

Anecdotal evidence often suggests that multinational enterprises (MNEs) operating in developing countries "exploit their multinationality" to avoid paying taxes to host governments. This article explores the concept of "responsible tax" as a corporate social responsibility (CSR) issue for MNEs, based on the notion that MNEs face considerable variation in the extent, monitoring, and application of tax laws internationally. This variation creates a "moral free space" as to which tax payments to make. Using firm-level data from three important sectors in India, the authors explore whether foreign MNE subsidiaries pay higher taxes than local firms, and whether, in the case of MNEs, there are differences between subsidiaries of MNEs with and without a reputation for CSR. The results show that MNEs pay considerably higher effective tax rates than do local firms, and MNE subsidiaries known for CSR pay more tax than do MNE subsidiaries less known for CSR. This set of findings suggests that MNEs operating in India see taxation in developing countries in relation to CSR.

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