burden	Can provide reasonable levels of support for: Healthcare Housing Education Other essential public goods and services Incur fewer costs to write tax code that contains specified loopholes	May lose business entities to lower tax-rate jurisdictions, causing possible departure of: Jobs at all levels of employment Local financing possibilities Must rewrite and reform tax code to eliminate tax loopholes Ensure fair and proportionate taxpayer allocations
Entity management	Takes advantage of tax rate arbitrage, paying few or no taxes Maximizes profit to benefit Shareholders Management Employees Communities and society positively affected by successful business operations Reflects fiduciary duty to generate profits for stockholders	May face significant reputational risk if effective tax rate is viewed as too low May not take advantage of legitimate ways to reduce tax burden, placing itself at a competitive disadvantage May, if only operating domestically, be unable to compete with MNEs that can shift profits to avoid or reduce taxes May be ignoring fiduciary responsibility to stakeholders other than stockholders Cannot repatriate profits to home country as needed, possibly resulting in an inefficient use of funds, or without taxation Incurs costs for tax and legal experts who can ascertain available tax loopholes and structure operations to take advantage of loopholes Faces societal charges of "government bribery" if demands are made to lower tax rate before repatriation will occur	Recognizes its place in a proactive, symbiotic relationship with all members of society Contributes fairly to the provision of public goods and services Reaps reputational reward of good corporate citizenship and social responsibility Incurs fewer costs to look for, and structure operations to take advantage of, tax loopholes Reduces lobbying costs necessary to keep loopholes in place May be able to provide more transparent information about tax planning issues to stakeholders May help restore public trust in corporate entities	"Overpays" entity tax obligation by eschewing potentially questionable legal interpretation on tax avoidance mechanisms "Overpays" to the detriment of reduced wealth available to stockholders and other stakeholders May place entity in jeopardy of becoming an acquisition target due to underutilized tax breaks Places entity at an economic disadvantage with other companies that are using tax aggressive tax avoidance schemes or located in lower tax rate jurisdictions
Stockholders	Increase profits and returns on investments	Risk accusations of investing in entities that avoid paying a fair tax share Risk loss of stock sales opportunities to investment firms dealing in companies with a "socially responsible mandate"	Derive satisfaction from being a proactive, symbiotic partner with government and society Reap reputational reward for owning an entity that pays a fair share of the tax burden	Generates a lower profitability than a tax "avoider"

Table 2 continued

Stakeholder	Aggressive tax avoidance		Fair tax payment	
	Benefits	Costs	Benefits	Costs
Other Stakeholders	May create higher employment or purchases (economic stimulation) through greater corporate spending of profits May obtain greater yields on pension funds investing in such companies	Have to bear more of the tax burden because businesses are paying a disproportionately lower share of taxes	Pay only their proportionate share of taxes Have more access to public goods and services as a result of increased tax revenues that support such provision Have a more easily read and understood tax code	May be negatively affected if businesses locate in a lower tax jurisdiction

Sources: Adapted in part from Organization for Economic Cooperation and Development, *Action Plan on Base Erosion and Profit Shifting* (OECD Publishing), 2013; P. Sikka, "Smoke and Mirrors: Corporate Social Responsibility and Tax Avoidance," *Accounting Forum*, 34(3/4), 153-168; L. Baker, *The Justice from Beacon Hill: The Life and Times of Oliver Wendell Holmes* (New York: Harper Collins), 1991

Table 3 Theory and application of Rawls' principles of justice relative to aggressive tax avoidance

Principle	Theory	Application
Principle of equal liberty	Each person has equal rights to the most extensive basic liberties compatible with similar liberties for all	Corporate entities have access to more resources than the average small-/medium-sized business or individual taxpayer: equal liberty is not granted to all. Corporations have more Ability to take advantage of tax laws that allow aggressive tax avoidance through the use of tax professionals Resources to argue legal interpretations Corporate entities may use a larger share of publicly provided goods and services but pay proportionately fewer dollars of taxes than other entities/individuals
Difference principle	Social and economic inequalities are arranged so that the inequalities benefit those least advantaged members of society	Corporate entities are better able to fight for tax relief than are the average small-/medium-sized business or individual taxpayer Therefore, the social and economic inequalities benefit the "most" rather than the "least" advantaged. A large portion of publicly provided goods and services are for average small-/medium-sized businesses or individual taxpayers … thus violating this principle
Principle of fair equality of opportunity	Those most disadvantaged in society would have the best opportunities under conditions of fair equality of opportunity	Corporate entities are not the most disadvantaged, yet the system has developed to benefit them most Tax laws have been created to stimulate economic growth, yet the aggressive use of tax loopholes has lowered the provision of publicly provided goods and services to the most needy members of society

Each of three ethical theories to evaluate the morality of aggressive tax avoidance leads to one conclusion: such action should be viewed as unethical behavior. A 2012 survey indicated that the British public saw tax avoidance as the second most important ethics issue (after executive pay) that businesses needed to address because "avoiding tax is avoiding a social obligation. Tax avoidance can make a company vulnerable to accusations of greed and selfishness, damaging its reputation and destroying the public's trust" (Back 2013). In another survey, about one-third of British consumers said they engaged in boycotts of companies believed to not pay a fair share of taxes in the UK (Baptist Times Staff 2013). A 2013 survey of Britons indicated that 66 % believed that tax avoidance using legal loopholes was "morally wrong" and 57 % thought it should be illegal (see Table 5). To augment the conclusion of aggressive tax avoidance as unethical, we turn to a different type of perspective that is now part of the everyday business language: tone at the top.

Aggressive Tax Avoidance and Tone at the Top

The phrase *tone at the top* has inundated business literature approximately since the beginning of the twenty-first century after a wave of corporate scandals, many of which

Table 4 Theory and application of contractual rights relative to aggressive tax avoidance

Principle	Theory	Application
Privity	Contracts are specific to the parties to the contract	Governments have the right to assess and collect taxes to provide for the public good; thus, there is a social contract to provide certain goods and services. If taxes are underpaid because of aggressive tax avoidance, governments are less able to perform that social contract Disregard of needs/rights of those relying on public goods and services negates the principle of privity
Legally binding	Social contracts associated with taxation (such as that between the government to use taxes to provide public goods and services and the taxpayers to pay taxes) are legally binding obligations	Aggressive tax avoidance through legal loopholes subverts the spirit of the tax law Using legal loopholes negates the binding nature of law: the spirit of the law should be binding
Knowing and willing acceptance of contract terms	All parties should understand the contract and should be willingly accepting of contract terms There can be no fraud or intentional misrepresentation, such as a bad faith interpretation of tax law to allow aggressive tax avoidance	As symbiotic participants in society, both business and other societal members must recognize that they have rights and responsibilities toward each other There is a tacit agreement that businesses will contribute their fair share to societal needs/expenses. Using legal loopholes may be tantamount to an intentional misrepresentation of contract terms and may negate the knowing and willing acceptance
Honesty	There must be honesty in fact, without any kind of fraud	The elements of integrity and good faith in contract are critical to maintaining transparent and open societal relationships Engaging in an action such as tax inversion, done solely to avoid/evade taxes in a domicile, could be viewed as a matter of dishonesty

involved top managers who sent a message that "committing fraud [was] acceptable as long as it [made] the company seem profitable" (ACFE, n/d). Prior to that time, tone at the top was generally a phrase used by auditing firms to indicate the level of integrity perceived in an organization so as to design and institute audit programs, processes, and/or internal controls. Currently, tone at the top is all encompassing: It reflects the ethical integrity, values, culture, and daily operations of upper management. The tone at the top is what filters down to all employees whose personal actions are often influenced by, and mirrored to, the actions of those individuals above them in the organizational hierarchy. Cultures lacking in ethics and integrity have been referred to as corrosive, deficient, and unscrupulous—often creating organizations that engage in a single-minded focus on the short-term bottom line. In contrast, entities that embrace an ethical tone at the top focus on paying "more than lip service to values" and have managers who "comply with the letter and the spirit of the rules" (Cutler 2004).

In May 2013, the Committee of Sponsoring Organizations of the Treadway Commission released an updated

Table 5 Tax avoidance survey of British residents

Question Posed: "Tax avoidance is the use of legal loopholes to alter a person or company's financial position in order to lower the amount of tax that they are obliged to pay. This differs from tax evasion where a person or organisation does not pay tax by illegal methods. Which, if any, of the following words or phrases do you associate with 'tax avoidance' by multinational companies in different countries across the world?" Participants: 2270 British residents polled in an on-line survey conducted 2/15-17/13

Words/phrases	Agree	Percentage of total	Scotland (197 respondents)	London (286 respondents)
Morally wrong	1488	66	145 (73 %)	137 (48 %)
Should be illegal	1284	57	138 (70 %)	131 (46 %)
Unfair	1274	56	128 (65 %)	137 (48 %)
Combating it should be a priority for governments	1261	56	136 (69 %)	134 (47 %)
Morally justifiable	65	3	–	17 (6 %)

Source: ComRes, *Christian Aid Tax Avoidance*, 2013; http://www.comres.co.uk/polls/Christian_Aid_Tax_Avoidance_Feb_2013.pdf. Accessed April 20, 2014

version of its 1992 *Internal Control—Integrated Framework* (*Framework*) for "designing, implementing, and conducting internal control and assessing the effectiveness of internal control" (COSO 2013a, p. i). The first principle under the Control Environment section is that an organization will demonstrate "a commitment to integrity and ethical values" (COSO 2013a, p. 33). To describe what this statement means, COSO (2013a, p. 33) indicates that tone at the top is an essential feature of this principle. In creating a positive ethical tone, managers and the board of directors should "lead by example," take all stakeholders expectations into account, be "influenced by the social and ethical norms" in the organization's markets, foster "an understanding and adherence to legal and regulatory requirements," and "take specific measures to set the tone in terms of moral, social, environmental, or other forms of responsible conduct." Given the use of the term *moral…conduct*, it would appear that COSO is expressing a perspective that actions more than mere legal compliance are needed to "walk the walk" of integrity.

If aware that their company is taking aggressive tax avoidance positions including moving a company to a tax haven simply to reduce taxes, employees may question how committed upper management is to an ethical tone at the top. Employees may perceive such actions as "bending the rules" and begin to believe that such behavior is condoned. Such beliefs can then foster the rationalization leg of the fraud triangle: If moving the corporate headquarters to a location that really does not have anything to do with business is acceptable, then maybe taking a little payment from a supplier is also acceptable. Rationalization is "insidious because it enables people to maintain their code of ethics and avoid guilt or self-condemnation" (Morantz 2011).

If a manager's vision of an honorable tone at the top focuses on "what can I get away with legally" rather than "what does ethics ask or even require of me" (Weinstein 2007), that manager will surely fail over time. Laws (like accounting standards) are often "bright line tests," with the bright line indicating how far one is able to go and still be legal. Laws become vulnerable to "self-interested interpretation by individuals" (Shavell 2002). As conditions change, laws need to be changed or added to meet the new circumstances. Managers making decisions based solely on the law cannot function well if laws differ in time or place. Consider, for example, the issue of bribery in business. In some countries, bribes and kickbacks are legal but that should not mean that a manager's decision on whether to pay a bribe should be determined by the laws of the country in which the bribe is to be paid. Under any type of ethical analysis, bribery would be considered unethical and there should be no "situational ethics" that allow companies to deviate based on location.

Ethical behavior has been seen to directly correlate with long-term shareholder value, "greater transparency, and increased integrity in internal relationships"; thus, company leaders should be chosen "who are not only ethical themselves but also committed to ensuring their organizations operate ethically at all times" (George 2008). Thus, it would seem that tone at the top, which is the embodiment of an organization's code of conduct, must involve reflection of ethical, in addition to legal, considerations. According to Sir Adrian Cadbury (1987), the majority of "business decisions involve some degree of ethical judgment; few can be taken solely on the basis of arithmetic." Attempting to make a decision such as moving a corporate headquarters simply to minimize tax payments would clearly seem to be the epitome of making a decision based solely on mathematical considerations rather than on what would be best for the company and its stakeholders. Management's rationalization for aggressive tax avoidance or tax inversion is that the action will legally increase stockholder profits…but the question should be whether management would view the same action as fitting with the following five core ethical values (IGE, n/d):

- Honest and truthful in all dealings;
- Responsible and accountable in all transactions;
- Fair and equitable in all relationships;
- Respectful and mindful of the dignity of all individuals; and
- Compassionate and caring in all situations.

Could ethical managers of an ethical company truly believe that aggressive tax avoidance or tax inversion be seen as integrating with these five core values or symbolizing the type of tone at the top that should permeate the entire organization? It is highly unlikely.

Suggestions for Change

Changes to taxation issues cannot take place without a mutual effort of governments, corporate management, shareholders, and other corporate stakeholders. Each of these parties holds an important key to fixing (or at least reducing) the problems created by duplicitous tax loopholes. Governmental bodies need to review tax codes to eliminate any backdoor means for corporate entities to shift revenues between locations simply for tax purposes. Without changes to tax codes, governments are sending a public policy message that taxation "work-arounds" are legitimate business processes. Managers should respect the relationship between society and business by paying the fair share of taxes due in the country whose citizens buy the entity's products and services. Doing so will help raise the value of the organization's "social license," which refers to

the willingness of community members to let a company operate in their region (Rowe and Bansai 2013). Shareholders need to focus on long-term, rather than short-term, organizational profitability by accepting that the short-term focus "has exacerbated the problem of corporate scandals … reflected in … unethical practices" (Pontiggia and Politis 2012). Other corporate stakeholders need to take a page from those people and entities pushing for greater corporate social responsibility; a concerted emphasis and effective collaboration by both internal and external parties has been shown to, over time, make a difference in how certain actions are viewed. In this case, the goal would be to make the case that paying one's fair share of taxes is organizationally and economically beneficial.

Two other, more radical suggestions are offered. First, in addition to the normal geographical segment reporting prepared by companies, a new disclosure item would be required. Each company operating under GAAP or IFRS would provide information within the financial statement footnotes that indicates specific information relative to revenues and taxes (see "Appendix 3"). First, a company would indicate the country of incorporation and other countries in which the majority of business revenues are generated. For each country, actual current year revenues (in monetary units and percentage) and revenues after implementing any transfer pricing adjustments must be shown for in each country; totals for these two columns must be at least 90 % of all revenues generated. (Transfer pricing issues are too complicated to discuss in this context; suffice it to say that transfer prices are set to "sell" a product from one organizational unit to another. Oftentimes, transfer prices are used to abuse the taxation system of countries.) Next, current year taxes paid in each country as well as any current year deferred tax liability are disclosed. While recognizing that taxes are paid on net income, not gross revenues, it is possible that attempting to allocate costs may be too cumbersome a calculation and the benefit of that information may not justify its cost.

Second, stakeholders should begin to raise their voices about some type of ethics report or inclusion of ethics information in the corporate social responsibility (CSR) reports now being issued by companies. In the early 1970s, CSR information began being requested by stockholders, often relative to proxy contests; in almost every instance, many American companies protested to the Securities and Exchange Commission (Bowman 1973; Longstreth 1973). Social audits were suggested and the public was reminded that its "reaction to business conduct affects corporate internal culture" (Stone 1975; Goodman 1978).

Abbott and Monson (1979) point out two basic problems in measuring corporate social involvement for purposes of research: (1) a lack of availability of detailed and consistent information about social activities in monetary and other quantitative forms and (2) a way "to measure the full impact of known corporate activities on society." However, as more and more stakeholders raised their voices to obtain CSR information, those issues became moot: As of early 2015 (less than 40 years later), the Global Reporting Initiative shows slightly over 7600 organizations having a profile on its website, along with almost 25,000 sustainability reports (GRI 2015). Thus, it would seem that, with sufficient time and public interest, the two difficulties have been, and are being, overcome. These same two difficulties now exist in regard to developing any type of corporate ethics report. Numerous entities have discussed ethics audits, but the suggestion here is for an audit itself but also some outcomes of such an audit. One potential starting point for such a report might be found in some of the approaches indicated in the COSO Internal Control Framework under the first principle related to the control environment as mentioned earlier: The organization demonstrates a commitment to integrity and ethical values (COSO 2013b, pp. 14–21). "Appendix 4" provides some possible items to address in an ethics report. There is an underlying assumption that a company has a single, global code of conduct and does not condone situational ethics depending on location.

Conclusion

The issue of aggressive tax avoidance is a global one, not one of single country boundaries: As Fairless (2014) notes, many countries around the world have adopted tax laws to further their own domestic ends. Tax law differences in various countries, as well as the end purpose of some of these self-serving laws, constitute important elements in this puzzle of aggressive tax avoidance. Britain's Public Accounts Committee suggests that tax laws be amended around the globe "so that large corporations have nowhere to hide their profits" (Parnell 2012). The OECD will be introducing a program that will have automatic exchange of tax information between/among countries that will be intolerant of "[s]hort cuts, loopholes and other forms of skullduggery" (Allen 2015). Additionally, the United Nations Conference on Trade and Development has proposed a set of principles and guidelines (Coherent International Tax and Investment Policies) with the following key objectives:

> removal of aggressive tax planning opportunities as investment promotion levers; mitigation of the impact on investment of tax avoidance measures; recognition of shared responsibilities between investor host, home and conduit countries; acknowledgement of links between international investment and

tax agreements; and understanding of the role of both investment and fiscal revenues in sustainable development. (UNCTAD 2015)

There is no single solution to this conundrum of the morality of aggressive tax avoidance. Our conclusion that aggressive tax avoidance is morally questionable at best and immoral at worst led to multiple suggestions for change. These suggestions can only be workable if all parties involved begin to resolve the problems of tax loopholes domestically first and then internationally. Governmental determination must be made as to whether tax loopholes (including the ability to use transfer pricing and tax inversions for tax avoidance purposes) are appropriate in tax codes as well as whether such loopholes really attract entities that can help—in fair measure—support the public functions of government. Shareholders need to accept the fact that conditions needed to maintain long-term business sustainability are not always prominent at the end of each upcoming earnings period.

Sikka (2010) notes that the on-going and rampant practice of tax avoidance has highlighted the difference between what companies assert as their corporate social responsibility (CSR) standard and what they actually do: "organized tax avoidance has real human consequences even though corporate CSR reports remain silent." Further, Sikka criticizes the moral contradictions seen in many examples of corporate tax wrong-doing and notes that there is a systemic pressure to maximize profit, share prices, and executive financial rewards. These pressures create significant barriers to meaningful corporate culture change away from the utilization of legal "loopholes" and toward application of the spirit of the law and ethical tone at the top.

Our conclusion is that international tax avoidance carried to the extreme, only possible as a result of legal "loopholes" and not grounded in ethical considerations of affected stakeholders, is not a morally correct business behavior. The situation of tax avoidance through tax loopholes provides an unadulterated example of the difference between what is legal and what is ethical. "Legitimizing a 'wrong' act because of circumstances or societal mores does not make that act any more moral" (Raiborn and Payne 1990). The fact that the tax code allows legal loopholes does not mean that the ethical behavior of paying one's fair share should be ignored. "Tax policies should be underpinned by the guiding ethical principles of accountability, transparency and consistency" (Back 2013). These considerations, concessions, and conundrums highlight why companies need to be aware of whether their managers are walking the walk or merely talking the talk. Leo Martin, director of Good Corporation business advisers, sums up the reality of such activity: "Leaders need to show that they are prepared to give up moneymaking opportunities, if there is a risk that values might be compromised" (Newing 2013).

Appendix 1

Table 6.

Table 6 Global tax rates 2008–2014

Location	2008 (%)	2009 (%)	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)
Australia	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Belgium	33.90	33.90	33.90	33.90	33.90	33.90	33.90
Brazil	34.00	34.00	34.00	34.00	34.00	34.00	34.00
Canada	33.50	33.00	31.00	28.00	28.00	26.00	26.50
China	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Egypt	20.00	20.00	20.00	20.00	25.00	25.00	25.00
Finland	26.00	26.00	26.00	26.00	24.50	24.50	20.00
France	33.33	33.33	33.33	33.33	33.33	33.33	33.33
Germany	29.51	29.44	29.41	29.37	29.48	29.55	29.58
Iceland	15.00	15.00	18.00	20.00	20.00	20.00	20.00
India	33.99	33.99	33.99	32.44	32.45	33.99	33.99
Ireland	12.50	12.50	12.50	12.50	12.50	12.50	12.50
Italy	31.40	31.40	31.40	31.40	31.40	31.40	31.40
Japan	40.69	40.69	40.69	40.69	38.01	38.01	35.64
Mexico	28.00	28.00	30.00	30.00	30.00	30.00	30.00
Norway	28.00	28.00	28.00	28.00	28.00	28.00	27.00
Russia	24.00	20.00	20.00	20.00	20.00	20.00	20.00

Table 6 continued

Location	2008 (%)	2009 (%)	2010 (%)	2011 (%)	2012 (%)	2013 (%)	2014 (%)
Spain	30.00	30.00	30.00	30.00	30.00	30.00	30.00
Sweden	28.00	26.30	26.30	26.30	26.30	22.00	22.00
United Kingdom	30.00	28.00	28.00	26.00	24.00	23.00	21.00
United States	40.00	40.00	40.00	40.00	40.00	40.00	40.00
Bahamas, Bahrain, Bermuda, Cayman Islands, Guernsey, Isle of Man, Jersey, Vanuatu	00.00	00.00	00.00	00.00	00.00	00.00	00.00
Europe avg.	21.95	21.64	21.46	20.81	20.42	20.60	19.68
N. America avg.	36.75	36.50	35.50	34.00	33.00	33.00	33.25
EU avg.	23.17	23.11	22.93	22.70	22.51	22.75	21.34
OECD avg.	25.99	25.64	25.70	25.40	25.15	25.32	24.11
Asia avg.	27.99	25.73	23.96	23.10	22.89	22.05	21.91
Global avg.	26.10	25.38	24.69	24.50	24.40	23.71	23.64

Source: KPMG, *Corporate Tax Rates Table*; http://www.kpmg.com/Global/en/services/Tax/tax-tools-and-resources/Pages/corporate-tax-rates-table.aspx. Accessed May 18, 2015

Appendix 2

Table 7.

Table 7 Corporate tax examples for 2014 and 2010–2014 (dollars in millions)

Corporation	2014			2010–2014 Totals			Industry
	US profit	Fed. Tax	Rate (%)	US profit	Fed. tax	Rate	
CBS	$ 1790	$ − 235	−13.1	$ 9290	$466	5.0	Entertainment
General Electric	5822	51	0.9	33,513	−1434	−4.3	Conglomerate (finance, aerospace, etc.)
Interpublic Group	365	−6	−1.6	1582	42	2.7	Advertising and marketing services
Jetblue Airways	615	2	0.4	1403	8	0.6	Airline
Mattel	268	−46	−17.3	2136	−8	−0.4	Dolls and stuffed toys
Owens Corning	106	−2	−1.9	601	32	5.3	Manufacturing
PG&E Corp.	1836	−84	−4.6	6668	−465	−7.0	Electric utility
PEPCO	406	−137	−33.7	1934	−602	−31.1	Electric utility
Priceline.com	73	−9	−12.3	470	−32	−6.8	Internet service
Prudential Financial	3494	−106	−3.0	10,121	−468	−4.6	Financial
Qualcomm	3213	−98	−3.1	15,022	1314	8.7	Computers
Ryder Systems	270	−1	−0.3	1167	−6	−0.5	Truck rentals and services
Time Warner	4296	−26	−0.6	21,069	3090	14.7	Media
Weyerhaeuser	960	−34	−3.6	2072	−215	−10.4	Lumber
Xerox	629	−16	−2.6	3597	193	5.4	Computers
Totals these 15 corps.	$23,514	$ − 731	−3.1	$107,049	$1724	1.6	

Source: Corporate 10-K annual reports

Source: Citizens for Tax Justice, *Fifteen (of Many) Reasons Why We Need Corporate Tax Reform* (April 9, 2015); http://ctj.org/ctjreports/2015/04/fifteen_of_many_reasons_why_we_need_corporate_tax_reform.php#.VVzwLmBN30c. Accessed May 20, 2015

Appendix 3

Table 8.

Table 8 New revenue and tax disclosures

Country of incorporation	Actual current year revenues generated ($s and % of total)	Current year revenues as a result of transfer pricing ($s and % of total)	Total current taxes paid on current year actual and transferred revenues ($s and % of total)	Total current year deferred tax liability
Other countries of sales				
	Total must equal at least 90 %	Total must equal at least 90 %		

Appendix 4

Table 9.

Table 9 Examples of items to discuss/disclose in an ethics report

Number of violations from the Code of Conduct found during the period, how these were handled (write-up, firing, prosecution, etc.), and corrective actions taken
Number of training programs on Code of Conduct held during the year and how many people attended from the general workforce, upper-level management, and the C-Suite
Number of communications/speeches/interviews (internal and external) from upper management and the C-Suite on the Code of Conduct and/or importance of ethics in business activities
Number of (if any) violations of laws such as the Foreign Corrupt Practices Act or OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, how these were handled, size of fines, and corrective actions taken
Number of suppliers, outsourced service providers, and retailers that have been informed of, and acknowledged agreement to, the Code of Conduct
How, if at all, employee, shareholders, and outside stakeholder input is considered in the Code of Conduct
How, if at all, foreign customers, customs, and economies are considered in decision-making activities
Number of lawsuits filed against the company in the year and disposition of lawsuits settled
Whether there is a Chief Ethics (or Ethics and Compliance) Officer and the position's job description
Whether an ethics audit is performed and, if so, by whom
Any key ethical criteria or analyses that are used in decision-making activities
Number of ethical violations by suppliers or outsourced service providers, how these were handled, and corrective actions taken
Whether any updates were made to the Code of Conduct and, if so, what prompted those updates; whether there is a formal system for review in the Code
Percentage of employees making minimum wage
Ratio of CEO pay (with and without benefits, including stock options) to average, nonsupervisory employee pay (i.e., the pay differential)[a]
Number/percentage of women/men and various ethnicities in the C-Suite and on the Board of Directors
A statement as to why management believes that ethical behavior will foster long-term organizational profitability
Involvement, if any, in product testing on animals, child labor, conflict minerals, product recalls, or corporate mishaps/disasters
Whether men and women are paid equally for equal work and responsibility
Hiring protocols, if any, for assessing a candidate's ethics
Ethics training for new employees, including introduction to the Code of Conduct

[a] In the USA, this relationship was mandated for public companies under the Dodd-Frank law, but much of the information is still not available. See Smith and Kuntz (2013) http://www.bloomberg.com/bw/articles/2013-05-02/disclosed-the-pay-gap-between-ceos-and-employees

References

Abbott, W., & Monson, R. (1979). Corporate social responsibility: Self-reported disclosures as a method of measuring corporate social involvement. *Academy of Management Journal, 22*(3), 501–515.

ActionAid and Tax Justice Network-Africa (ActionAid). (2012). *Tax incentives and tax revenue losses in Uganda: A race to the bottom?* (April 13). http://www.actionaid.org/uganda/publications/tax-incentives-and-revenue-losses-uganda-race-bottom. Accessed April 19, 2014.

Adler, N. (2002). *International dimensions of organizational behavior*. Cincinnati: South-Western College Publishing.

Allen, M. (2015) Automatic exchange of tax information: OECD says countries won't be able to game system. *FinFacts* (May18); http://www.finfacts.ie/irishfinancenews/global_economy/article_1028836_printer.html. Accessed May 31, 2015.

American Institute of CPAs (AICPA). (2009). Statement on standards for tax services no. 1. *Tax Return Positions* (November). http://www.aicpa.org/InterestAreas/Tax/Resources/StandardsEthics/StatementsonStandardsforTaxServices/DownloadableDocuments/SSTS,%20Effective%20January%201,%202010.pdf. Accessed May 20, 2015.

Associated Press (AP). (2014). Obama: Offshore 'tax inversions' are unpatriotic. *HuffingtonPost.com* (July 26). http://www.huffingtonpost.com/2014/07/26/obama-tax-inversions_n_5623222.html. Accessed May 23, 2015.

Azemar, C. (2010). International corporate taxation and U. S. multinationals' behavior: An integrated approach. *Canadian Journal of Economics, 43*(1), 232–253.

Back, P. (2013). Avoiding tax may be legal, but can it ever be ethical? *The Guardian* (April 23). http://www.theguardian.com/sustainable-business/avoiding-tax-legal-but-ever-ethical. Accessed May 30, 2015.

Association of Certified Fraud Examiners (ACFE). (n/d). Tone at the top: How management can prevent fraud in the workplace. http://www.acfe.com/uploadedFiles/ACFE_Website/Content/documents/tone-at-the-top-research.pdf. Accessed May 28, 15.

Baptist Times Staff. (2013). 1 in 3 Britons boycotting tax-avoiding companies. *EthicsDaily* (March 6). http://www.ethicsdaily.com/1-in-3-britons-boycotting-tax-avoiding-companies-cms-20544. Accessed May 30, 2015).

Bell, K. (2014). No need for OECD anti-abuse rule in model treaty containing benefits limits. *Bloomberg BNA* (April 14). http://www.taxtreatiesanalysis.com/2014/04/oecd-antiabuse-rule-model-treaty-benefits-limits/. Accessed May 22, 2015.

Bentham, J. (1789). *An introduction to the principles of morals and legislation*. Mineola, NY: Dover.

Bowman, E. (1973). Corporate social responsibility and the investor. *Journal of Contemporary Business, 2*(1), 21.

Cadbury, Sir A. (1987). Ethical managers make their own rules. *Harvard Business Review, 65*(5), 69–73.

Cerda, J. (2014). DOF: 1.5 of GDP lost from tax incentives. *PhilSTAR.com*. (March 26). http://www.philstar.com/business/2014/03/26/1305357/dof-1.5-gdp-lost-tax-incentives. Accessed May 25, 2015.

Committee of Sponsoring Organizations (COSO). (2013a). *Internal control—integrated framework (framework and appendices)*. AICPA: Durham, NC.

Committee of Sponsoring Organizations (COSO). (2013b). *Internal control—integrated framework (internal control over external financial reporting: A compendium of approaches and examples)*. AICPA: Durham, NC.

Conant, D. (n/d). *Why philanthropy is R&D for business*. McKinsey on Society. http://voices.mckinseyonsociety.com/doug-conant-corporate-philanthropy/. Accessed May 27, 2015.

Crotty, A. (2013). Gordhan: Avoiding tax 'irresponsible'. *Business Report* (October 3). http://www.iol.co.za/business/news/gordhan-avoiding-tax-irresponsible-1.1586204#.U1KdkF5N1Fw. Accessed May 25, 2015.

Crowe, M. (1944). The moral obligation of paying just taxes. The Catholic University of America Studies in Sacred Theology, 84.

Cutler, S. (2004). Tone at the top: Getting it right. *Speech by SEC Staff: Second annual general counsel roundtable* (December 3). http://www.sec.gov/news/speech/spch120304smc.htm. Accessed May 21, 2015.

Czinkota, M., Ronkainen, I., & Moffett, M. (2011). *International business* (8th ed.). Hoboken, NJ: Wiley.

Dittmer, P. (2012). A global perspective on territorial taxation. *Tax Foundation* (August 10). http://taxfoundation.org/article/global-perspective-territorial-taxation. Accessed May 20, 2015.

Doyle, E., Frecknall-Hughes, J., & Summers, B. (2013). An empirical analysis of the ethical reasoning of tax practitioners. *Journal of Business Ethics, 114*(2), 325–339.

Doyle, E., Frecknall-Hughes, J., & Summers, B. (2014). Ethics in tax practice: A study of the effect of practitioner firm size. *Journal of Business Ethics, 122*(4), 623–641.

Eddy, M. (2014). German publishers seek Amazon inquiry. *New York Times* (June 24). http://www.nytimes.com/2014/06/25/business/international/amazon-accused-in-Germany-of-antitrust-violation.html. Accessed May 21, 2015.

Ernst & Young (EY) (2013). OECD meets with business on base erosion and profit shifting project. *Global Tax Alert* (March 29). http://www.ey.com/GL/en/Services/Tax/International-Tax/Alert–OECD-meets-with-business-on-base-erosion-and-profit-shifting-project. Accessed May 22, 2015.

Fairless, T. (2014). Tax probe targets U.S. firms. *Wall Street Journal* (June 11). http://online.wsj.com/news/article_email/eu-to-probe-tax-affairs-of-apple-starbucks-1402476699-lMyQjAxMTA0MDEwMjExNDIyWj. Accessed May 20, 2015.

George, B. (2008). Ethics must be global, not local. *Bloomberg Business* (February 12). http://www.bloomberg.com/bw/stories/2008-02-12/ethics-must-be-global-not-localbusinessweek-business-news-stock-market-and-financial-advice. Accessed May 28, 2015.

Gregory v. Helvering, 293 U.S. 465.

Global Reporting Initiative (GRI). (2015). *Sustainability disclosure database* (May 30). http://database.globalreporting.org. Accessed May 30.

Goodall, A. (2013). Analysis: OECD aims to fix corporate taxes within two years. *AccountancyAge* (June 3). http://www.accountancyage.com/aa/analysis/2272373/oecd-aims-to-fix-corporate-taxes-within-two-years. Accessed May 21, 2015.

Goodman, S. (1978). Quality of life: The role of business. *Business Horizons, 21*(3), 36–37.

Hand, L. (1934). *Gregory v. Helvering*, 69F.2d 809 (2d Cir.)

Hansen, D., Crosser, R., & Laufer, D. (1992). Moral ethics v. tax ethics: The case of transfer pricing among multinational corporations. *Journal of Business Ethics, 11*(9), 679–686.

Hatch, J. (2011). Comparing national corporate tax rates. *Sunlight Foundation* (March 28). http://sunlightfoundation.com/blog/2011/03/28/comparing-national-corporate-tax-rates/. Accessed May 21, 2015).

Hickey, W. (2013). A tax loophole crucial to big tech companies was part of the Fiscal Cliff Bill. *Business Insider* (January 3). http://www.businessinsider.com/fiscal-cliff-apple-google-corporate-tax-dodge-2013-1. Accessed June 1, 2015.

Holmes, O., Jr. (1930). *Superior oil co. v. state of Mississippi ex rel. Knox, Atty. Gen*., 280 U.S. 390 (50 S. Ct 169, 72 L.Ed. 504).
Institute for Global Ethics (IGE) (n/d). Guiding principles. *Fast Facts*. http://www.globalethics.org/Who-We-Are/Fast-Facts.aspx. Accessed May 28, 2015.
Jones, L., & Manuelli, R. (1990). A convex model of equilibrium growth: Theory and policy implications. *Journal of Political Economy, 98*, 1008–1038.
Kang, C. (2013). Apple Sheltered $74 Billion from U.S. Taxes—Legally. *The Fiscal Times* (May 21). http://www.thefiscaltimes.com/Articles/2013/05/21/Apple-Sheltered-74-Billion-from-US-Taxes–Legally. Accessed May 20, 2015.
Kirchler, E., Maciejovsky, B., & Schneider, F. (2003). Everyday representations of tax avoidance, tax evasion, and tax flight: Do Legal differences matter? *Journal of Economic Psychology, 24*(4), 535–553.
Longstreth, B. (1973). Social aspects of business behavior, an issue for institutional investor. *Trusts and Estates, 112*(3), 322.
McClearn, M. (2012/2013). How to pay less tax. *Canadian Business* (Winter), 11–12.
McCoy, K. (2014). Obama steps up criticism of tax inversions. *USA Today* (July 24, 2014). http://www.usatoday.com/story/money/business/2014/07/24/obama-tax-inversions-criticism/13120369/. Accessed May 23, 2015.
McGee, R. (2006). Three views on the ethics of tax evasion. *Journal of Business Ethics, 67*(2), 15–35.
McGee, R., Ho, S., & Li, A. (2008). A comparative study on perceived ethics of tax evasion: Hong Kong vs. the United States. *Journal of Business Ethics, 77*(2), 147–158.
McGee, R., Nickerson, I., & Fees, W. (2005). When is tax evasion ethically justifiable? A survey of German opinion. *Allied Academies International Conference Academy of Legal, Ethical and Regulatory Issues Proceedings, 9*(2), 35–38.
Morantz, A. (2011). Rationalizing fraud. *QSB Magazine* (Summer). http://qsb.ca/magazine/summer-2011/features/rationalizing-fraud. Accessed May 28, 2015.
Myers, R. (2009). Taxed to the max: Hefty tax rates continue to penalize U. S. companies. *CFO.com* (March 1). http://ww2.cfo.com/accounting-tax/2009/03/taxed-to-the-max/. Accessed May 20, 2015.
National Foreign Trade Council (NFTC). (2009). *Addressing offshore tax avoidance without harming the international competitiveness of U.S. businesses* (May 12). http://www.nftc.org/default/Tax%20Policy/International%20Tax/Final%20NFTC%20Paper%20addressing%20tax%20haven%20issues.pdf. Accessed June 1, 2015.
Newing, R. (2013). Governance: It matters what you do when no one is watching. *Financial Times* (June 11). http://www.goodcorporation.com/wp-content/uploads/2013/06/Governance-It-matters-what-you-do-when-no-one-is-watching-FT.com_.pdf. Accessed May 31, 2015.
Noren, D. (2012). *The Subpart F 'Look-Through' Rule of Section 954(c)(6): Tax Policy Considerations* (April). http://waysandmeans.house.gov/uploadedfiles/proctor_and_gamble_fc42612.pdf. Accessed May 20, 2015.
Organization for Economic Cooperation and Development (OECD). (2013). *Action plan on base erosion and profit shifting*, OECD Publishing. doi:10.1787/9789264202719-en. Accessed May 22, 2015.
Organization for Economic Cooperation and Development (OECD). (2014). *Discussion draft on transfer pricing documentation and CbC reporting* (January 30). http://www.oecd.org/ctp/transfer-pricing/discussion-draft-transfer-pricing-documentation.pdf. Accessed May 22, 2015.
Parnell, B.-A. (2012). The latest tech firm to be accused of tax dodging: Microsoft. *The Register* (December 11). http://www.theregister.co.uk/2012/12/11/microsoft_uk_tax/. Accessed May 31, 2015.
Politi, J. (2013). G8 tax avoidance drive alarms U.S. businesses. *FT.com* (June 4).
Pontiggia, D., & Politis, J. (2012). The relationship between agency problems and ethical leadership. *Paper presented at the 340-XIII*. Retrieved from http://search.proquest.com/docview/1326751690?accountid=5683.
PricewaterhouseCoopers and World Bank/IFX (PwC and WB). (2014). *Paying taxes 2014: The global picture*. http://www.doingbusiness.org/~/media/GIAWB/Doing%20Business/Documents/Special-Reports/Paying-Taxes-2014.pdf. Accessed May 21, 2015.
Provost, C. (2014). Sierra Leone tax breaks put foreign investment ahead of poor, say NGOs. *The Guardian* (April 15). http://www.theguardian.com/global-development/2014/apr/15/sierra-leone-tax-incentives-foreign-investment-before-poor-ngos. Accessed May 25, 2015.
Raiborn, C. A., Massoud, M. F., & Payne, D. M. (Forthcoming). Tax avoidance: The good, the bad and the future. *Journal of Business and Management.*
Raiborn, C., & Payne, D. (1990). Corporate codes of conduct: A collective conscience and continuum. *Journal of Business Ethics, 9*(11), 879–889.
Rawls, J. (1958). Justice as fairness. *Philosophical Review, 67*(2), 164–194.
Rawls, J. (1971). *Theory of justice*. Cambridge, MA: Belknap Press of Harvard University).
Rebelo, S. (1991). Long run policy analysis and long run growth. *Journal of Political Economy, 99*, 500–521.
Reckers, P., Sanders, D., & Roark, S. (1994). The influence of ethical attitudes on taxpayer compliance. *National Tax Journal, 47*(4), 825–836.
Robinson, M. (2013). Tax avoidance: Developing countries take on multinationals. *BBC News* (May 23). http://www.bbc.com/news/business-22638153. Accessed May 25, 2015.
Rowe, A., & Bansai, T. (2013). Ten steps to sustainable business in 2013. *Ivey Business Journal Online* (January/February).
Savoie, R., & Payne, D. (2012). *The 21st century technology-based regional economy: A roadmap for success*. New Orleans: UNO Press.
Scott, J. (2014). Check the box for tax avoidance. *Forbes.com* (February 19). http://www.forbes.com/sites/taxanalysts/2014/02/19/check-the-box-for-tax-avoidance/. Accessed June 1, 2015.
Scott, M. (2014). Amazon's tax deal in Luxembourg is latest target of E.U. inquiries. *New York Times* (October 7); http://www.nytimes.com/2014/10/08/business/international/amazon-in-luxembourg-is-latest-target-of-european-tax-inquiries.html?_r=0. Accessed May 21, 2015.
Shafer, W., & Simmons, R. (2008). Social responsibility, Machiavellianism and tax avoidance: A study of Hong Kong tax professionals. *Accounting, Auditing & Accountability Journal, 21*(5), 695–720.
Shavell, S. (2002). Law versus morality as regulators of conduct. *American Law and Economics Review, 4*(2), 227–257.
Sikka, P. (2010). Smoke and mirrors: Corporate social responsibility and tax avoidance. *Accounting Forum, 34*(3/4), 153–168.
Slemrod, J., & Yizhaki, S. (2002). Tax avoidance, evasion and administration. In A. J. Auerbach & M. Feldstein (Eds.), *Handbook of public economics* (Vol. 3, pp. 1423–1470).
Smith, E., & Kuntz, P. (2013) Disclosed: The pay gap between CEOs and employees. *Bloomberg Business* (May 2, 2013). http://www.bloomberg.com/bw/articles/2013-05-02/disclosed-the-pay-gap-between-ceos-and-employees. Accessed May 30, 2015.
Song, Y., & Yarbrough, T. (1978). Tax ethics and taxpayer attitudes: A survey. *Public Administration Review, 38*(5), 442–452.

Sterling, T. (2014). EU investigates Apple, Starbucks, Fiat tax deals. *Yahoo News* (June 11). http://news.yahoo.com/eu-investigates-apple-starbucks-fiat-tax-deals-094644827.html;_ylt=A0LEVy5RAF5VY_EAlyZXNyoA;_ylu=X3oDMTEzb3NpZnRlBGNvbG8DYmYxBHBvcwMzBHZ0aWQDU1dJTUMwXzEEc2VjA3Ny. Accessed May 21, 2015.

Stone, C. (1975). Law and the culture of the corporation. *Business and Society Review, 15*, 5.

Tanzi, V., & Zee, H. (2001). Tax policy for developing countries. *International Monetary Fund Economic Issues* (March). http://www.imf.org/external/pubs/ft/issues/issues27/index.htm. Accessed May 25, 2015.

Tebogo, B. (2011). *The transfer pricing problem: When multinational corporations shift profits across international borders* (July 30). Available at SSRN: http://ssrn.com/abstract=1899014 or doi:10.2139/ssrn.1899014. Accessed May 22, 2015.

Torgler, B. (2003). *Tax morale: Theory and empirical analysis of tax compliance*. Dissertation der Universitat Basel zur Erlangung der Wurde eines Doktors der Staatswissenschaften. http://www.webdms.ciat.org/action.php?kt_path_info=ktcore.actions.document. Accessed May 26, 2014.

Udeh, C. (2014). Rights, responsibility, law and order in 21st century's civil disobedience. *Journal of Politics and Law, 7*(2), 32–40.

United Nations Conference on Trade and Development (UNCTAD). (2015). The Fiscal role of multinational enterprises: Towards guidelines for coherent international tax and investment policies. *Investment Policy Hub* (March 26). http://investmentpolicyhub.unctad.org/Blog/Index/42. Accessed May 25, 2015.

Waddock, S., Bodwell, C., & Graves, S. (2002). Responsibility: The new business imperative. *Academy of Management Executive, 16*(2), 132–148.

Weichenrieder, A. (1996). Fighting international tax avoidance: The case of Germany. *Fiscal Studies, 17*(1), 37–58.

Weinstein, B. (2007). If it's legal, it's ethical? Right? *Bloomberg Business* (October 15). http://www.bloomberg.com/bw/stories/2007-10-15/if-its-legal-its-ethical-right-businessweek-business-news-stock-market-and-financial-advice. Accessed May 28, 2015.

Willhite, J. (2014). The morning ledger: Corporate tax probe in europe targets transfer pricing. *WallStreetJournal.com* (June 12). http://blogs.wsj.com/cfo/2014/06/12/the-morning-ledger-corporate-tax-probe-in-europe-targets-transfer-pricing/?KEYWORDS=J+Willhite+AND+The+Morning+Ledger. Accessed May 21, 2015.