Management International Review (2022) 62:643–680
https://doi.org/10.1007/s11575-022-00484-z

REVIEW (BIBLIO SERVICE)

A Review of International Management Research on Corporate Taxation

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Received: 23 July 2021 / Revised: 22 July 2022 / Accepted: 28 July 2022 /
Published online: 5 September 2022

Abstract
Since international economic liberalization over the past decades has increased the scope for corporate tax arbitrage and such arbitrage has been increasingly scrutinized, taxes have become a more important managerial issue in multinational enterprises (MNEs) and thus a topic of interest for international management (IM) studies. We provide an exploratory overview of the main foci and findings of the resulting body of research, outline how these foci and findings compare to those of international corporate taxation studies in adjacent fields, and propose an agenda for future IM research on corporate taxation. We find that extant IM research has focused on four types of tax-related acts – i.e., income shifting, international relocations of headquarters, internationalization of operational activities, and tax evasion – and identify three important avenues for future research. These avenues concern the use of better operationalizations of corporate income tax burdens and tax havens, the further study of the effects of tax-related formal and informal institutions, and the study of tax-related corporate political activity. More generally, our review shows that, rather than being a mere financial issue, international corporate taxation has various strategic, behavioral, and political dimensions that warrant more attention from IM scholars.

Keywords Corporate taxation · International management · Literature review

1 Introduction

Since corporate tax rules historically have been determined at the national level and have been aligned only partly through international tax treaties, firms have long been able to exploit international differences in these rules to their advantage

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(McGaughey & Raimondos, 2019; Ting & Gray, 2019). Firms' engagement in such 'tax arbitrage' has been further amplified by the wave of trade and investment liberalization that has swept through large parts of the world over the past few decades, as such liberalization has made it easier for firms to establish foreign entities and shift funds and intangibles across countries (Jones & Temouri, 2016; UNCTAD, 2020). For instance, Apple managed to reduce the effective tax rate on its Ireland-registered profits outside the Americas from an already low 1% in 2003 to a mere 0.005% in 2014 (CNN, 2016; Ting & Gray, 2019), whereas Google moved 21.8 billion euros to Bermuda in 2018 through its Dutch holding company, up from 19.9 billion in 2017 (Reuters, 2019). In total, corporate tax arbitrage has been estimated to render an annual loss of government revenues in the range of 500 to 650 billion dollars (Tax Justice Network, 2017a).

The increasing intensity with which firms engage in tax arbitrage has caused such arbitrage to be scrutinized more closely by both regulators and the media (Alexander, 2013; Economist, 2021b). For instance, whereas the Irish government approved Apple's Irish tax practices, the EU Commission judged them to amount to illegal state aid and therefore ordered the firm to pay 13 billion euros in back taxes (Wall Street Journal, 2016). This ruling was overturned in 2020 by the EU's General Court, which found insufficient evidence that the Irish government and Apple broke EU competition laws (BBC, 2020). The case attracted huge media attention (New York Times, 2017), as did plans by The Stanley Works in 2002 and Walgreens in 2014 to move their tax residence from the US to Bermuda and Switzerland, respectively, leading both firms to withdraw their plans in fear of a US consumer boycott (Johnson & Holub, 2003; Financial Times, 2014).

As a result of these developments, taxes have become an increasingly important managerial issue in multinational enterprises (MNEs) and thus a topic of interest for international management (IM) studies.[1] Consequently, a sizeable number of such studies by now has analyzed various aspects of corporate taxation, but an overarching view of their research topics and findings has thus far been lacking, hindering scholars in developing a full understanding of the existing body of IM knowledge on the topic. At the same time, international corporate taxation has also been studied extensively in adjacent fields, as documented in several reviews that either exclusively or predominantly covered the economics, finance, and accounting literatures on tax avoidance (Beer et al., 2020; Hanlon & Heitzman, 2010), tax planning within MNEs (Cooper & Nguyen, 2020), and tax havens (Temouri et al., 2020). This begs the question how IM research on corporate taxation compares to its counterparts in these other fields, and where the opportunities for future IM studies on the topic are the greatest.

In this article we aim to address these issues by (i) providing an exploratory overview of the main foci and findings of IM studies of corporate taxation, (ii) outlining how these foci and findings compare to those of international corporate taxation studies in adjacent fields, and (iii) using these two sets of insights to propose an agenda for future IM research on corporate taxation. We believe these to

[1] We define such studies as those focused on the conduct of business and the management of firms across countries. They thus also include what some might refer to as 'international business studies'.

be important endeavors because "the impact of base erosion [i.e., tax arbitrage] in global operations due to tax differences (…) and the impact on global strategy, structure, and interactions with governments and public policy matters" has been identified as one of the "Grand Challenges" for the field of IM (Buckley et al., 2017, p. 1060). By taking stock of the literature and proposing a research agenda, our review forms a valuable foundation for addressing this challenge.

We find that extant IM research has focused on four types of tax-related acts – i.e., income shifting, international relocations of headquarters (HQs), internationalization of operational activities, and tax evasion – and identify three important avenues for future research. These avenues concern the use of better operationalizations of corporate income tax burdens and tax havens, the further study of the effects of tax-related formal and informal institutions, and the study of tax-related corporate political activity (CPA). More generally, our review shows that, rather than being a mere financial issue, international corporate taxation has various strategic, behavioral, and political dimensions that IM scholars can analyze further to continue to generate novel findings that complement those in adjacent fields.

2 Methodology

To identify extant IM research on corporate taxation, we conducted a keyword search in the 203 English-language journals appearing on the 2017 list of management journals compiled by *InCites Journal Citation Reports* as well as in several journals on the 2017 list of business journals that sometimes also publish IM studies, i.e. *International Business Review, Journal of World Business, Journal of Business Research, Business and Society, and Business Horizons*. To identify the relevant articles, we entered the terms "corporate tax", "taxation", "international + transfer pricing", "multinational + tax", "international + tax", "MNE + tax", "income shifting", and "tax evasion" in the search engines of the publishers of these journals. In addition, we examined the bibliographies of the identified articles for other relevant studies, using the 'snowball search technique' (Nielsen et al., 2017). These search efforts generated a few hundred articles, which we manually screened to select those that had a substantial focus on international corporate taxation. Statistical studies and literature reviews were considered to have such a focus and thus were selected when one or more of the analyzed variables (including control variables) were related to the taxation of firms in an international context, whereas conceptual articles and case studies were selected when aspects of such taxation constituted one of their main topics. Most of the identified articles that we decided to exclude focused on either personal taxation or domestic corporate taxation and thus lacked a corporate or international component (e.g., Bott et al., 2017; Clausing, 2016). Several other articles were excluded because they touched upon aspects of international corporate taxation only briefly, for instance in a single paragraph (e.g., Graham & Wyatt, 1999).

The above-described article screening and selection process resulted in a final set of 56 articles. For each article we then created a record indicating the type of article (empirical or conceptual), the theory or theories it used (if any), its empirical

Table 1 Distribution of articles across journals

Journal	Number of articles
Journal of International Business Studies	12
Journal of World Business	5
International Business Review	4
Global Strategy Journal	3
Management Science	3
European Management Journal	3
Journal of International Management	3
Review of Managerial Science	3
Asian Business & Management	3
Management International Review	2
Journal of Business Research	2
Long Range Planning	2
Strategic Management Journal	1
Journal of Management Studies	1
Harvard Business Review	1
Research Policy	1
Management Accounting Research	1
Business & Society	1
British Journal of Management	1
Business Horizons	1
Asia Pacific Journal of Management	1
Scandinavian Journal of Management	1
Journal of Economics & Management Strategy	1

approach (when relevant), and its main topic and findings. Consistent with prior literature reviews (e.g., Jormanainen & Koveshnikov, 2012; Tang et al., 2021), we subsequently categorized the articles into a limited number of coherent groups, and structured our below literature overview accordingly. These groups, and the terminology we use to describe them, emerged organically from a comparative analysis of the main topics of the articles in which we searched for commonalities among these topics.

3 Literature Overview

3.1 Characteristics and Categorization of the Article Set

The 56 selected articles were published in 23 journals over the period 1978–2020. Table 1 displays their distribution across the journals and shows that most of them appeared in the *Journal of International Business Studies* (21%), the *Journal of World Business* (9%), and *International Business Review* (7%). Forty-two articles reported

Table 2 Topics addressed by groups of IM studies of corporate taxation

1. Income shifting	2. International relocations of HQs	3. Internationalization of operational activities	4. Tax evasion
• Tools used for income shifting • Tools used for limiting its legitimacy risks • Determinants of firms' tendency to shift income • Policy recommendations for restricting income shifting	• Tax-related determinants • Consequences of announcements of tax-motivated HQ relocations	• Country-level analyses of tax-related determinants • Firm-level analyses of tax-related determinants	• Culture-related determinants
• 29 articles • 52%	• 8 articles • 14%	• 17 articles • 30%	• 2 articles • 4%

empirical studies, whereas the other 14 were purely conceptual studies such as discussion pieces and commentaries. Thirty-one articles (55%) applied one or several theories, in particular institutional theory (11 articles), the eclectic paradigm (8 articles), internalization/transaction cost theory (7 articles), and agency theory (3 articles), with other theories – such as Porter's (1990) diamond model of national advantage, political cost theory, contingency theory, and information processing theory – being applied only once. The 25 remaining articles (45%) did not refer to or implicitly use any particular theory.

Our comparative analysis of their research topics revealed that the articles can be categorized into four groups, with each group focusing on a different tax-related corporate act and three groups addressing several distinct subtopics. Table 2 lists these groups, acts, and subtopics, along with the number and percentage of articles belonging to each group. Below we provide an overview of their main foci and findings, and outline how these foci and findings compare to those of the international corporate taxation studies discussed in the earlier-mentioned reviews in the fields of economics, finance, and accounting.

3.2 Income Shifting

Like their counterparts in economics, finance, and accounting, the majority of IM studies of corporate taxation (52%) has focused on the phenomenon of income shifting, which refers to the transfer of corporate income from legal entities in jurisdictions with high corporate income tax rates to affiliates in jurisdictions with lower such rates (OECD, 2019). Such shifting is enabled by the long-established global principle that a firm's affiliates are taxed separately according to the rate applying in their respective jurisdictions (Economist, 2021b), a principle sometimes referred to as 'Separate Accounting' (Foss et al., 2018; McGaughey & Raimondos, 2019). Because of this principle, firms can increase their net profitability by allocating more pre-tax income to entities residing in countries with lower tax rates.

However, whereas many economics, finance, and accounting studies of income shifting concentrated on estimating the amount of income shifted at the global or national level (Beer et al., 2020; Cooper & Nguyen, 2020; Temouri et al., 2020), the 29 IM studies of such shifting focused instead on exploring (a) the tools that firms use to implement income shifting, (b) the tools they use to limit legitimacy risks associated with such shifting, (c) the determinants of firms' tendency to engage in it, and (d) possible governmental policies for restricting it. Table 3 summarizes the methodological details and main insights of each study.

3.2.1 Tools Used for Income Shifting

Among IM scholars as well as scholars in the adjacent fields (e.g., Beer et al., 2020; Cooper & Nguyen, 2020), there is general agreement that the main tool that firms have at their disposal to shift income is transfer price manipulation. Transfer prices are the prices at which subsidiaries or divisions under common ownership transact. Such prices are subject to certain rules, such as the arm's length principle, according to which the price of a given good or service that is exchanged between related parties must be the same as the price that would be charged if the parties were unrelated (Eden et al., 2005; OECD, 2017). The latter price cannot always be established unambiguously however, since some assets such as tacit technological knowledge and managerial services are hard to exchange through arm's length transactions (Hennart, 1982; Rugman, 1980), enabling MNEs to internally exchange such assets using manipulated transfer prices that cause income of subsidiaries in high-tax countries to be shifted to subsidiaries in low-tax countries.

As shown by Cravens (1997), transfer price manipulation has been a long-established practice. Initially, MNEs primarily manipulated the transfer prices of intermediate and finished goods, with production subsidiaries in low-tax countries charging excessively high transfer prices for their output to maximize their income and those in high-tax countries using the opposite approach. In more recent years, MNEs have increasingly applied transfer mispricing to intangible assets such as patents and trademarks (Ting & Gray, 2019). Compared to manufacturing facilities, intangible assets can be more easily assigned to a subsidiary in a fiscally favorable location (Contractor, 2012; Economist, 2021b). As shown by Ting and Gray (2019), a firm that has made strategic use of this 'footloose' character of intangible assets is Apple. Rather than allocating the manufacturing and marketing rights of its products exclusively to US-incorporated Apple Inc., the firm co-allocated these rights to an Ireland-incorporated subsidiary called Apple Sales International (ASI). By making its European and Asian–Pacific subsidiaries pay ASI for these rights, the firm shifted billions of dollars of income to ASI. Through this arrangement, Apple avoided taxes on that income in both Ireland and the US, since ASI was managed from the US and therefore not an Irish tax resident according to Irish tax law, and since the shared ownership of the rights, in combination with other US tax law provisions such as the check-the-box regulation and look-through-rule, exempted ASI from paying royalties to Apple Inc.

An additional tool that MNEs use to shift income is the incorporation of subsidiaries in tax havens, generally defined as jurisdictions with low corporate tax rates and high financial secrecy (Coeurderoy & Verbeke, 2016; Jones & Temouri, 2016). By shifting income to subsidiaries in such havens through transfer price

Table 3 Details of the studies of income shifting

Study	Type	Theory	Empirical approach	Main insights
Stitt et al. (1991)	Conceptual	N/A		The types of corporate taxes and their rates vary across EU member states, providing MNEs with many tax planning options
Cravens (1997)	Empirical	N/A	Statistical analysis of survey responses by 82 CFOs from the 500 largest US MNEs	MNEs' international transfer pricing policies have several objectives, the most important one being tax burden management, followed by maintaining the firm's competitive position, and promoting equitable managerial performance evaluations
Elliott and Emmanuel (2000)	Empirical	Agency theory	Surveys and interviews with tax directors in 12 UK-based MNEs	Managerial performance in subsidiaries whose income is artificially deflated through transfer prices should be evaluated on alternative performance indicators
Hyde and Choe (2005)	Conceptual	Agency theory		Managerial performance in subsidiaries should be evaluated through the simultaneous use of two separate transfer prices, one for tax purposes and the other for managerial incentive purposes
Hope et al. (2009)	Empirical	Information-processing theory	Statistical analysis of a sample of 719 US firms over 1998–2004	The use of more broadly defined geographic segments to dissect corporate income has negative consequences for investor valuations of a firm's foreign income

Table 3 (continued)

Study	Type	Theory	Empirical approach	Main insights
Contractor (2012)	Conceptual	Internalization theory		Multinationality enables firms to allocate intangibles to subsidiaries in low-tax countries and engage in transfer price manipulation to shift income to such countries
Collis et al. (2012)	Empirical	Eclectic paradigm, internalization theory	Analysis of survey data on HQ functions in 244 MNEs from six countries	HQs of MNEs that operate on one continent are significantly less likely to have a taxation department than HQs of MNEs active in two or more continents
Desai (2012)	Conceptual	N/A		Transfer pricing rules should be reformed by developing transfer pricing standards that allocate profits based on how MNEs distribute their resources and talent around the globe, and reducing MNEs' leeway in reallocating profits outside of the countries where their real economic activity occurs
Muller and Kolk (2012)	Empirical	Institutional theory	Statistical analysis of a sample of 154 firm-year observations of MNE subsidiaries in India over 2000–2002	Foreign MNEs have higher effective tax rates than local Indian firms, and MNEs with a reputation for CSR pay more taxes than MNEs without such a reputation
Plesner-Rossing (2013)	Empirical	Contingency theory	Semi-structured interviews with 11 finance managers and tax practitioners	MNEs are increasingly focused on being tax compliant due to more stringent tax regulations

Table 3 (continued)

Study	Type	Theory	Empirical approach	Main insights
Alexander (2013)	Conceptual	N/A		Globalization has led to increased international tax planning, but also to increasing interest over time in corporate tax avoidance by media watchdogs and policymakers
Schreiber (2013)	Conceptual	N/A		Rather than using corporate profits as a tax base and taxing firms where profits are generated, as prescribed by the country-of-origin principle, countries should use cash flow as a tax base and tax such flows through a country-of-destination principle to curb income shifting
Sugathan and George (2015)	Empirical	Agency theory	Statistical analysis of a sample of 3644 firms in India over 2001–2010	Income shifting is lower among firms whose shareholders include non-Indian institutional investors. In addition, home-country and host-country institutions that augment transparency and collective action mitigate income shifting, whereas home-country institutions that strengthen private property protection and contract enforcement increase income shifting

Table 3 (continued)

Study	Type	Theory	Empirical approach	Main insights
Jones and Temouri (2016)	Empirical	Internalization theory	Statistical analysis of a sample of 14,209 MNEs for the period 2002–2010	MNEs from liberal market economies have larger tax haven networks than MNEs originating from coordinated market economies, and MNEs with significant levels of intangible assets and those active in service industries have a higher likelihood of setting up subsidiaries in tax havens
Coeurderoy & Verbeke (2016)	Empirical	Porter's diamond theory of national advantage	Statistical analysis of sample of the 2,000 largest publicly held firms	Tax havens host significantly more corporate HQs than other countries
Koester et al. (2017)	Empirical	N/A	Statistical analysis of a sample of 44,616 US firm-year observations in the period 1994–2010	Managers with superior abilities and talent in managing corporate resources enable firms to lower their effective tax rates
Sageder & Feldbauer (2018)	Conceptual	N/A		MNEs are increasingly focused on being tax compliant due to more stringent tax regulations
Foss et al. (2018)	Conceptual	Public finance theory		To curb income shifting and reduce inefficiencies stemming from MNEs locating their activities in countries with low corporate income tax rates rather than in locations where these activities would have maximized global value creation, countries should substitute such taxes for dividend taxes or sales taxes

Table 3 (continued)

Study	Type	Theory	Empirical approach	Main insights
Jiang et al. (2018)	Empirical	N/A	Statistical analysis of a sample of 29,191 firm-year observations of US firms for the period 1994–2010	The effective tax rate of US firms declines in the years following the arrival of an executive hired from a firm domiciled in a tax haven
Jones et al. (2018)	Empirical	Internalization theory	Statistical analysis of a sample of 5912 MNEs for the period 2005–2013	MNEs whose auditor is a 'Big 4' accountancy firm have more subsidiaries in tax havens
Akamah et al. (2018)	Empirical	Political-cost theory	Statistical analysis of a sample of 12,046 firm-year observations of US incorporated firms in the period 1998–2010	MNEs with more tax-haven subsidiaries aggregate their geographic disclosures to a greater extent
Fisch and Schmeisser (2019)	Empirical	Internalization theory	Statistical analysis of a sample of German manufacturing firms in the period 1999–2012	The tax savings realized by upgrading sales operations in low-tax locations to production operations and making these operations charge inflated transfer prices for their products are generally smaller than the costs of upgrading
Ting and Gray (2019)	Conceptual	N/A		'Counterpoint' to Foss et al. (2018), proposing instead to tax MNEs using a sales-based allocation formula of consolidated worldwide income
McGaughey and Raimondos (2019)	Conceptual	N/A		'Counterpoint' to Foss et al. (2018), proposing instead to tax MNEs based on their worldwide corporate income, apportioned through MNEs' levels of activity (i.e. fixed assets, payroll, sales, digital activity) in each country

Table 3 (continued)

Study	Type	Theory	Empirical approach	Main insights
Cooper and Nguyen (2019)	Empirical	Eclectic paradigm, internalization theory	Analysis of 15 interviews conducted with senior tax executives of UK subsidiaries of US MNEs	Firms' tendency to engage in tax avoidance is determined by corporate culture, the use of key performance indicators relating to effective tax rates, firm reputation, the financial position of a firm, and executives' personal ethics. Moreover, the factors shaping firms' opportunities to shift income are the degree to which firms rely on intellectual property and the difficulty of determining an arm's length price for the use of such property
Martinus et al. (2019)	Empirical	Eclectic paradigm	Network analysis of parent-subsidiary connections of firms listed on major Asian-Pacific stock exchanges for a sample of 9451 firms in the period 2016–2017	The geographic distribution of a firm's tax havens and offshore financial centers depends on the country where it is listed
Mukundhan et al. (2019)	Empirical	Institutional theory	Statistical analysis of a sample of 3207 FDI by Indian firms in tax havens in the period 2007–2017	Tax haven investments by Indian firms are motivated by efficiency-seeking and more prominent among firms with a higher tax liability and more financial slack
Fallan and Fallan (2019)	Empirical	Institutional theory	Statistical analysis of a sample of 111 Norwegian public companies listed on the Oslo Stock Exchange	Tax-aggressive firms make more voluntary environmental disclosures, presumably to divert attention away from their tax aggressiveness

Table 3 (continued)

Study	Type	Theory	Empirical approach	Main insights
Kohlhase and Pierk (2020)	Empirical	N/A	Statistical analysis of a sample of 39,496 subsidiary-year observations of Japanese-owned and UK-owned foreign subsidiaries in the period 2006–2011	MNEs report lower effective tax rates in their foreign subsidiaries after their home countries switch from a world-wide to a territorial tax system

manipulation and other practices such as the 'double Irish with a Dutch sandwich', MNEs can often significantly reduce their income tax bill in the countries where their operational activities are located. Indeed, Mukundhan et al. (2019) found that Indian firms' use of tax havens was mainly driven by efficiency considerations and higher among firms with a higher tax liability or more financial slack.

Whereas economics and accounting studies of tax havens mainly analyzed how much income is shifted there (Cooper & Nguyen, 2020), IM research on such havens has explored variation in their use across MNEs from different countries. Conducting a network analysis of the tax havens and offshore financial centers (OFCs) used by firms listed on five Asian-Pacific stock exchanges, Martinus and colleagues (2019) found that firms listed in Australia or Japan tend to favor Singapore, Hong Kong, the Netherlands, and the Cayman Islands, whereas those listed in China display a preference for the Cayman Islands, the British Virgin Islands, and Hong Kong and those listed in India a preference for the United Arab Emirates and Mauritius. According to the authors, these patterns stem from idiosyncrasies of the tax systems of the countries concerned, geographic proximity, and historical linkages. In two related studies, Jones and colleagues also point to the role of historical linkages in explaining international differences in firms' use of tax havens (Jones & Temouri, 2016; Jones et al., 2018). Comparing firms from liberal market economies (LMEs) with those from coordinated market economies (CMEs), these scholars found that the former firms tend to have more subsidiaries in tax havens and attribute this finding in part to LMEs' stronger historical ties with countries that are nowadays classified as tax havens. Furthermore, they argued, firms from LMEs put greater emphasis on shareholder value creation than their counterparts from CMEs and therefore have a stronger incentive to lower their tax bill through tax-haven subsidiaries. Jones and colleagues also examined how firms' use of tax havens is affected by other firm characteristics, finding that this use is higher for firms with more intangible assets and those active in service industries (Jones & Temouri, 2016; Jones et al., 2018), as well as for firms with an auditor belonging to the 'Big 4'.

3.2.2 Tools Used for Limiting Legitimacy Risks from Income Shifting

Because corporate tax avoidance has been increasingly scrutinized and condemned by media watchdogs and policymakers, MNEs have faced a heightened risk of losing legitimacy from income shifting (Alexander, 2013). Accordingly, several IM studies have explored the tools that MNEs use to limit this risk (Akamah et al., 2018; Hope et al., 2009; Fallan & Fallan, 2019), a topic that studies in the adjacent fields have remained largely silent on. One tool that MNEs have been found to use is the concealment of income shifting in annual reports. Specifically, Akamah et al. (2018) found that US MNEs with more subsidiaries in tax havens report less detailed geographic segment data, presumably in order to make it harder for watchdogs to uncover the shifting of income to tax-haven subsidiaries. Focusing on the reporting of income in particular, Hope et al. (2009) found that the use of more broadly defined geographic segments to dissect such income has negative consequences for investor valuations of a firm's foreign income. According to the authors, the reason is that this practice obstructs investors' ability to understand the nature of the firm's foreign operations, causing them to face higher financial risks.

Besides concealing income shifting, MNEs have also been found to make voluntary environmental disclosures to mitigate the legitimacy risks from such shifting (Fallan & Fallan, 2019). By making such disclosures, firms aim to portray themselves as socially responsible and thereby create a legitimacy buffer that makes them less susceptible to accusations of tax avoidance and legitimacy losses associated with such accusations.

3.2.3 Determinants of Firms' Tendency to Shift Income

Still other IM studies examined the determinants of firms' tendency to engage in income shifting. One determinant seems to be the scope of a firm's international activities, as Collis et al. (2012) found that MNEs with operations on two or more continents are more likely to have a corporate-level taxation department than MNEs active on only one continent. Sugathan and George (2015) focused instead on the role of a firm's ownership structure and the quality of the institutions in both its home country and a given host country. Analyzing firms operating in India and estimating their tendency to shift income by the difference between their reported earnings and the earnings predicted from exogenous macro-level earnings shocks, the authors found this tendency to be lower among firms with non-Indian institutional shareholders. The reason, they argue, is that such foreign shareholders have stronger motives to monitor and curb income shifting than Indian institutional investors and other Indian owners because foreign institutional investors are "transactional owners" with a stronger desire to "maintain the profitability of their stake" (Sugathan & George, 2015, p. 893). Furthermore, home-country and host-country institutions that augment transparency and collective action were found to mitigate income shifting, whereas home-country institutions that strengthen private property protection and contract enforcement were found to foster such shifting. In a related study, Muller and Kolk (2012) found that Indian subsidiaries of foreign MNEs generally had higher effective tax rates (ETRs) than local Indian firms, leading them to suggest that home-country institutional quality curbs income shifting. Focusing on the quality of national regulations for the documentation of transfer pricing practices, a few other IM studies found that the increased stringency of such regulations in developed countries, along with enhanced compliance audits, has caused MNEs to dedicate more resources to tax compliance (Plesner-Rossing, 2013; Sageder & Feldbauer, 2018).

Similar to these IM studies, scholars in economics, finance, and accounting have also explored how corporate ownership structures and countries' institutional quality affect income shifting, finding ambiguous effects of institutional ownership and constraining effects of factors such as ownership concentration and increases in the stringency of transfer price regulations. In addition, the constraining effect of such regulations was found to be weaker for firms with complex group structures or more intangible assets (Beer et al., 2020; Temouri et al., 2020).

Rather than focusing on the quality or stringency of tax-related regulations, Kohlhase and Pierk (2020) explored how MNEs' propensity to shift income is affected by changes in the corporate tax base defined in such regulations. In countries with a so-called worldwide taxation system, corporate tax residents need to pay taxes on their domestic income as well as on any foreign income that they repatriate, whereas in countries with a so-called territorial system all foreign income is exempted from taxation. Analyzing the switch in 2009 by Japan and the UK from a worldwide system to a territorial one, the authors found that this switch caused MNEs from the two countries to report lower effective tax rates in their foreign subsidiaries, presumably because the abolishment of the tax on repatriated foreign income increased the scope for income shifting.

Taking an organizational perspective, Cooper and Nguyen (2019) uncovered several other determinants of a firm's tendency to engage in income shifting and other forms of tax avoidance, i.e. (1) corporate culture, (2) the use of key performance indicators based on effective tax rates, (3) the importance of a firm's reputation, (4) its financial position, and (5) the personal ethics and experience of the top management team. Besides these "motivational factors" for income shifting (Cooper & Nguyen, 2019, p. 11), the authors also identified several factors shaping the opportunities for such shifting, most notably the scope for transfer price manipulation as indicated by the degree to which a firm's activities rely on intellectual property, and the difficulty of determining the arm's length price for the use of such property. Arguing that these motivations and opportunities for tax avoidance can be either strong or weak, they identify four types of corporate taxpayers, i.e. aggressive tax avoiders (for which both factors are strong), frustrated tax payers (which have strong motivations but weak opportunities), responsible tax payers (which have strong opportunities but weak motivations), and straightforward tax payers (for which both factors are weak).

Consistent with Cooper and Nguyen (2019)'s idea that top management characteristics co-determine a firm's tendency to engage in income shifting and other forms of tax avoidance, several studies explored the role of such characteristics in greater depth. Using Demerjian et al.'s (2012) measure of executives' ability to manage corporate resources efficiently, Koester et al. (2017) found that US firms with executives with a higher such ability have lower ETRs, presumably because such executives manage to shift more income to tax havens and make greater use of tools that enable tax reductions such as R&D credits or accelerated asset depreciation schemes. Along similar lines, Jiang et al. (2018) found that firms with executives that have worked for tax-haven domiciled firms exhibit decreases in their ETRs shortly after hiring such executives. The likely reason is that such executives have gained knowledge about income shifting and apply this knowledge at their new employers.

3.2.4 Policy Recommendations for Restricting Income Shifting

Finally, several purely conceptual IM studies focused on making recommendations for governmental policies that could be implemented to restrict income shifting. Desai (2012) proposes to reform transfer pricing rules by moving away from the arm's length principle because it gives MNEs too much leeway to reallocate profits outside of the jurisdictions where their real economic activity occurs. He pleas for the development of transfer pricing standards that allocate profits based on how MNEs distribute their resources and talent around the globe. Schreiber (2013) and Foss et al. (2018) propose to eliminate corporate income taxes in favor of higher dividend taxes or sales taxes, so as to reduce inefficiencies stemming from the former taxes. These inefficiencies refer to situations where MNEs locate activities in countries with low corporate income tax rates rather than in locations where these activities would have maximized global value creation. By contrast, Ting and Gray (2019) and McGaughey and Raimondos (2019) propose replacing the Separate Accounting system that currently forms the foundation for international corporate taxation by a unitary taxation system with a formula apportionment, which would require MNEs to consolidate their worldwide income. Under such a system, countries would each tax an activity-based share of a firm's worldwide income. This income would be divided between countries based on an agreed upon formula reflecting the MNE's activity in each country. Finally, countries would need to determine the tax rate they wish to apply to the portion of an MNE's global income assigned to them, preventing countries from having to give up their tax sovereignty (McGaughey & Raimondos, 2019; Stitt, 1991). Although studies in economics, finance, and accounting have also made policy recommendations (e.g., Buettner et al., 2018; De Mooij & Liu, 2020), these recommendations generally did not form the core of the studies concerned but were rather a by-product of the analyses performed.

3.3 International Relocations of HQs

A second stream of IM research on corporate taxation has analyzed international relocations of HQs. The methodological details and most relevant insights of the studies are summarized in Table 4, which shows that some studies analyzed how tax-related factors affect HQ relocation decisions (Baaij et al., 2004, 2015; Birkinshaw et al., 2006; Laamanen et al., 2012; Meyer & Benito, 2016), whereas a few others examined the consequences of announcements of tax-motivated HQ relocations (Balogun et al., 2019; Slangen et al., 2017).

3.3.1 Tax-Related Determinants of HQ Relocation Decisions

Various conceptual IM studies have that a firm's decision to relocate its HQ abroad is often driven to a substantial degree by managers' desire to reduce their firm's tax bill (Baaij et al., 2004; Kunisch et al., 2015; Meyer & Benito, 2016; Nell et al., 2017). Consistent with research in the adjacent fields (e.g., Desai & Hines, 2002; Voget, 2011), several IM studies have provided supporting evidence. Analyzing international relocations of corporate and regional HQs within Europe, Laamanen et al. (2012) found that such relocations are most likely to occur from countries with high corporate tax rates to countries with low such rates. Birkinshaw et al. (2006) examined international relocations of corporate and business-unit HQs by large Swedish MNEs. Although they did not include tax-related factors as determinants of such relocations in their statistical study, their complementary case studies make clear that especially corporate HQ relocations may

Table 4 Details of the studies of HQ relocations

Study	Type	Theory	Empirical approach	Main insights
Baaij et al. (2004)	Conceptual	N/A		Conceptual framework of the determinants of the location of MNE corporate centers, where corporate tax rates are argued to influence corporate center location
Birkinshaw et al. (2006)	Empirical	Institutional theory	Statistical analysis of a sample of 40 large Swedish MNEs	Complementary case study finds that corporate legal seat relocations tend to be driven by tax considerations
Laamanen et al. (2012)	Empirical	N/A	Statistical analysis of a sample of 52 corporate HQ relocations from the EU-15 countries in the period 1996–2006	Corporate taxes in the original home-country are positively associated with a higher likelihood of HQ relocations, low corporate tax rates are factors that attract HQ relocations
Baaij et al. (2015)	Empirical	N/A	Interviews and quantitative analysis of executives' responses for a sample of 58 Dutch MNEs	A costly fiscal regime in the home country increases the likelihood that an MNE will move its corporate legal seat abroad
Meyer and Benito (2016)	Conceptual	N/A		IM research on HQs should separate more clearly between the determinants of HQ location at inception and the determinants of HQ relocation
Slangen et al. (2017)	Empirical	Institutional theory	Statistical study of a sample of 117 registered seat relocations by US firms over the period 1990–2016	A relocating firm's repatriation tax costs are positively related to the cumulative abnormal stock return observed around a relocation announcement when the relocation is oriented towards a country without a repatriation tax, but are negatively related to that return when the relocating firm is highly dependent on the US government
Balogun et al. (2019)	Empirical	Institutional theory	Longitudinal qualitative case study of a tax-motivated relocation of a regional management center	A tax-motivated relocation of a regional management center harms the relationship between the center's workforce and the corporate center announcing the relocation

Table 4 (continued)

Study	Type	Theory	Empirical approach	Main insights
Sutherland et al. (2019)	Conceptual	N/A		Chinese MNEs re-domicile to tax havens and OFCs to (i) benefit from lower tax rates that Chinese tax law offers to inward foreign investors compared to domestic investors, to (ii) gain access to foreign capital markets, and (iii) circumvent Chinese governmental interference and restrictions on outward FDI

be partly driven by high home-country tax rates. Analyzing survey data on Dutch MNEs, Baaij et al. (2015) likewise found that senior executives' perceptions of the attractiveness of the Dutch corporate tax regime were negatively related to their inclination to relocate their firm's highest legal entity abroad. By contrast, these perceptions did not affect MNEs' propensity to relocate members of the executive team or corporate HQ functions. The findings of the latter study point to the importance of distinguishing between HQ components in analyzing the role of taxation in HQ relocation decisions.

Besides offshoring HQ components to benefit from lower income taxes abroad, MNEs sometimes also relocate abroad to qualify for lower such taxes in their original home country. Specifically, many Chinese MNEs have been argued to have re-domiciled to tax havens and OFCs to benefit from the lower tax rates that Chinese tax law offers to inward foreign investors than to domestic investors (Sutherland et al., 2019). By reincorporating abroad, they could also gain access to foreign capital markets and circumvent Chinese governmental interference in and restrictions on outward FDI.

3.3.2 Consequences of Announcements of Tax-Motivated HQ Relocations

In recent years, IM studies have started to explore the consequences of announcements of HQ relocations where tax savings were a prime goal (Balogun et al., 2019; Slangen et al., 2017). Focusing on US firms and extending a few small-sample studies in tax economics (Desai & Hines, 2002; Seida & Wempe, 2004), Slangen et al. (2017) explored the consequences of such announcements for the stock market value of the relocating firms. Since the US had a worldwide taxation system up to the time of their study, the authors centered on the role of a firm's repatriation tax costs, which reflect the relative magnitude of the tax savings that the firm can realize by shifting its registered seat – and thereby its tax residence – abroad. Conducting an event study of up to 117 registered seat relocations announced by US-incorporated firms over the period 1990–2016, they found that a relocating firm's repatriation tax costs are positively related to the cumulative abnormal stock return observed around a relocation announcement when the relocation is oriented towards a country without a repatriation tax, but that they are negatively related to that return when the relocating firm is highly dependent on the US government. The latter finding can be explained by the high vulnerability of US government-dependent firms to retaliatory actions by the US government, which loses relatively more tax revenue when a relocating firm has higher US repatriation tax costs.

Whereas Slangen et al. (2017) focused on announcements of tax-motivated relocations of registered corporate seats, Balogun et al. (2019) explored how the announcement of a tax-motivated relocation of a regional management center affects the relationship between the center's workforce and the corporate center announcing the relocation. Conducting a longitudinal case study, the authors found that this relationship deteriorated, as the stricken employees distrusted the tax-focused legitimation of the relocation, which they feared would cause them to lose their job or harm their quality of life after relocating.

3.4 Internationalization of Operational Activities

A third stream of IM studies has explored the role of taxes in the internationalization of firms' operational activities. Analyzing survey and interview data obtained from corporate tax practitioners, Glaister and Hughes (2008) provide evidence that this role is generally substantial, finding that firms tend to incorporate taxes in their strategic decisions such as those on international expansion, albeit to varying degrees. The other studies belonging to this stream explored the effects of individual foreign locations' fiscal characteristics, analyzing foreign expansion data at either the country level or the firm level. The methodological details and main insights of the studies on each of these two levels are reported in Tables 5 and 6, respectively. Most of these studies focused on foreign locations' corporate income tax rates, relating these rates to the amount of foreign direct investment (FDI) and business process outsourcing in countries, and to individual firms' choices of investment location and expansion mode.

The country-level studies generally found that FDI inflows and inward FDI stocks are negatively affected by corporate income tax rates in target countries and target subnational regions (Root & Ahmed, 1978; Loree & Guisinger, 1995; Chung & Alcacer, 2002; Sethi et al., 2011; Sutherland et al., 2018; Bailey, 2018), suggesting that corporate tax rates in foreign locations discourage MNE managers from investing there. Graf and Mudambi (2005) propose that the same is true for business process outsourcing, perhaps because contract partners in countries with higher tax rates compensate for these rates by charging higher prices. These findings are consistent with the substantial body of work on this topic in the economics, finance, and accounting literature, which has generally also had a country-level focus. As Hanlon and Heitzman put it in their review, "[e]vidence from this literature consistently shows that host country taxes matter and that on average the tax elasticity is negative" (2010, p. 149).

The results of the firm-level IM studies are less univocal, however. Reviewing 153 quantitative studies of firms' location choices for foreign investments, Nielsen et al. (2017) found that, among the 27 studies that included a location's corporate income tax rate as a determinant, 12 obtained a significantly negative effect of this rate on the likelihood that a firm invests in a location, another 12 a significantly positive effect, and three an insignificant effect. Other studies also obtained contradictory results, with De Beule et al. (2018), and Kottaridi et al. (2019) finding that the corporate tax rate in a foreign country has a negative effect on a firm's tendency to expand there, Rasciute and Downward (2017) finding that this rate has a positive effect, and Hoffman et al. (2016) and Siedschlag et al. (2013) reporting no effect. In addition, Kottaridi et al. (2019) found that the negative effect that they obtained for a foreign country's tax rate in their full sample was driven by manufacturing rather than service MNEs and stronger for countries characterized by higher institutional quality, pointing to the importance of accounting for industry-level and country-level contingencies. Focusing instead on differences in corporate tax rates between home and foreign countries, Chari and Acikgoz (2016) found that such differences, along with home-country institutional voids, are positively related to the likelihood that a firm makes a cross-border acquisition in a tax haven.

Table 5 Details of the country-level studies of corporate internationalization

Study	Type	Theory	Empirical approach	Main insights
Root and Ahmed (1978)	Empirical	N/A	Statistical analysis of manufacturing FDI flows into 41 developing countries for the period 1966–1970	A country's corporate income tax rate has a negative effect on manufacturing FDI inflows, whereas tax incentives have an insignificant effect
Loree and Guisinger (1995)	Empirical	Eclectic paradigm	Statistical analysis of data from the US Internal Revenue Service and the 'Benchmark Surveys' (1977 and 1982)	A country's corporate income tax rate has a negative effect on FDI inflows
Chung & Alcacer (2002)	Empirical	N/A	Statistical analysis of the state location choice of 1784 FDI transactions entering the US for the period 1987–1993 from OECD countries	A country's corporate income tax rate has a negative effect on FDI inflows
Graf and Mudambi (2005)	Conceptual	Eclectic paradigm		A country's corporate income tax rate has a negative effect on the amount of business processes outsourcing that it attracts
Sethi et al. (2011)	Empirical	N/A	Statistical analysis of a sample of province-level FDI inflows in China for the period 2000–2006	General-purpose FDI incentives have a positive effect on FDI inflows, while industry-specific incentives for high-tech sectors have no such effect
Sutherland et al. (2018)	Empirical	Eclectic paradigm	Statistical analysis of US FDI inflows from China, Germany, and the UK over the period 2003–2013	A state's corporate income tax rate has a negative effect on FDI inflows
Bailey (2018)	Empirical	N/A	Meta-analytic review of 97 studies of the relationship between a country's institutional characteristics and FDI inflows	A country's corporate income tax rate has a negative effect on FDI inflows, and this effect is stronger for developing countries than for developed ones

Table 6 Details of the firm-level studies of corporate internationalization

Study	Type	Theory	Empirical approach	Main insights
Glaister and Hughes (2008)	Empirical	N/A	Statistical analysis of survey responses by tax practitioners in 145 UK-based MNEs, along with seven semi-structured interviews	In strategy formulation, strategic decisions take priority over tax decisions, including in foreign expansion decisions, but firms and their managers vary in the degree to which they value tax-related factors
Siedschlag et al. (2013)	Empirical	N/A	Statistical analysis of a sample of 446 location choices for R&D activities within the EU for the period 1999–2006	A country's corporate income tax rate does not significantly affect the likelihood that an MNE chooses to locate R&D activities in an EU country
Hoffman et al. (2016)	Empirical	Institutional theory, Internalization theory	Statistical analysis of 101 international expansion announcements made by 38 US franchisors over the period 2005–2011	A country's corporate income tax rate does not significantly affect the likelihood that an MNE invests there
Chari and Acikgoz (2016)	Empirical	Institutional theory	Statistical analysis of a sample of 775 cross-border acquisitions made by emerging-economy firms in 2010	Higher corporate tax rate differences between a home country and a host country and lower institutional strength in home countries increase the likelihood of cross-border acquisitions in tax havens relative to other countries
Nielsen et al. (2017)	Empirical	N/A	Review of 153 statistical studies of the determinants of firms' FDI location choices	The 27 studies that included a country's corporate income tax rate as a variable obtained mixed findings
Rasciute and Downward (2017)	Empirical	Eclectic paradigm	Statistical analysis of a sample of 15,795 firm-level data observations on FDI location choices by firms from EU15 countries to other EU countries in the period 1997–2013	A country's corporate tax rate has a positive effect on the likelihood that an MNE invests there

Table 6 (continued)

Study	Type	Theory	Empirical approach	Main insights
Schanz et al. (2017)	Empirical	N/A	Statistical analysis of hand-collected data on 13,360 subsidiaries of German DAX30 companies in 97 countries for the period 2005–2009	The attractiveness of a country's tax environment has a positive effect on the number of subsidiaries that a foreign firm has in the country
De Beule et al. (2018)	Empirical	Institutional theory	Statistical analysis of a sample of 565 investments made by 374 Chinese firms in the EU-28 in the period 2003–2012	A country's corporate income tax rate has a negative effect on the likelihood that an MNE invests there
Kottaridi et al. (2019)	Empirical	Eclectic paradigm, institutional theory	Statistical analysis of survey data from the Department of Statistics of the Bank of Greece on a sample of 334 Greek MNEs in the period 2001–2010	A country's corporate income tax rate has a negative effect on the likelihood that an MNE invests there, and this effect is stronger for countries with stronger formal institutions
Gan and Qiu (2019)	Empirical	N/A	Statistical analysis of a sample of 5261 acquisitions by US firms in 27 OECD countries in the period 1996–2013	The attractiveness of a target country's tax environment has a positive effect on the cumulative abnormal returns and tax savings realized by acquiring firms, as well as on the number of inbound acquisitions

While most of the firm-level studies focused on the role a location's corporate income tax rate, a few of them explored the effect of a country's overall tax environment, finding that the favorability of that environment is positively related to the number of subsidiaries that foreign firms have in the country (Schanz et al., 2017) and the cumulative abnormal returns and tax savings that such firms realize when they make acquisitions there (Gan & Qiu, 2019). These studies measured the attractiveness of a country's tax environment in different ways. Focusing on US cross-border acquirers, Gan and Qiu (2019) measured it by a fitted component of the difference in the central government debt-to-GDP ratio between the target country and the US. Schanz et al. (2017), on the other hand, developed a composite 'tax attractiveness index' based on 22 elements of host countries' taxation systems, such as statutory tax rates for corporate and personal income, dividends, and capital gains, withholding taxes levied, provisions for offsetting losses by carrying them back or forward, the possibility to file a consolidated group return, the number of thin capitalization rules and bilateral tax treaties, the existence of controlled foreign corporation rules, general anti-avoidance legislation, special holding regimes, R&D incentives, and depreciation rules.

3.5 Tax Evasion

Whereas the first three sets of IM studies focused on tax-related acts that are legal and thus result in 'tax avoidance', a few other studies focused on the illegal act of 'tax evasion'. Table 7 summarizes the methodological details and main insights of the latter studies, both of which shed some light on the role of culture and morality in tax evasion.

Analyzing survey data from the World Bank on the percentage of total sales that managers from 80 countries estimated a typical firm in their sector to keep 'off the books', Bame-Aldred et al. (2013) found that the reported percentage systematically varied across countries as a function of their scores on the cultural dimensions of individualism, humane orientation, achievement orientation, and assertiveness. Focusing instead on the role of tax morale, defined as the intrinsic motivation to pay taxes or feel guilt from evading them, Kemme et al. (2020) explored whether the strength of that morale in a country affects locally-based portfolio investors' tendency to make use of tax rebates meant for inward foreign investors. Analyzing tax morale data from the World Values Survey and foreign portfolio investment data for 21 OECD countries over the period 2002–2013, they found that a country's tax rebate for inward foreign investors has a positive effect on the country's outflow of portfolio investment that is roundtripped through tax havens, and that this effect was substantially stronger for countries characterized by a lower tax morale.

A substantial body of research in economics, finance, and accounting confirms the role of cultural and socio-psychological factors in corporate tax evasion, pointing to the effect of such factors as individualism, tax morale, corruption levels, trust in the government, and the perceived fairness of the tax administration (Richardson, 2006, 2008; De Backer et al., 2015; Cummings et al., 2007). In addition, other such studies found that government policies penalizing managers for tax evasion are more

Table 7 Details of the studies of tax evasion

Study	Type	Theory	Empirical approach	Main insights
Bame-Aldred et al. (2013)	Empirical	Institutional theory	Statistical analysis of a sample of 10,032 firms in 80 countries	Individualism, humane orientation, achievement orientation, and higher assertiveness have a significant effect on firms' propensity to evade taxes
Kemme et al. (2020)	Empirical	N/A	Statistical analysis of a sample of 7451 foreign portfolio investments from 138 countries in 21 OECD countries for the period 2002–2013	A country's tax rebate for inward foreign investors has a positive effect on the country's outflow of portfolio investment that is roundtripped through tax havens, and this effect is stronger for countries characterized by a lower tax morale

effective than those penalizing shareholders (Crocker & Slemrod, 2005) and that top managers who evade personal taxes have a higher propensity to also evade corporate taxes (Chyz, 2013).

4 Research Agenda

Based on the above overview of the IM literature on corporate taxation and how this literature compares to its counterpart in economics, finance, and accounting, we see three fruitful avenues for future research. As outlined below, these avenues concern the use of better operationalizations of corporate income tax burdens and tax havens, the further study of the effects of tax-related formal and informal institutions, and the study of tax-related CPA.

4.1 Improvements in Operationalization

Our literature overview indicates that a substantial number of IM studies, including many of the studies of cross-border HQ relocations and international expansion of operational activities, have focused on the role of corporate income tax rates in home and target locations. Most of these studies have used either statutory rates (e.g., Laamanen et al., 2012; Siedschlag et al., 2013; Sugathan & George, 2015; Sutherland et al., 2018) or backward-looking ETRs (e.g., Jiang et al., 2018; Koester et al., 2017; Loree & Guisinger, 1995; Muller & Kolk, 2012; Rasciute & Downward, 2017). Statutory tax rates refer to the rates specified in countries' tax laws, whereas backward-looking ETRs measure the amount of income tax that firms paid as a percentage of their pre-tax income. However, both types of rates have limitations that may compromise their accuracy and explain some of their inconsistent effects, such as those found across the firm-level studies of location choices for foreign expansions. More specifically, statutory rates ignore other income tax-related provisions that many countries have in place and that may also affect a firm's income tax burden, such as deferrals, bilateral tax treaties, R&D incentives, and depreciation rules. Consequently, statutory rates are generally rather crude proxies for the corporate income tax burden in countries. Backward-looking ETRs, on the other hand, do take into account all of a country's income tax provisions, but are not particularly well suited for explaining *ex ante* investment decisions such as FDI location choices. The reason is that they reflect *ex post* realizations that may deviate from the projected income tax burden at the time the focal investment decision was made, owing to tax reforms or deviations from projected earnings. Furthermore, as stated by Henry and Sansing, "because pre-tax book income can be negative, its use in the denominator of a [backward-looking] ETR leads to ETR realizations that are difficult to interpret, as a firm with positive cash taxes paid of 20 but a pretax accounting loss of 100 would have the same cash ETR as a firm with a cash tax refund of 20 and positive pre-tax accounting income of 100" (2018, p. 1043). To avoid this problem, some studies using backward-looking ETRs have omitted firms with pre-tax losses, but they have thereby introduced a data truncation bias (Henry & Sansing, 2018), which also may have contributed to the inconsistent findings.

These limitations of statutory tax rates and backward-looking ETRs have led scholars in adjacent disciplines to propose and deploy several other indicators of corporate income tax burdens – indicators that IM scholars should also consider using. The first such indicator concerns forward-looking ETRs, which are "synthetic tax policy indicators calculated on the basis of a prospective, hypothetical investment project" (OECD, 2018). That is, they are estimates of the income tax burden that is expected to arise from an investment, given a country's various income tax provisions at the time of the investment. Consequently, forward-looking ETRs are likely to be good proxies for the tax rates that managers base their decision-making on, making them better suited for explaining FDI location choices and other foreign expansion decisions than statutory rates and backward-looking ETRs.

The second alternative indicator of a firm's corporate income tax burden that we recommend IM scholars to start using is Henry and Sansing's (2018) measure of a firm's tax efficiency. Unlike backward-looking ETRs, this measure has distinct values for profitable and loss-making firms and thus can be meaningfully applied to all firms. Specifically, it computes the difference between a firm's cash taxes paid, adjusted for tax refunds receivable, and the product of its pre-tax book income and the statutory tax rate. The difference is divided by the market value of a firm's assets to make the measure comparable across firms (Henry & Sansing, 2018). Martin et al. (2020) recently concluded that this measure reliably captures differences in tax efficiency across firms, suggesting that IM studies of the drivers or consequences of firms' actual tax burden should prioritize it over both backward-looking ETRs and statutory rates.

Besides using better indicators of firms' income tax burdens, IM scholars can also improve their operationalization of tax havens. So far, they generally identified such havens among their sample countries using lists that were limited to territories with low corporate tax rates, thereby overlooking so-called conduit OFCs. Such OFCs are not characterized by low tax rates but by tax laws that enable MNEs to route funds from elsewhere to low-tax territories in order to avoid it from being taxed (Garcia-Bernardo et al., 2017). The two main conduit OFCs are the Netherlands and the United Kingdom, which account for 23% and 14% of worldwide corporate investment flows into traditional tax havens, respectively (Garcia-Bernardo et al., 2017). One possible reason why conduit OFCs do not always appear on tax haven lists is that some of these lists are compiled by government associations such as the OECD, which may be hesitant to classify member states or close allies as tax havens out of fear for political friction. IM scholars can reduce the risk that they overlook certain tax havens by relying more strongly on tax haven lists compiled by non-governmental organizations, as these lists are unlikely to be shaped by political haggling. For example, the Tax Justice Network (2021) recently published a ranking of tax havens based on the degree to which their tax laws foster corporate tax avoidance. Among the ten highest ranked countries are the Netherlands and the United Arab Emirates, neither of which features on the lists of tax havens traditionally used by IM scholars.

4.2 The Further Study of the Effects of Tax-Related Institutions

Institutions can be defined as the 'rules of the game' and disentangled into formal institutions such as laws and regulations and informal institutions such as norms, values, and ethics (North, 1991). Although our literature overview shows that IM scholars have explored the role of formal and informal institutions in the sphere of taxation to some degree, we see several opportunities for them to shed further light on this role, in part by drawing on research on tax-related institutions in the adjacent disciplines. Below we outline these opportunities, distinguishing between those pertaining to formal and informal institutions, respectively.

4.2.1 The Effects of Tax-Related Formal Institutions

A first tax-related formal institution whose effect IM scholars may wish to study further concerns countries' fiscal treatment of foreign income. As mentioned earlier, some countries tax such income upon repatriation and can thus be said to have a worldwide taxation system, whereas others treat it as tax exempt and can therefore be said to have a territorial system. A few recent studies aside (Kohlhase & Pierk, 2020; Slangen et al., 2017), IM studies have paid scant attention to this distinction, even though it may play an important role in MNEs' internationalization decisions. In the economics literature Wijeweera et al. (2007) for instance found some evidence that both home-country and host-country tax rates affect FDI flows from countries with a worldwide system differently than on those from countries with a territorial system. These macro-level findings suggest that a country's taxation system affects individual firms' location choices for outward FDI. More specifically, compared to firms from countries with a territorial system, those from countries with a worldwide system may have a weaker inclination to select low-tax foreign countries for investment. The reason is that the latter firms benefit less from low taxes abroad, given that they face a surcharge in the form of a repatriation tax. However, this tax usually only applies to foreign income that is transferred to a firm's home country and not to income stockpiled or reinvested abroad (Foley et al., 2007). Consequently, firms from countries with a worldwide system and those from countries with a territorial one will likely only differ in their propensity to invest in low-tax countries when they plan to repatriate a substantial part of their foreign income, for instance because their domestic income is insufficient for making dividend payments. Future IM studies could explore these possibilities, as well as other potential effects of countries' taxation system.

Another tax-related formal institution that seems worth IM scholars' attention is the deductibility of interest payments. As stressed in the economics and finance literatures, debt financing may be more tax efficient than equity financing because interest payments on debt may be deductible from taxable income while dividend payments generally are not (Buettner et al., 2009; Desai et al., 2004; Huizinga et al., 2008; Ramb & Weichenrieder, 2005). By having entities in low-tax countries provide loans to affiliates in countries where interest payments are tax deductible, MNEs can reduce their total income and thus their overall tax bill, especially if the borrowing affiliates are based in high-tax countries (Tax Justice Network, 2017b).

Intra-company loans thus represent an additional practice through which MNEs can shift income. To curb the use of this practice, some governments have adopted thin capitalization rules, which limit the deductibility of interest expenses. Future IM studies could explore whether such rules affect firms' internationalization strategies, such as their FDI location choices. Firms from countries with thin capitalization rules could for instance be inclined to circumvent them by establishing subsidiaries in countries where such rules are lacking. This could explain why countries such as Ireland and Cyprus, both of which lack thin capitalization rules (Tax Foundation, 2020; Tax Attractiveness Index, 2018) receive comparatively much more FDI than other developed countries of similar size (UNCTAD, 2020).

A tax-related formal institution whose effect on MNEs has not yet been explored in any discipline is the personal income tax rate faced by managers. IM scholars are well positioned to start studying this effect, given their inherent interest in and knowledge of managerial behavior. For instance, management studies taking a behavioral perspective have shown that opportunities for managerial wealth accumulation affect firms' strategic actions (for a review, see Devers et al., 2007). Based on such a perspective, personal income tax rates may be argued to play a role in international HQ relocations, as such relocations enable HQ executives to not only move abroad the tax residence of their firm, but also their own tax residence, allowing them to achieve personal tax savings. More specifically, high personal income tax rates in their firm's home country may incentivize managers to relocate the firm's HQ to a country with a lower such rate, so as to increase their personal net income. Although Laamanen et al. (2012) hint at this possibility in their study of the drivers of HQ relocations, they did not include personal income tax rates in their statistical analyses, focusing instead on corporate income tax rates. This is unfortunate because the two types of rates may be correlated to some degree, raising the question whether the effects they obtained for countries' corporate tax rates can be partly attributed to personal tax rates. Future studies may attempt to shed light on these issues, as well as on the potential role of personal income tax rates in other internationalization decisions.

Finally, opportunities for exploring the role of new tax-related formal institutions are on the horizon, as 139 countries recently reached agreement on the introduction of a worldwide minimum corporate income tax rate of 15% and on granting countries the right to tax some of the income of the world's largest MNEs based on the revenues that these firms generate in a country rather than the income they claim there (Economist, 2021a, 2021c). Since the global minimum rate will reduce differences in tax rates between countries with the aim of curbing tax avoidance, its introduction may cause certain tax-related corporate acts such as income shifting, the use of tax havens, HQ relocations, and FDI in low-tax countries to become less widespread. To test whether this is the case, IM scholars can conduct quasi-natural experiments in which they compare the behavior of sets of firms before and after the introduction date of the global rate. Furthermore, since especially so-called i-business firms (Brouthers et al., 2016) can generate revenues in countries without being physically present and reporting income there, such firms are particularly likely to be affected by the initiative to start using firms' revenues in a country as a criterion for calculating their local income tax bill. IM scholars may therefore want to compile samples of such firms and explore the occurrence of changes in their international strategy after the introduction of the initiative. I-business firms may for instance become more likely to establish physical activities abroad, as they will no longer be able to avoid taxes in foreign countries by lacking a physical presence there. They may also attempt to strategically manipulate the magnitude of their digital foreign activities in order to limit their digital tax burden, similar to the current widespread use of transfer price manipulation.

4.2.2 The Effects of Tax-Related Informal Institutions

Besides further studying the effects of tax-related formal institutions, future IM research can also shed more light on the role of their informal counterparts. Of the 56 studies included in our review, only two analyzed this role to some degree, with both of them relating informal institutions to the phenomenon of tax evasion (Bame-Aldren et al., 2013; Kemme et al., 2020). In economics, finance, and accounting, most corporate tax research on the role of informal institutions also focused on explaining tax evasion (De Backer et al. 2015, Cummings et al., 2007; Richardson, 2006; 2008), thus leaving ample room for IM scholars to start exploring how such institutions shape other tax-related corporate acts and their outcomes. A first, exemplary study along these lines was recently conducted by Cheng et al. (2021), who found that the stronger presence of future time reference in a country's language increases the degree to which firms engage in tax avoidance. Future studies could extend this behavioral perspective by exploring whether corporate tax avoidance is also contingent on other informal institutions, such as the tax morale in a firm's home country or specific dimensions of national culture.

Besides affecting firms' inclination to engage in tax avoidance, informal institutions may also affect the degree to which firms' reputation or legitimacy suffers when they are accused of such avoidance. Based on a survey of German undergraduate students, Hardeck and Hertl (2014) found that the aggressiveness of a firm's tax strategy has a negative effect on the firm's reputation, but multi-country studies are required to establish whether this effect is contingent upon certain informal institutions in a firm's home country, such as the public's tax morale. In addition, future studies could explore whether this morale influences the way in which firms deal with accusations of tax avoidance, for instance by applying Lamin and Zaheer's (2012) typology of strategies for coping with accusations of irresponsible behavior. This typology distinguishes between (1) remaining silent, (2) denial, (3) decoupling (i.e., blaming others and distancing from them), (4) defiance (i.e., countering the accusations) and (5) accommodation (i.e., taking corrective action). We contend that, when being accused of tax avoidance, firms based in countries with a low tax morale are most likely to opt for either strategy (1) or (2), those from countries with a moderate tax morale for strategy (3), and those from countries with a high tax morale for either strategy (4) or (5). The reason is that in countries with a stronger tax morale, substantive and self-reflective responses to alleged irresponsible behavior will likely be received more positively by local stakeholders and thus safeguard the accused firm's local legitimacy the best.

4.3 The Study of Tax-Related CPA

Although studies that have measured ETRs have implicitly accounted for tax deals between firms and governments, the drivers of such deals have received little attention from IM scholars. This is unfortunate because tax deals are commonplace, as has become apparent from several recent inquiries by the European Commission into the fiscal treatment of large MNEs such as Nike and Starbucks in the Netherlands and Amazon and Fiat in Luxembourg (The Guardian, 2017, 2019; The Economist, 2019). The existence of such deals suggests that some MNEs engage in tax-related CPA, which refers to firms' attempts to steer governmental policies on corporate taxes to their advantage (cf. Hillman et al., 2004). CPA is a necessary condition for securing a tax advantage, and entails acts ranging from lobbying to making political donations and hiring former politicians as board members (Houston & Ferris, 2015).

While IM research has so far remained silent on tax-related CPA, some studies in the field of political science suggest that, in the US, such activity translates into lower ETRs (for a review, see Barrick & Brown, 2019). IM scholars can build on these studies to explore what determines the effectiveness of tax-related CPA, in particular by focusing on the role of an MNE's bargaining power, which can be defined as a firm's ability to exert influence over a government to secure favorable terms for itself (Moon & Lado, 2000). In general, this power is a function of a firm's economic and strategic importance to a country, most notably in terms of the firm's contribution to employment, innovation, or a country's image (Moon & Lado, 2000). IM scholars could for instance explore whether the extent to which CPA reduces a firm's ETR – or, in turn, its propensity to relocate its HQ abroad to realize extra tax savings – is larger for firms with larger domestic operations or more advanced technologies.

Furthermore, political science studies of tax-related CPA have typically focused on the role of lobbying and political donations, thus ignoring other possible forms of tax-related CPA. One such overlooked form is the establishment of ties with actors that can influence governmental tax policies, including the hiring of former politicians as board members, and the contracting of corporate tax specialists who also advise governments. After having been employed at a large audit firm, such specialists sometimes take senior jobs at government agencies and draft tax rules there that are advantageous for the multinational clients of their former employer, before returning to the private sector again (New York Times, 2021). Future IM studies could explore the effectiveness of these relational forms of tax-related CPA, for instance by regressing firms' ETR on the share of former politicians on their board or the share of their auditor's senior staff with governmental work experience.

5 Conclusion

Taking stock of the IM literature on corporate taxation, we have documented that this literature has centered on four tax-related corporate acts: income shifting, international relocations of HQs, the internationalization of operational activities, and tax evasion. Although scholars in economics, finance, and accounting have also studied these acts, they have often focused on different aspects of them, resulting in an overall body of research with strong complementarities. We have also proposed that future IM studies can make important further advances by (1) better operationalizing corporate income tax burdens and tax havens, (2) further studying the effects of tax-related formal and informal institutions, and (3) studying the effectiveness of tax-related CPA. More generally, our review shows that, rather than being a mere financial issue, international corporate taxation is an integral part of MNE management and has various strategic, behavioral, and political dimensions. As becomes clear from our research agenda, many of these dimensions have been underexplored, including how firms' internationalization strategies are shaped by tax-related formal institutions other than income tax rates, how informal institutions affect the extent to which MNEs avoid taxes and suffer legitimacy losses from it, and what determines the effectiveness of MNEs' tax-related CPA. The more extensive use of strategic, behavioral, and political lenses in future IM studies of taxation therefore seems particularly promising, likely generating novel academic insights with practical implications for both managers and policymakers.

Acknowledgements We thank two anonymous reviewers for their valuable comments on earlier versions of this paper. The first author gratefully acknowledges the financial support of FWO (Grant number G082619N).

Declarations

Conflict of Interest None.

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