

Multinational enterprises and corporate tax planning: a review of literature and suggestions for a future research agenda

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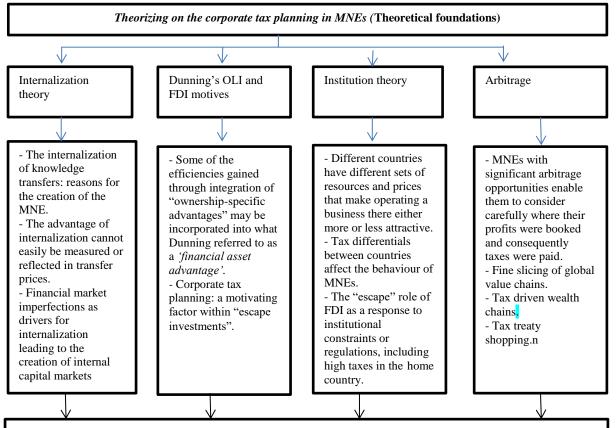
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Figure 1: Multinational enterprise and corporate tax planning: A review of literature and suggestions for a future research agenda



Results of our review analysis

- (1) A deficiency of theories that explicitly and directly explain MNE corporate tax planning behaviours. IB literature focuses mainly on the theories of the broad FDI and motivations but empirical research has remained scarce.
- (2) The majority of previous studies from the fields of economics, finance, law, tax and accounting are empirically driven.
- (3) Inherent difficulties for empirical research due to unavailability of data due to the confidentiality of data.
- (4) Inconclusive empirical results about the estimates of tax avoidance using macro data.
- (5) Tax planning mechanisms: location (the use of tax havens, offshore financial centres (OFCs) and special purpose entities (SPEs); location of holding companies, inversion, Double Irish Dutch sandwich, etc.); transfer pricing; intangible assets holdings in low-tax countries and the use of transfer pricing for royalty charges; capital structure and the use of internal debt versus external debt and the related thin capitalization rules; cash holdings versus profit repatriation.
- (6) Firm characteristics and propensity to aggressive tax planning: degree of multinationality; size; profitability; corporate social responsibility; corporate reputation; top management team and corporate governance.
- (7) Methodological issues: a lack of diversity in geographic focus (research contexts) and a lack of comparative studies.

Our suggestions for future research directions

- (1) A stronger theoretical framework is needed to underpin future research.
- (2) The full range of factors that drive location decisions and the way that tax rates interact with corporate tax planning.
- (3) The role of IP assets within international groups.
- (4) The role of geographic diversity.
- (5) The home and host country tax systems interact and the ownership structure and international tax system; The recent changes in US tax policy and the future of MNE corporate tax planning.
- (6) The impact of profitability on tax planning.
- (7) The role of top management team individuals and the manner in which corporate governance, corporate culture and ethics affect the corporate attitude to risk.
- (8) Consider the most apposite research method or combination of different research methods to advance knowledge on tax research, e.g. analyzing the content of firms' documents are widely used in tax research, but rarely used in IB research. Published, audited annual reports, including Tax Note in the annual reports that are not incorporated into the large databases are a rich source of information.

Table 1: Distribution of articles in publication outlets

No.	Publication outlets	Number of studies	
1	Journal of Public Economics	17	
2	National Tax Journal	8	
3	International Tax and Public Finance	8	
4	Books (Buckley & Casson (1976); Dunning (1993); Rugman (1981); Rugman & Eden	6	
	(1985); Shaxson, N. (2011); Vaitsos (1974))		
5	Journal of Accounting and Economics	6	
6	Multinational Business Review	6	
7	The Review of Economics and Statistics	4	
8	Critical Perspectives on Accounting	4	
9	Accounting, Auditing and Accountability	3	
10	Canadian Journal of Economics	3	
11	Journal of International Business Studies	3	
12	Tax Notes	2	
13	The Accounting Review	3	
14	Business and Society	2	
15	European Economic Review	2	
16	International Business Review	2	
17	Journal of Accounting Research	2	
18	Journal of Financial Economics	2	
19	Journal of International Economics	2	
20	Journal of World Business	2	
21	The Journal of the American Taxation Association	2	
22	Journal of Accounting and Public Policy	2	
23	Accounting and the Public Interest	1	
24	American Economic Journal: Economic Policy	1	
25	California Management Review	1	
26	Centre for European Economic Research	1	
27	Contemporary Accounting Research	1	
28	Contemporary Economic Policy	1	
29	Corporate Business Taxation Monthly	1	
30	Critical Perspectives on International Business	1	
31	Social Politics	1	
32	Fiscal Studies	1	
33	Journal of Accounting and Finance	1	
34	Journal of Accounting and Public Policy	1	
35	Journal of Business	1	
36	Journal of Business Ethics	1	
37	Journal of Economic Perspectives	1	
38	Journal of Finance and Accountancy	1	
39	Journal of International Accounting Research	1	

	Total	120
51	World Development	1
50	The Quarterly Journal of Economics	1
49	Scientific Reports	1
48	Review of International Political Economy	1
47	Review of Financial Studies	1
46	Review of Economics	1
45	Quarterly Journal of Economics	1
44	Oxford University Centre for Business Taxation	1
43	Law and Policy	1
42	Journal of the American Taxation Association	1
41	Journal of Political Economy	1
40	Journal of International Accounting, Auditing and Taxation	1