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Discursive Legitimation in Public Tax Disclosures: The Case of UK Corporate Tax Strategy Reporting

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Declaration of Interest Statement:

The authors declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

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Acknowledgement:

Bangor Business School PhD Scholarship.

Abstract

This paper examines ways in which companies construct compliance with HMRC tax strategy regulation to promote their corporate tax transparency during times of public controversy and concern over reports of multinational companies' (MNCs') tax avoidance behaviour. We conduct a comparative in-depth case study of the tax strategy reports of seven FTSE 100 companies (2016-2019), who incorporated a chief financial officer (CFO) statement or a chairman statement in their tax strategy reports as a means to demonstrate full engagement with HMRC tax strategy regulation. We look at the case of the first iterations of this new corporate reporting genre to identify the key themes disclosed in the companies' tax strategy reports and to analyse the discursive legitimation strategies used to construct those themes. For this purpose, we use critical discourse analysis (CDA) which highlights the constitutive role of language in the construction of social reality. Our findings suggest that companies utilize three overarching legitimation means, namely (1) discursive antagonism, (2) discursive co-optation and (3) discursive validation to portray "a coherent and legitimate [tax] image" that appeals to a diverse group of stakeholders beyond the regulatory body. This is important because this offers insights that can help stakeholders better understand and interpret the tax strategy disclosures.

Keywords: Corporate Tax Avoidance; Tax Strategy Reporting; Tax Transparency; Discursive Legitimation.

1. Introduction

Following unprecedented media reports of tax avoidance by leading multinational companies (MNCs), calls for corporate tax transparency have gained substantial momentum (Middleton and Muttonen, 2020a). Consequently, public pressure for increased corporate tax disclosures as a suggested corrective remedy to publicly deemed unacceptable corporate tax behaviour followed (Oats and Tuck, 2019). In response, different tax authorities have put forward regulatory measures to address corporate tax avoidance through incentivising ethical tax behaviour (Freedman and Vella, 2016) and fostering tax transparency.[1],[2] Among the regulatory initiatives that have been introduced within the UK, is the tax strategy publication measure (HMRC, 2016), which is a legal requirement for large businesses[3] to publish a board-approved tax strategy.

In the context of public tax shaming, disclosing information on tax strategy constitutes "a tricky dilemma" for companies (Gilleard, 2012, p.37). The public desire to know more about the tax policies of companies increases amid times of public scrutiny (Gilleard, 2012) and furthermore, what is perceived as a legitimate corporate tax strategy can differ between different stakeholder groups, including the media, shareholders, regulatory bodies and the public (Anesa et al., 2024). As the involvement of a broad range of stakeholders, in particular wider society, constitutes a distinctive feature of the current debate surrounding corporate taxation (Holland et al., 2016), the tax strategy publication could be seen as one means to defend corporates' legitimacy.

Legitimacy is manifested in "[…] a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs, and definitions" (Suchman, 1995, p.574). Within the corporate tax context, amid the hype in public tax shaming, which challenged the legitimacy of corporate tax

[1] For example, "The [Australian] voluntary Tax Transparency Code (TTC) [which] is a set of principles and minimum standards developed by the Board of Taxation to guide medium and large businesses on public disclosure of tax information" (Australian Taxation Office, 2021), include disclosures on tax strategy information.
[2] Also, the global reporting initiative (GRI) 207 tax standard, which came into effect on 1st January 2021, is "the first global reporting standard for tax transparency – enabl[ing] organizations to better understand and communicate information about their tax practices publicly" (GRI, 2019), including information on their tax strategies.
[3] The regulatory measure applies to UK companies, partnerships and groups with a turnover of more than £200 million and/or a balance sheet over £2 billion (HMRC, 2016). Also, it applies to the UK operations of MNCs which meet the Organisation for Economic Co-operation and Development (OECD) 'Country-by-Country Reporting' framework threshold under section 122 of Finance Act 2015 (i.e., has a global turnover that exceeds €750 million) (HMRC, 2016). This is around 2,000 large businesses (Forstater, 2018).

practices (Holland et al., 2016) defending a company's tax behaviour to ensure its legitimate existence within society entails more than merely meeting the tax strategy reporting legal requirements (Middleton and Muttonen, 2020b).

This paper reports research reviewing the first years of corporate tax strategy reports. The objective is to identify and analyse strategies used by companies within their tax strategy narrative to defend their legitimacy and thus promote their tax transparency to different stakeholders, including society at large. Little attention has been given to the use of tax disclosures as legitimation means in times of public outrage (e.g., Holland et al., 2016). Thus, the research aim is to gain an understanding of how companies are using their tax strategy narratives to construct the profile of a good corporate taxpayer through the use of discursive legitimation strategies. This is important because it helps to inform the understanding and interpretations of the published strategy reports. The objective of HMRC's tax strategy regulation is to foster tax transparency around corporate tax practices to a range of stakeholders, including HMRC, shareholders and consumers (HMRC, 2015). Our paper offers insights on how companies are using their tax strategies to foster such tax transparency to different stakeholder groups.

We focus on seven FTSE 100 companies[4], who in our view showed an intention to demonstrate full engagement with the tax strategy reporting requirements via incorporating a chairman statement or a chief financial officer (CFO) statement in their tax strategy report. These statements constitute a "powerful means of communication" with different stakeholder groups (Mäkelä and Laine, 2011, p.119). Also, as noted by Forstater (2018, p.17) "[u]nbranded [tax] policies on plain paper tend to be most generic in content. Those sporting photographs and a message from the chief financial officer [CFO] are often more specific, and suggest that they are intended to be read".

Our study extends research on discursive legitimation (e.g., Luyckx and Janssens, 2016; Glozer et al., 2019) to a new corporate reporting medium, corporate tax strategy reports. The

[4] We focused on the continual members of the FTSE 100 index from September 2016 (time the measure became effective) to December 2019 (time of our data collection). We examined the most recent tax strategy report published by each of the seven companies (i.e., for financial years ending December 2019 or March 2020). We focus on these reports aligned with our aim to look into early iterations of corporates' tax strategy narratives. Also, HMRC regulatory measure requires companies to only keep their most recent tax strategy on their corporate websites (HMRC, 2016). See Section 4.1 for more details on our sample selection.

first years of a new initiative are particularly important because they set a precedent of what is expected for subsequent years, through shaping the public's expectations about the information disclosed in a tax strategy report and creating "frameworks of knowledge" (Christensen, 2002, p.166) on what compliance with the tax strategy regulation could look for companies. Our paper adds to the limited literature examining tax strategy disclosures (e.g., Belnap, 2019; Bilicka et al., 2022; Blaufus et al., 2023) through providing insights on how companies are using discursive legitimation strategies to construct compliance with HMRC tax strategy regulation to defend their corporate legitimacy and promote their tax transparency.

The remainder of this paper is organized as follows. Section 2 provides some explanation of the HMRC tax strategy reporting regulation. Section 3 discusses relevant literature, including that relating to discursive legitimation. This is followed by a discussion of the data and method of analysis in Section 4. Section 5 discusses the key findings by highlighting how companies employ certain narratives that serve to justify their actions and buttress their legitimacy. Section 6 concludes the paper.

2. HMRC tax strategy regulatory framework

The UK Finance Act 2016 included a new regulatory measure requiring large businesses to publish their tax strategies online, for financial years starting 15th September 2016 onwards (Finance Act, 2016; HMRC, 2016). In June 2016, HMRC (2016) published guidance for qualifying companies entitled *"Publish your large business tax strategy"* to specify the publication format of the tax strategy and the information it should incorporate.

Table 1 summarizes HMRC's large business tax strategy publication guideline and lays out the key aspects that companies need to report on under each of the measure's four key dimensions. The tax strategy should contain the following four aspects with respect to UK taxation, namely (1) approach to tax risks, (2) attitude to tax planning, (3) acceptable level of risk, and (4) approach towards dealing with HMRC (HMRC, 2016).

With respect to the report format, companies must publish their tax strategy online, where it is easily accessible and free of charge, as either a separate document or as part of a larger document, for example, part of a corporate social responsibility (CSR) report, annual report, or another tax report. Companies should publish their tax strategy on an annual basis, whereby keeping the most recent tax strategy accessible to the public (HMRC, 2016), therefore, companies do not need to provide an archive of their tax strategies over time.

HMRC (2016) specifies that the published strategy should be approved by the Board of Directors and be aligned with the overall business strategy and operations. Companies are not obliged to report on the amounts of taxes and duties paid as part of their tax strategy (HMRC, 2016).

HMRC (2016) explicitly states that the information included within the corporate tax publication is not limited to the information prescribed in its guidance. Companies can incorporate any other relevant information relating to taxation that they want to publish (HMRC, 2016). Accordingly, companies have a degree of leeway over which information to disclose and how to report and frame those disclosures. Similarly, they can choose not to disclose any information that might be commercially sensitive (HMRC, 2016).

Table 1: HMRC's large business tax strategy guideline
The group tax strategy must:
A. Be approved by the Board of Directors, and aligned with the business strategy and operations
B. Mention the paragraph of the legislation it complies with (i.e., Paragraph 16 (2), Schedule 19, Finance Act 2016)
C. Specify the financial year it relates to
D. Include the four following key areas with respect to UK taxation:
1. Approach to risk management and governance
1.1. how the business identifies and reduces inherent tax risk
1.2. the governance framework used to manage the tax risk
1.3. the levels of oversight and involvement of the Board of Directors
1.4. the key roles, responsibilities, systems and controls adopted
2. Attitude to tax planning
2.1. code of conduct the business has for tax planning
2.2. the factors influencing tax planning and their subsequent effects on the tax strategy
2.3. the approach to structuring tax planning
2.4. the reasons for seeking external tax planning advice
3. Acceptable level of tax risk
3.1. the level of risk the business is prepared to accept, and the internal governance process for measuring it
3.2. the influence relevant stakeholders have over that level of risk
4. Approach to dealing with HMRC
4.1. to meet statutory and legislative tax requirements
4.2. to be transparent on current, future and past tax risks
E. Incorporate any other relevant tax information without the need for reporting on the amount of taxes paid or disclosing commercially sensitive information

Source: (HMRC, 2016)

3. Prior literature

3.1 Tax Strategy Disclosures

There is some limited prior research analysing UK tax strategy reports. For example, Belnap (2019) examined the compliance of US MNCs, with a UK group, required to disclose their tax strategy in line with HMRC regulatory measure, and concluded that 12% of the companies failed to publish their tax strategies, highlighting that most of the tax strategies were similar and brief (e.g., contain an average of 621 words); suggesting that these companies used boilerplate language to disclose minimal tax information.

Bilicka et al. (2022) examined the volume and quality of UK companies tax strategy disclosures pre- and post-HMRC regulatory measure and concluded that companies increased their tax strategy disclosures following the implementation of the tax strategy reporting regulation. Similar to Belnap (2019), Bilicka et al. (2022) noted that companies used boilerplate language captured by the use of a lot of common phrases within their corporate tax strategy. The increase in tax disclosures and use of boilerplate statements was particularly evident in companies which engage in aggressive tax avoidance and companies exposed to high public pressure (Bilicka et al., 2022). Bilicka et al. (2022) also found no evidence on the effectiveness of the measure in deterring corporate tax avoidance behaviour. In a similar vein, a study by Xia (2020) which examined the effectiveness of the tax strategy reporting regulation in curbing corporate tax avoidance for companies listed on the FTSE All-Share index, concluded that mandating tax strategy disclosures did not achieve the measure's stated objective of curbing corporate tax avoidance.

Blaufus et al. (2023) examined the tax strategy disclosures of FTSE 100 and FTSE 250 companies, analysing the costs and benefits of mandatory qualitative disclosures using cross-sectional regressions to consider whether companies presented themselves as "responsible taxpayers" who view their corporate tax payments as a contribution to society or presented themselves as "tax planners" who primarily view tax as a cost, and whether a company's tax representation impacts on its actual tax avoidance behaviour. Blaufus et al. (2023) concluded that companies are more inclined to represent themselves as responsible taxpayers[5]; suggesting that companies use their tax disclosures as a means to manage the public's perceptions and that the way companies represent themselves does not necessarily align with their actual tax behaviour, unless they are subject to external monitoring (i.e., financial analysts, and government oversight).

Our paper adds to this limited literature by studying the employment of discursive legitimation strategies to construct a profile of consistent compliance with HMRC tax strategy reporting regulation and to defend corporate legitimacy following the unprecedented wave of public tax shaming. We thus extend the findings of Blaufus et al. (2023) by exploring how companies discursively construct compliance with HMRC tax strategy regulation to defend their corporate legitimacy at a time of mounting public controversy on the tax practices of MNCs.

[5] Among the keywords used by Blaufus et al. (2023, p.18) to refer to responsible taxpayers are: collaborative, corporate citizen, ethical, honest, fair share, and responsible corporate behaviour. By contrast, words used to identify companies representing themselves as tax planners, included, among others, benefit shareholders, legitimate tax planning, manage tax cost, and litigation.

3.2. Discursive legitimation strategies

During times of public controversies, companies deploy discursive legitimation strategies as a means to legitimate their corporate practice through (1) discursive antagonism, (2) discursive co-optation (Luyckx and Janssens, 2016) and/or (3) discursive validation (Glozer et al., 2019). Discursive antagonism is aimed at purifying the corporate image while polluting or demolishing the image and/or claims of its critics (Luyckx and Janssens, 2016). Discursive co-optation pertains to companies acknowledging previous opponents/critics as partners (Luyckx and Janssens, 2016). Discursive validation emphasises the company's commitment to doing the right thing (Glozer et al., 2019) with respect to society's norms and value systems.

To achieve one or more of these discursive aims, companies engage in a range of legitimation strategies. According to Van Leeuwen (2007, p.92), these legitimation strategies are a function of four key discursive purposes/categories, namely (1) authorization, (2) moral evaluation, (3) rationalization, and (4) mythopoesis or narrativization (Vaara et al., 2006, p.794). Table 2 summarises these four discursive legitimation strategies, which we now explain in turn and provide an illustrative example of their application to tax strategy reporting.

3.2.1. Authorization

Van Leeuwen (2007, p.94-97) differentiates between six types of authority legitimation: (1) personal authority, (2) expert authority, (3) role model authority, (4) impersonal authority, (5) the authority of tradition, and (6) the authority of conformity. Personal authority legitimation "is vested in a person because of their status or role in a particular institution" (Van Leeuwen, 2007, p.94). In the tax strategy reporting setting, companies emphasising the role of the board in, particular, chief financial officers (CFOs) and chief executive officers (CEOs), in the construction of their corporate tax strategies, reflect a personal authority legitimation through which companies aim to provide a credible stance/outlook to their tax strategy by associating it with a legitimate corporate actor.

Expert authority, in contrast to personal authority, "[…] is provided by expertise rather than status" (Van Leeuwen, 2007, p.94). Accordingly, with respect to tax strategy reporting, companies engaging with other stakeholders, including NGOs and tax activists, as well as seeking advice from tax professionals, utilize expert authority legitimation as a means to "creating new, allegiant constituents" (Suchman, 1995, p.586).

As for role model authority, it pertains to establishing legitimacy through "[…] follow[ing] the example of role models or opinion leaders" (Van Leeuwen, 2007, p.95), or through projecting/establishing the organization as one. A company reporting on receiving awards from leading accounting firms for being among UK's top tax contributors is an example of a role model authority legitimation strategy (Van Leeuwen, 2007). Another means of authority legitimation is manifested in "the impersonal authority of laws, rules and regulations (Van Leeuwen, 2007, p.96). In this case, companies aim to enforce their commitment to following the tax rules, laws and regulations to foster their legitimacy by means of impersonal authority (Van Leeuwen, 2007).

Companies could also construct the authoritative legitimacy of their tax strategy narrative by either the authority of tradition or the authority of conformity. Van Leeuwen (2007, p.96) suggests that the authority of tradition, where companies explain their behaviour by using statements such as 'because this is what we always do' or 'because this is what we have always done', has been declining. Accordingly, with tax strategy reporting being a new domain of corporate reporting activity, we do not expect companies to use the authority of tradition in their tax strategy narrative.

By contrast, in the case of the authority of conformity, companies do not justify their tax behaviour by stating that this is what they always do. Rather, they explain their tax behaviour by highlighting the adoption of a similar practice by other companies, i.e., 'because that's what everybody else does', or 'because that's what most people do' (Van Leeuwen, 2007, p.96-97). Following this line of reasoning, companies noting that their tax strategy is aligned with the tax strategies adopted by other companies, is prompted by the authority of conformity (Van Leeuwen, 2007).

3.2.2. Moral evaluation

In addition to engaging in any of the preceding authorization purposes of legitimation, companies could utilize moral evaluation as a means to discursive legitimation. Moral evaluation reflects legitimation by means of referring to "value systems" (Van Leeuwen, 2007, p.92) and includes three aspects, namely (1) evaluation, (2) abstraction, and (3) analogies. Evaluation reflects the use of evaluative adjectives such as 'normal' and 'natural' (Van Leeuwen, 2007, p.98) to legitimize the corporate practice, i.e. 'naturalization' legitimation

(Van Leeuwnen, 2007, p.99). In the tax strategy reporting setting, companies could adopt an evaluation legitimation strategy by rendering their salient tax practices as being the normal and legitimate behaviour relative to stakeholders' and society's expectations.

Another way of engaging in moral evaluation is through abstraction. Van Leeuwen (2007, p.99) defines abstraction as "[…] referring to practices […] in abstract ways that 'moralize' them by distilling from them a quality that links them to discourses of moral values". Adopting Van Leeuwen's (2007) definition of abstraction to the tax strategy reporting context, companies embedding the notion of transparency in their tax strategy narrative to conform to the moral values and expectations of their stakeholders (DiMaggio and Powell, 1983), reflects an abstraction means to legitimation by which companies link (abstract) their tax strategy practice to the moral value of transparency.

Instead of expressing moral evaluation through evaluation or abstraction, companies could use analogy. Analogy is manifested in utilizing "comparisons in discourse" (Van Leeuwen, 2007, p.99). In this respect, companies would promote the legitimacy of their tax practice by expressing it in the lights of another legitimate practice, i.e., by using phrases such as "'because it is like another activity which is associated with positive values' (or, in the case of negative comparison, 'because it is not like another activity which is associated with negative values')" (Van Leeuwen, 2007, p.99). For instance, companies reporting on managing their tax risk effectively like any other risk in their business, reflects an analogy means to legitimation through which companies justify the legitimacy of their approach towards managing their tax risk by aligning it with their approach to managing other business risks.

3.2.3. Rationalization

The third purpose of legitimation posited by Van Leeuwen (2007, p.92), is rationalization which reflects "legitimation by reference to the goals and uses of institutionalized social action, and to the knowledge society has constructed to endow them with cognitive validity". In this respect, Van Leeuwen (2007) differentiates between two types of rationalization, namely (1) instrumental rationalization, and (2) theoretical rationalization. Instrumental rationalization is associated with legitimating a corporate practice by reference to its goals, uses or effects. Meanwhile, theoretical rationalization is manifested in "provid[ing] explicit representations of 'the way things are'" (Van Leeuwen, 2007, p.103).

In the context of our study, examples of instrumental rationalization pertain to companies reporting on changing the corporate's approach to tax planning to refrain from engaging in illegitimate tax behaviour (i.e., goal) or highlighting the tax risk management model (i.e., means) used to ensure an acceptable level of tax risk. By contrast, theoretical rationalization is reflected in companies seeking to alter social norms (Dowling and Pfeffer, 1975) and change external expectations (Lindblom, 1993) by educating the public about "the way things are" (Van Leeuwen, 2007, p.103). Accordingly, defining and explaining key tax terms used in the corporate's tax strategy narrative is an example of theoretical rationalization.

3.2.4. Narrativization

Finally, the fourth category of legitimation specified by Van Leeuwen (2007, p.92), is mythopoesis. Mythopoesis or as named by Vaara et al. (2006, p.802) narrativization is associated with legitimation through storytelling (Van Leeuwen, 2007, p.105). Legitimation here is constructed via the story side of the narrative where "how [a company] tell[s] a story provides evidence of acceptable, appropriate, or preferential behaviour" (Vaara et al., 2006, p.802). In the tax strategy reporting setting, these narrative-type reconstructions (Vaara et al., 2006, p.802) are reflected in companies aiming to deflect attention from their illegitimate tax practice by fulfilling the public's expectations in other areas. For instance, "[d]raw[ing] attention away" (Holland et al., 2016, p.7) from the corporate tax strategy narrative to report on the different types of taxes paid and collected, represents a narrativization means to legitimation. Whereby, noting the different types of taxes paid and collected "[…] represent more than one domain of institutionalized social practice, and so provide a 'mythical model of social action'" (Van Leeuwen, 2007, p.106). That is to say, by emphasising the legitimate corporate social practice of paying other types of taxes, the company aims to paint a legitimate picture/model of all its tax payments including the tax payment in question (corporate tax).

Table 2 summarises the discursive legitimation strategies discussed and their application to tax strategy reporting.

Table 2: Discursive legitimation strategies and their application to tax strategy reporting		
Discursive strategies (Van Leeuwen, 2007)	**Definition (Van Leeuwen, 2007)**	**Illustrative example: How do these discursive legitimation strategies apply to the tax strategy reporting disclosures?**
1. Authorization		
1.1. Personal authority	Legitimation "is vested in a person because of their status or role in a particular institution" (p.94).	Emphasizing the role of the board in setting the corporate tax strategy
1.2. Expert authority	"[L]egitimacy is provided by expertise rather than status" (p.94).	Engaging with NGOs and tax activists Seeking advice from expert tax advisors
1.3. Role model authority	Endorsing the company as a role model to follow (p.95).	Receiving awards for being a top UK tax contributor
1.4. Impersonal authority	Impersonal authority of laws, rules, and regulations (p.96).	Highlighting the corporate's commitment towards following tax regulations
1.5. Authority of tradition	'Because this is what we always do' or 'because this is what we have always done' (p.96)	Reporting on the adoption of a similar tax strategy in previous years
1.6. Authority of conformity	'Because that's what everybody else does' (p.96).	Reporting on the adoption of a similar tax practice by other companies
2. Moral evaluation		
2.1. Evaluation	"Naturalizing" the salient practices as being the normal and legitimate behaviour (p.99).	Rendering their salient tax practices as being the normal and legitimate behaviour to stakeholders and society's expectations
2.2. Abstraction	Distilling a quality from the corporate practice that links it to discourse of moral values (p.99).	Embedding moral values such as transparency in the tax strategy narrative
2.3. Analogies	'Because it is like another activity which is associated with positive values' (p.99).	Managing their tax risk effectively like any other risk in their business
3. Rationalization		
3.1. Instrumental rationalization	Legitimating practices by reference to their goals, uses and effects (p.101).	Changing the corporate's approach to tax planning to refrain from engaging in illegitimate tax behaviour Highlighting the tax risk management systems in place to ensure an acceptable level of tax risk
3.2. Theoretical rationalization	Explicit representations of 'the way things are' (p.103).	Defining key tax terms
4. Mythopoesis Narrativization (Vaara et al., 2006, p.802)	Describing other corporate legitimate social practices to paint a legitimate 'mythical model of social action' (p.106).	Reporting on the different types of taxes paid and collected

4. Data and Methodology

4.1. Sample selection

Consistent with previous research (e.g., Campbell et al., 2003; 2006; Campbell and Slack, 2008), we focus on the 'continual members' of the FTSE 100 index[6] for the period of the study, from September 2016 to December 2019. The starting date of September 2016 was chosen because HMRC tax strategy regulation requires qualifying companies to publish a tax strategy for financial years starting after 15 September 2016 (HMRC, 2016). The end date of December 2019 reflects the time of the data collection.[7],[8] We view this sample period to be important as we focus on early iterations of the tax strategy narratives, in particular, we examine the most recent tax strategy report in our sample period (See Table 3). We focus on early editions of the tax strategy reports because these first iterations shape the public's expectations about the information disclosed in a new corporate reporting medium. Thus, creating "frameworks of knowledge" (Christensen, 2002, p.166) on what compliance with the tax strategy regulation could look for companies. Our choice to focus on the most recent reports in our sample period, is guided by the measure requirement for companies to keep their most recent tax strategy accessible to the public (HMRC, 2016), therefore, companies do not need to provide an archive of their tax strategies over time.

Our initial sample consists of 76 FTSE 100 continual members out of which we chose to conduct a comparative in-depth case study of a small number of companies who showed an intention to demonstrate full engagement with the tax strategy reporting requirements. Accordingly, our final sample is the seven companies which incorporated a CFO statement or a chairman statement in their tax strategy report, including (1) Aviva, (2) BT Group, (3) Legal & General (L&G), (4) Lloyds Banking Group, (5) National Grid, (6) Prudential, and (7) Reckitt Benckiser Group (RB) (See Table 3). This was informed by Forstater (2018, p.17) positing that:

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[6] FTSE 100 companies are amongst the large businesses that meet HMRC's tax strategy publication requirement.

[7] We conducted the research for the tax strategy reports on the corporates' websites from the 9th to 14th of June 2020.

[8] Also, our sample period is interesting as it looks into the most recent tax strategy reports published, by our sample of FTSE 100 companies, prior to the global reporting initiative (GRI) 207 tax standard, which came into effect on 1st January 2021 (GRI, 2019). The GRI-207 is "the first global reporting standard for tax transparency – enabl[ing] organizations to better understand and communicate information about their tax practices publicly" (GRI, 2019). Therefore, it would be interesting for future research to contrast our finding with newer iterations of the tax strategy reports to examine how companies tax strategy disclosures are changing in light of other tax reporting measures (e.g., GRI 207).

"[…] to some extent, you can judge a book by its cover. […]. Unbranded policies on plain paper tend to be most generic in content. Those sporting photographs and a message from the chief financial officer [CFO] are often more specific, and suggest that they are intended to be read".

Also, prior research examining corporate disclosures within annual reports or CSR/ sustainability reports, argues that CEO and chairman statements constitute the "most widely read part" of corporate reports (Mäkelä and Laine, 2011, p.220). Thus, aligned with their high readership, CEO and chairman statements serve as a "powerful means of communication" with different social actors (Mäkelä and Laine, 2011, p.119), particularly that they are "[…] always positioned at the beginning of the report, thereby setting the tone for the whole report" (Mäkelä and Laine, 2011, p.220).

Table 3: FTSE 100 Companies which incorporated a CFO/Chairman letter in their tax strategy report

Name	Industry Name	Sector Name	Most Recent Report Financial Year	Name of the Report	No. of Words
Aviva	Financials	Life Insurance	31 December 2019	Tax Strategy	1,581
BT Group	Telecommunications	Telecommunications Service Providers	31 March 2020	Tax Strategy	1,989
Legal & General	Financials	Life Insurance	31 December 2019	Group Tax Supplement	3,551
Lloyds Banking Group	Financials	Banks	31 December 2019	Tax Strategy and Approach to Tax	6,373
National Grid	Utilities	Gas, Water and Multi-utilities	31 March 2020	Tax Strategy	3,069
Prudential	Financials	Life Insurance	31 December 2019	Managing our tax affairs responsibly and sustainably	7,662
Reckitt Benckiser Group	Consumer Staples	Personal Care, Drug and Grocery Stores	31 December 2019	Tax Strategy	4,788

In line with our discursive stance on legitimation, we view corporate communication via tax strategy reports as a means to deploy discourse and legitimation strategies to construct such a legitimate reality in a challenging climate of public tax shaming. Thus, we view starting the tax strategy report with a CFO or a Chairman statement as a means to construct a more credible and legitimate picture for the tax report and thus the discourse and legitimation strategies mobilised in it (i.e., shows an intention to demonstrate full engagement with the tax strategy reporting requirement). Such integration goes beyond HMRC's (2016) guideline which only requires approving the tax strategy by the board of directors; however, it mimics similarity between annual reports and CSR reports by bringing a similar element embedded within corporate financial and sustainability reports (CEO statement) (Barkemeyer et al., 2014) to the tax strategy reports (CFO statement).

4.2. Methodology: Critical Discourse Analysis (CDA)

Critical Discourse Analysis (CDA) is a methodological approach which emphasizes the constitutive role that discourse plays (Vaara, 2015) "[…] in the social construction of reality" (Condor and Antaki, 1997; Hardy et al., 2000, p.1231). Discourse from a critical lens, is viewed as "[…] constitutive both in the sense that it helps to sustain and reproduce the social status quo, and in the sense that it contributes to transforming it" (Fairclough and Wodak, 1997, p.258; Wodak and Meyer, 2009, p.5). In this respect, "[d]iscourse does not merely describe things, it *does* things" (Hardy et al., 2000, p.1231). Therefore, "CDA sees discourse- language used in speech and writing- as a form of 'social practice'" (Fairclough and Wodak, 1997, p.258; Wodak and Meyer, 2009, p.5), where "[…] language not only reflects 'reality' but is the very means of constructing and reproducing […] it" (Vaara, 2015, p.492).

Therefore, corporate tax strategy reports manifest themselves as an interesting organizational discourse to adopt CDA to examine the discursive legitimation strategies mobilised by companies to construct compliance with the tax strategy regulation and defend their corporate legitimacy.

In the following section, we discuss in detail our analytical framework building on prior research adopting a critical perspective to study "[…] the discursive process of legitimation by examining specific legitimation strategies" (Lupu and Sandu, 2017, p.538).

4.2.1. Framework of analysis

As noted by Vaara (2015, p.500) "[t]he close reading of texts is the crucial distinctive feature of CDA research". Thus, guided by our research aim which focuses on examining how

UK companies are constructing compliance with HMRC tax strategy regulation to defend their corporate legitimacy, we engaged in a two-phase iterative process in our analysis.

Firstly, we begin by performing a thematic analysis focused on a close reading of the tax strategy reports to identify recurring themes (Vaara et al., 2006, p.769; Shinkle and Spencer, 2012, p.127; Barros, 2014, p.1216). Four of the themes were deductively identified from HMRC tax strategy reporting guideline, including (1) approach to tax risks, (2) attitude to tax planning, (3) acceptable level of risk, and (4) approach towards dealing with HMRC (HMRC, 2016). Meanwhile, another four themes were inductively identified from the close reading of tax strategy reports, including (1) the narrative incorporated within the CFO/chairman letters, (2) the disclosures addressing tax contribution and country-by-country reporting (CbCR), (3) the disclosures educating the public about taxes, and (4) the disclosures highlighting engagement with NGOs and civil society. Within each of those eight themes, we identified a range of recurring sub-themes; these are summarized in Table 4 with an example from the tax strategy reports examined.

Secondly, we engage in a deeper analysis of the rhetoric of legitimacy (Shinkle and Spencer, 2012, p.127) to identify the discursive legitimation strategies adopted (Vaara et al., 2006, p.804) to construct those themes and defend corporate legitimacy. We use Van Leeuwen's (2007) four major categories of legitimation, namely (1) authorization, (2) rationalization, (3) moral evaluation, (4) and narrativization. Then, we examine the broader discursive aims of legitimation at times of public controversy, including (1) discursive antagonism, (2) discursive co-optation (Luyckx and Janssens, 2016, p.1595) and/or (3) discursive validation (Glozer et al., 2019, p.625). See Table 4 for a summary of the key themes we identified in the tax strategy reports, the discursive legitimation strategy used to construct each theme and the overarching discursive legitimation aim associated with the legitimation strategy.

Table 4: Summary of the key themes identified in the tax strategy reports, the discursive legitimation strategy used to construct each and the overarching discursive legitimation aim			
Theme	**Example**	**Legitimation Strategy**	**Overarching discursive legitimation strategy/aim**
1. CFO/ Chairman Letters			
1.1. Portraying themselves as leading companies	"[…] we take pride in the contribution we make to society […] through the taxes we pay and collect." (L&G, 2019, p.1)	Role model authority	Discursive antagonism
1.2. Operating in a transparent and responsible manner	"Our approach to tax aligns with our core value of responsibility and commitment to business transparency". (RB, 2019, p.3)	Abstraction	Discursive validation
1.3. Abiding by the tax laws	"[…] we […] recognise the importance of paying the right tax at the right time […]" (Prudential, 2019, p.2)	Impersonal authority	Discursive validation
2. Approach to risk management			
2.1. Educating the public about their tax risk management frameworks	"The [Tax Control] Framework comprises three key parts: Management […]. Operations […]. People & Organisation […]." (BT, 2020, p.7)	Instrumental rationalization	Discursive validation
2.2. Emphasizing the role of the board in particular CFOs and CEOs	"Responsibility for our Group's management of tax risk ultimately rests with the Board, […]." (L&G, 2019, p.6)	Personal authority	Discursive antagonism
2.3. Appointing qualified and professional personnel	"Day-to-day tax activities are carried out by a team of appropriately qualified and experienced tax professionals." (National Grid, 2020, p.7)	Abstraction	Discursive validation
2.4. Acting ethically and responsibly	"As a responsible business, we're committed to strong and transparent governance in all aspects of our operations, from Board to branch – and that includes tax." (Lloyds, 2019, p.6)	Abstraction	Discursive validation
3. Attitude to tax planning			
3.1. Acting in a tax-efficient, responsible and transparent manner	"[…] we will structure it [transactions] in a tax efficient manner where we have concluded that it is a responsible, sustainable choice […]" (L&G, 2019, p.9; Prudential, 2019, p.9)	Abstraction	Discursive validation

Table 4. (Cont.): Theme	Example	Legitimation Strategy	Overarching discursive legitimation strategy/aim
3.2. Seeking external tax advice	"We also use tax advisers to help us understand new legislation or to provide us with insight on industry practice." (National Grid, 2020, p.9)	Expert authority	Discursive validation
3.3. Stating the factors underpinning their tax planning	"Questions we consider when making tax decisions […]" (Prudential, 2019, p.11)	Instrumental rationalization	Discursive validation
4. Acceptable level of tax risk			
4.1. Tax risk appetite	"We maintain a limited appetite for tax risk by requiring a strong connection between tax planning and our business." (BT, 2020, p.6)	Instrumental rationalization	Discursive validation
4.2. Influence of relevant stakeholders	"We actively work to understand our stakeholders' expectations of us on tax, […], to understand our stakeholders' perspective on tax." (L&G, 2019, p.7)	Evaluation	Discursive co-optation
5. Approach to dealing with HMRC			
5.1. Acting in a transparent, open, and cooperative manner	"We're pleased to report that we have a very open, co-operative and transparent relationship with HMRC." (Lloyds, 2019, p.5)	Abstraction	Discursive co-optation
5.2. Meeting statutory and legislative tax requirements	"We disclose significant matters to HMRC and, where appropriate, seek clearance to ensure that tax implications are agreed upfront." (BT, 2020, p.9)	Impersonal authority	Discursive validation
5.3. Engaging in tax policy consultations	"We believe that open consultation with governments results in more informed and sustainable tax legislation and we work with governments both directly and via industry trade bodies […]."(L&G, 2019, p.8)	Impersonal authority	Discursive co-optation
6. Tax contribution and CbCR			
6.1. Amount of total tax contribution	"Total tax contribution The total value of taxes that L&G have responsibility for – it is the sum of all the taxes paid and collected. £1,563m" (L&G, 2019, p.5)	Narrativization	Discursive validation

Table 4. (Cont.): Theme	Example	Legitimation Strategy	Overarching discursive legitimation strategy/aim
6.2. Types of taxes paid and taxes collected	"Our business generates a significant amount of tax revenues for the governments of the countries in which we operate. This includes not just corporate taxes, but also employment taxes, sales taxes, duties and other levies." (RB, 2019, p.8)	Narrativization	Discursive validation
6.3. Countries where major tax payments and tax collections are made	"Where we pay tax […] [Table]" (Lloyds, 2019, p.15)	Narrativization	Discursive validation
6.4. Extract from the CbCR submitted to HMRC	"The data below for our top 14 countries is extracted from our Country-by-Country Report for the year ended 31 March 2019, which we file with HMRC [Table]" (BT, 2020, p.11)	Role model authority	Discursive antagonism
7. Educating the public about taxes			
7.1. Defining tax terms	"In discussions around tax there are common misunderstandings which can hinder an informed dialogue. To help aid such conversations, we have set out a number of definitions below." (RB, 2020, p.21)	Theoretical rationalization	Discursive validation
7.2. Explaining the difference between the tax paid and the tax charge	"This difference is mainly because of the timing when payments are made compared to when they are incurred." (Aviva, 2019, p.6)	Theoretical rationalization	Discursive validation
7.3. Explaining the calculation of taxable profits	"Appendix 3 – Calculating our taxable profit" (Prudential, 2019, p.16)	Theoretical rationalization	Discursive validation
7.4. Discussing tax information reported in financial statements	"Tax in Our Financial Statements" (Lloyds, 2019, p.10-13)	Theoretical rationalization	Discursive validation
8. Engaging with NGOs and civil society			
8.1. Engaging with NGOs and civil society	"[…], we have proactively engaged with civil society forums that are focused on building a sustainable and transparent global tax system." (Prudential, 2019, p.11)	Expert authority	Discursive co-optation
8.2. Reporting on tax contribution and social impact in South Africa	"Case Study: South Africa Our local tax contribution and social impact investment in South Africa" (RB, 2019, p.18-20)	Narrativization	Discursive validation

5. Discussion of findings: Discursive legitimation during public controversy over corporate tax behaviour

During our analysis we found evidence of the use of three key discursive legitimation means by companies to defend their legitimacy during a time of public controversy on MNCs' tax practices, including (1) discursive antagonism, (2) discursive co-operation (Luyckx and Janssens, 2016), and (3) discursive validation (Glozer et al., 2019). See Figure 1 for an overview of the three overarching discursive legitimation aims and the associated Van Leeuwen (2007) legitimation strategies mobilised by companies in their tax strategy reports to achieve those aims. We now discuss each overarching legitimation aim in turn.

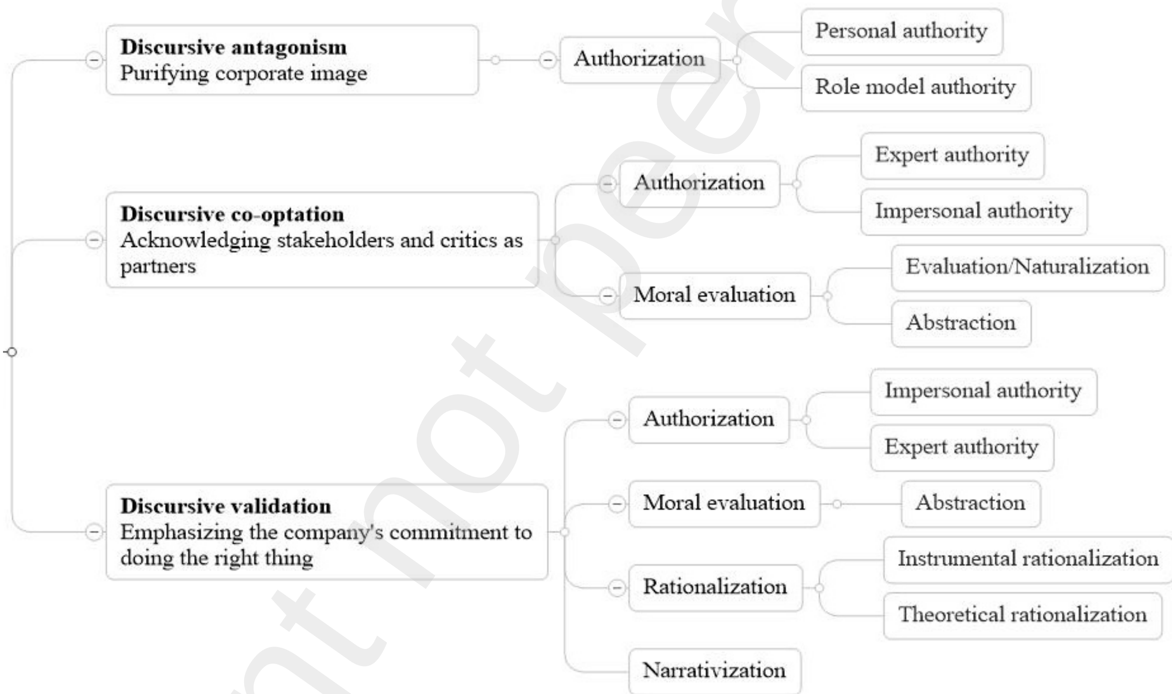

Fig. 1 The overarching discursive legitimation strategies and the associated legitimation strategies used by companies in their tax strategy reports

Sources: (Vaara et al., 2006; Van Leeuwen, 2007; Luyckx and Janssens, 2016; Glozer et al., 2019)

5.1. Discursive antagonism

As posited by Luyckx and Janssens (2016) discursive antagonism is manifested in constructing a positive image of the company. Our analysis of the corporate tax strategy reports revealed that companies used discursive antagonism to purify their corporate image (Luyckx and Janssens, 2016) via the use of personal authority and role model authority legitimation (Van Leeuwen, 2007).

5.1.1. Personal authority

Personal authority legitimation "is vested in a person because of their status or role in a particular institution" (Van Leeuwen, 2007, p.94). All companies noted the role of the CEOs, CFOs, or a nominated board committee, as a means to associate their tax risk management practice with the symbol (Dowling and Pfeffer, 1975) of their CFOs and CEOs, in light of their personal authority (Van Leeuwen, 2007).

> "Responsibility for our Group's management of tax risk ultimately rests with the Board, […]". (L&G, 2019, p.6)
>
> "Our Group Chief Financial Officer (CFO) is responsible to the Board for managing our tax position". (Lloyds, 2019, p.6)

5.1.2. Role model authority

Regarding role model authority (Van Leeuwen, 2007), companies utilized it in their CFO/chairman letters narrative to establish themselves as role models, and thus, identify themselves as leading symbols (Dowling and Pfeffer, 1975) for other companies to follow, through highlighting: (1) their huge tax contributions to their respective societies, (2) their adoption of highly ethical standards, and/or (3) their aspirations for a better world.

> "[…] we take pride in the contribution we make to society […] through the taxes we pay and collect". (L&G, 2019, p.1)
>
> "[…] National Grid was recognised as one of "The World's Most Ethical Companies" in 2020 on a list assessed and compiled by The Ethisphere Institute". (National Grid, 2020, p.4)
>
> "Our purpose as the UK's largest financial services Group is to help Britain prosper". (Lloyds, 2019, p.1)

Another example of role model authority was noted in BT (2020) tax strategy narrative, where it disclosed an extract from the CbCR it submitted to HMRC. Disclosing such CbCR extract helps to project BT as a transparent company with nothing to hide. Thus, projecting itself as a role model for endorsing a higher level of transparency compared to other companies, which reported information on the types and amounts of taxes paid and collected and the key countries where these tax payments and collections are made.

> "The data below for our top 14 countries is extracted from our Country-by-Country Report for the year ended 31 March 2019, which we file with HMRC [Table]". (BT, 2020, p.11)

As such, the only means to discursive antagonism used by companies to counter the controversy over corporate tax behaviour, is through the construction of a positive image of themselves using personal authority and role model authority legitimation. We found no evidence for the use of discursive antagonism to pollute the image of the corporate's critics. Instead, discursive co-optation of critical actors, such as NGOs and civil society groups, was mobilised by companies in their tax strategy reports to create an actor image of their different stakeholders as partners and not as opponents (Luyckx and Janssens, 2016).

5.2. Discursive co-optation

According to Luyckx and Janssens (2016, p.1613) "[…] 'discursive co-optation' is a form of legitimation that engages with criticism by strategically appropriating previous opponents". Therefore, companies use discursive co-optation to predominantly construct themselves as 'in-agreement' with their different stakeholder groups (Luyckx and Janssens, 2016, p.1611). Among the key discursive legitimation strategies that companies use to convey their cooperative engagement with their different stakeholders are authorization, including expert authority and impersonal authority legitimation, and moral evaluation, including abstraction and evaluation (Van Leeuwen, 2007).

5.2.1. Expert authority

"In the case of expert authority, legitimacy is provided by [the] expertise […]" of the social actor (Van Leeuwen, 2007, p.94). Engaging with NGOs and civil society is an example of expert authority legitimation which L&G (2019), Prudential (2019), and RB (2019) noted in their tax strategy narrative, as a means to "creat[e] new, allegiant constituents" (Suchman, 1995, p.586) to benefit from their expertise, particularly when it comes to notions of transparency and responsible tax practices. Thus, convert critics among which NGOs and civil society groups from opponents to proponents (Luyckx and Janssens, 2016).

> "We engage with a range of interested parties and non-governmental organisations to discuss concerns about the tax system and responsible and transparent tax practices of large companies. This is in light of the expectations of society, governments and consumers for large companies on tax responsibility and transparency". (L&G, 2019, p.8)

> "[…], we have proactively engaged with civil society forums that are focused on building a sustainable and transparent global tax system". (Prudential, 2019, p.11)

5.2.2. Impersonal authority

Another means through which most companies[9] utilized impersonal authority legitimation to enforce discursive co-optation, is through reporting on their proactive engagement in tax policy consultations when discussing their approach to dealing with HMRC. By engaging with governments, companies can alter socially institutionalized practices (Ashforth and Gibbs, 1990) through lobbying to change the laws and regulations (in light of their impersonal authority) to conform to their ends. Examples of the corporates' disclosures on their proactive engagement in the construction of tax policy include:

> "We engage proactively in external developments on tax policy and engage with national governments, the EU, OECD and others where appropriate". (Aviva, 2019, p.3)

> "We regularly participate in UK tax consultations and pilot programmes that impact our business to ensure that our views are known and to help shape the future". (BT, 2020, p.9)

> "We believe that open consultation with governments results in more informed and sustainable tax legislation and we work with governments both directly and via industry trade bodies to respond to consultations and to explain the impact of proposals on our business, customers and investors". (L&G, 2019, p.8)

In addition to expert authority and impersonal authority legitimation (Van Leeuwen, 2007), companies used moral evaluation via evaluation/ naturalization and abstraction (Van Leeuwen, 2007) to achieve discursive co-optation (Luyckx and Janssens, 2016).

[9] All companies in our sample except Lloyds.

5.2.3. Evaluation

Evaluation reflects a 'naturalization' legitimation strategy (Van Leeuwen, 2007, p.99) through which companies aim to "naturalize" their salient practices as being in line with the norms and values of their different stakeholders. When discussing their acceptable level of tax risks, some companies noted their consideration for the influence of their different stakeholders, as a means to "naturalize" their salient practice (tax risk appetite) as being the norm and legitimate behaviour (i.e., being in the interest of the different stakeholders).

> "We believe our approach [to assessing our risk appetite] results in an appropriate balance between our stakeholders". (BT, 2020, p.6)
>
> "When assessing tax risk, we consider the following equally important considerations: […] impact on our stakeholders". (National Grid, 2020, p.10)
>
> "We actively work to understand our stakeholders' expectations of us on tax, […], to understand our stakeholders' perspective on tax". (L&G, 2019, p.7)

5.2.4. Abstraction

Companies also used abstraction as a discursive co-optation legitimation means to embed discourse of moral values (Van Leeuwen, 2007), such as openness, transparency, and cooperation, when discussing their relationship with HMRC.

> "We're pleased to report that we have a very open, co-operative and transparent relationship with HMRC". (Lloyds, 2019, p.5)
>
> "We deal with tax authorities in an open and constructive manner aimed at bringing matters to a timely conclusion". (Prudential, 2019, p.10)
>
> "We believe in an open and constructive dialogue with tax authorities. In the UK, our dealings with HMRC are professional and based on mutual respect". (RB, 2019, p.17)

In addition to projecting a positive corporate image via discursive antagonism (Luyckx and Janssens, 2016) and using discursive co-optation to highlight engaging with different stakeholders (e.g., HMRC) among which critics (e.g., NGOS and civil society groups) (Luyckx and Janssens, 2016), companies used discursive validation (Glozer et al., 2019) to rationalize their corporate behaviour as being in line with society's norms and rules.

5.3. Discursive validation

Discursive validation pertains to the company's commitment to doing the right thing (Glozer et al., 2019) with respect to society's norms and value systems. Among Van Leeuwen's (2007) discursive strategies that companies used in their corporate tax reports to achieve discursive validation are: (1) impersonal authority to legitimate corporate tax practices by reference to tax laws and regulations, (2) expert authority to acknowledge their use of professional external tax advisors, (3) abstraction to link their corporate tax behaviour to moral values, such as transparency, (4) instrumental rationalization to explain their tax behaviour by claiming that they have the appropriate frameworks and controls in place, (5) theoretical rationalization to educate the public about taxes via "explicit [/factual] representation of 'the way things are'" (Van Leeuwen, 2007, p.103), and (6) narrativization to legitimate their tax strategy by "[…] provid[ing] evidence of acceptable, appropriate, or preferential behaviour" (Vaara et al., 2006, p.802) which is not directly related to the tax strategy narrative, such as achieving socially acceptable goals in developing countries. We discuss each of these discursive strategies now in turn.

5.3.1. Impersonal authority

First, companies endorsed the impersonal authority of laws, rules and regulations (Van Leeuwen, 2007) as a discursive validation legitimation means (Glozer et al., 2019) in different parts of their tax strategy narrative, such as (1) CFO/ Chairman Letters, (2) attitude to tax planning, and (3) approach to dealing with HMRC. In this respect, companies aimed to alter the public's perceptions (Lindblom, 1993) through emphasizing the ceremonial conformity (Meyer and Rowan, 1977) of their salient and visible tax practices with the tax laws and regulations.

These disclosures were aimed at setting the tone in the CFO/chairman Letters on the companies' commitment to abiding by the tax laws and to paying the right amount of taxes, with more details provided in subsequent parts of the reports in line with HMRC (2016) tax strategy regulation requirement for companies to report on how they approach their tax planning and how they meet statutory and legislative tax requirements, in their attitude to tax planning narrative, and approach to dealing with HMRC narrative, respectively.

Examples of impersonal authority disclosures (Van Leeuwen, 2007) which companies used in their CFO/ chairman narratives, include conducting business operations in accordance with the tax laws and commitment to paying the right amount of tax.

> "We endeavour to manage our tax affairs so that we pay and collect the right amount of tax, at the right time, in accordance with the tax laws in all of the territories in which we operate". (National Grid, 2020, p.4)
>
> "[…] we […] recognise the importance of paying the right tax at the right time […]". (Prudential, 2019, p.2)

To enforce their commitment to following the tax laws in their approach to structuring their tax planning narrative, companies reported on (1) paying the right amount of tax, (2) refraining from engaging in artificial tax transactions, (3) undertaking tax planning with a real and commercial purpose, and (4) following the OECD guidelines for transfer pricing. Examples of those disclosures include:

> "[…] paying the right amount of tax, in the right place and at the right time […]". (Aviva, 2019, p.3)
>
> "We do not enter into artificial arrangements that lack commercial purpose or where the sole purpose is to achieve tax savings". (National Grid, 2020, p.9)
>
> "We will undertake tax planning only in the context of wider business activity with real and commercial basis". (L&G, 2019, p.9)
>
> "The OECD standards guide multinational groups, such as RB, on the application of the "arm's length principle", which represents the international consensus on how to price transactions between members of the same multinational group". (RB, 2019, p.11)

Among the key aspects that companies reported on to confirm their fulfilment of statutory and legislative tax requirements as part of their approach to dealing with HMRC disclosures are:

(1) disclosing all relevant tax information and seeking clarity when needed,

> "We disclose significant matters to HMRC and, where appropriate, seek clearance to ensure that tax implications are agreed upfront". (BT, 2020, p.9)

(2) discussing significant and uncertain tax positions,

> "[…] aims wherever possible to consult with HMRC in advance of any major UK transaction and on areas of significant uncertainty e.g. due to a new piece of legislation" (RB, 2019, p.17).

(3) requesting available statutory or non-statutory clearances,

> "We may request generally available statutory or non-statutory clearances from relevant tax authorities in respect of specific transactions where there is material uncertainty or where the transaction is material to the Group company involved". (L&G, 2019, p.9)

(4) submitting tax returns on time,

> "We submit hundreds of tax returns every year within the legal time limits". (Lloyds, 2019, p.5)

(5) resolving errors in submitted tax fillings and discussing disagreements,

> "Where any inadvertent errors in submitted tax filings are identified, we will make full and timely disclosure to the relevant tax authority to resolve the matter". (National Grid, 2020, p.11)

5.3.2. Expert authority

Second, in addition to impersonal authority legitimation, companies used expert authority to discursively validate their corporate tax practices. When explaining their attitude to tax planning, HMRC tax strategy regulation requires companies to report on the reasons for seeking external tax planning advice (HMRC, 2016). Only four companies; L&G (2019, p.9), National Grid (2020, p.9), Prudential (2019, p.11), and RB (2019, p.10) noted their use of external tax advisors as an expert authority legitimation means (Van Leeuwen, 2007). Among the key reasons that companies noted for seeking external tax planning advice is providing clarity on the interpretation of tax legislation, particularly for new legislations and legislations associated with significant transactions.

> "[…] we will engage external tax advisors to discuss and validate our understanding of the legislation on significant transactions or to provide insight or specialist advice on specific legislation, wider industry practice or tax authority approach". (L&G, 2019, p.9)

> "We also use tax advisers to help us understand new legislation or to provide us with insight on industry practice". (Prudential, 2019, p.11)

5.3.3. Abstraction

Abstraction is the third legitimation means that companies use to achieve discursive validation. Van Leeuwen (2007, p.99) defines abstraction as "[…] referring to practices […] in abstract ways that 'moralize' them by distilling from them a quality that links them to discourses of moral values". In this respect, companies' disclosures on operating in a transparent, ethical, and tax efficient manner across different parts of their tax strategy reports, including CFO/ chairman letters, approach to risk management and governance, and attitude to tax planning, are driven by an abstraction purpose of legitimation. Whereby, companies espouse socially acceptable goals (Ashforth and Gibbs, 1990), via distilling a quality (i.e., transparent, responsible, ethical, efficient, etc.) from the corporate tax practice that links it to discourse of moral values (Van Leeuwen, 2007, p.99) and thus discursively validate it.

> "Our approach to tax aligns with our core value of responsibility and commitment to business transparency". (RB, 2019, p.3)
>
> "As a responsible business, we're committed to strong and transparent governance in all aspects of our operations, from Board to branch – and that includes tax". (Lloyds, 2019, p.6)
>
> "[…] we will structure it [transactions] in a tax efficient manner where we have concluded that it is a responsible, sustainable choice […]". (L&G, 2019, p.9; Prudential, 2019, p.9)

Similarly, when reporting on appointing qualified and professional tax personnel within their risk management and governance approach narrative, companies adopted an abstraction means to legitimation (Van Leeuwen, 2007).

> "We hire suitably qualified professionals globally and we ensure that they act ethically and with integrity". (BT, 2020, p.7)
>
> "Day-to-day tax activities are carried out by a team of appropriately qualified and experienced tax professionals." (National Grid, 2020, p.7)

In addition to impersonal authority legitimation, expert authority legitimation, and abstraction, companies used rationalization to validate their corporate behaviour. Rationalization is manifested in legitimating the corporate practice either by referring to its goals, uses and effects (instrumental rationalization) (Van Leeuwen, 2007, p.101) or by "provid[ing] explicit representations of 'the way things are'" (theoretical rationalization). (Van Leeuwen, 2007, p.103)

5.3.4. Instrumental rationalization

When informing the public about their risk management framework, the factors underpinning their tax planning and their acceptable level of risk, companies engaged in instrumental rationalization; whereby, they legitimated their risk management approach and their approach to tax planning by noting the processes/frameworks enforced to manage and plan their tax decisions (i.e. means-orientation) (Van Leeuwen, 2007, p.102).

> "The [Tax Control] Framework comprises three key parts: **Management** This is how we seek to ensure that our Board's limited appetite for tax risk is applied globally. […]. **Operations** This is how we seek to ensure that we comply with the tax rules of all the countries in which we do business. […] **People & Organisation** This is how we seek to ensure that our tax matters are dealt with in a manner consistent with our wider corporate purpose. […]". (BT, 2020, p.7)

> "Questions we consider when making tax decisions
> - What is the overall business objective underpinning our approach?
> - Is the tax position sustainable in the long term, or is it based on an area of tax law that is likely to change?
> - What is the legal and regulatory framework that we need to respect?
> - Does the idea reflect the business and economic reality?
> - What is the potential reputational impact?". (Prudential, 2019, p.9)

Meanwhile, most of the companies legitimated their level of risk[10] by referring to their goal of maintaining a limited or a low appetite for tax risks (i.e., goal-orientation) (Van Leeuwen, 2007, p.102).

> **"**We maintain a limited appetite for tax risk by requiring a strong connection between tax planning and our business". (BT, 2020, p.6)

5.3.5. Theoretical rationalization

Companies used theoretical rationalization to educate the public about taxes by providing "explicit representation of 'the way things are'" (Van Leeuwen, 2007, p.103) as a discursive validation legitimation means (Glozer et al., 2019) to alter the public's expectations (Lindblom,

[10] Except for Lloyds and RB which did not disclose their acceptable level of risk.

1993) relative to corporate tax practices. Among the key aspects that companies disclosed in their tax narrative to educate the public about taxes are (1) the definitions of tax terms, (2) the difference between the tax paid and the tax charge, (3) the process of calculating the taxable profit, and (4) the tax information reported in their financial statements.

> "In discussions around tax there are common misunderstandings which can hinder an informed dialogue. To help aid such conversations, we have set out a number of definitions below". (RB, 2020, p.21)
>
> "This difference is mainly because of the timing when payments are made compared to when they are incurred". (Aviva, 2019, p.6)
>
> "Appendix 3 – Calculating our taxable profit". (Prudential, 2019, p.16)
>
> "Tax in Our Financial Statements". (Lloyds, 2019, p.10-13)

5.3.6. Narrativization

Another means of discursive validation which companies deploy in their tax strategy reports is narrativization. As noted by Vaara et al. (2006) narrativization is associated with legitimation through storytelling (Van Leeuwen, 2007). These narrative-type reconstructions are manifested in companies "[d]raw[ing] attention away" (Holland et al., 2016, p.7) from the corporate tax strategy narrative to report on the types and amounts of taxes paid and collected, and the major countries where these tax payments and collections are made. Narrativization (Vaara et al., 2006) in this respect is fulfilled by describing other corporate legitimate practices (i.e., types and amounts of taxes paid and collected) to construct a legitimate 'mythical model of social action' (i.e., legitimate corporate tax behaviour) (Van Leeuwen, 2007, p.106)

> "Total tax contribution The total value of taxes that L&G have responsibility for – it is the sum of all the taxes paid and collected. £1,563m". (L&G, 2019, p.5)
>
> "Our business generates a significant amount of tax revenues for the governments of the countries in which we operate. This includes not just corporate taxes, but also employment taxes, sales taxes, duties and other levies". (RB, 2019, p.8)
>
> "Where we pay tax […] [Table]". (Lloyds, 2019, p.15)

Interestingly, RB (2019) also used narrativization (Vaara et al., 2006) when reporting on its tax contribution and social impact in South Africa, as a means to project legitimate corporate tax behaviour, following being tax shamed by Oxfam in 2017 for failing to pay its fair share of taxes in developing countries, among which South Africa (Oxfam, 2017).

> "Case Study: South Africa Our local tax contribution and social impact investment in South Africa". (RB, 2019, p.18-20)

In summary, our study shows that companies mobilised Van Leeuwen's (2007) different discursive legitimation strategies, (1) authorisation, (2) moral evaluation, (3) rationalization and (4) narrativization, to construct compliance with HMRC tax strategy regulation and defend their corporate legitimacy via the interplay of (1) discursive antagonism, (2) discursive co-optation (Luyckx and Janssens, 2016), and (3) discursive validation (Glozer et al., 2019).

6. Conclusion

The developing literature on UK tax strategy reports has highlighted that the presentation of the disclosed strategy might be limited in its usefulness, suggesting that companies are using boilerplate language to disclose little tax information (e.g., Belnap, 2019; Bilicka et al., 2022). This paper contributes to this growing body of literature by analysing the disclosures of companies with a professed aim to provide further information on tax strategy narratives, by drawing on frameworks of discursive legitimation (Van Leeuwen, 2007; Luyckx and Janssens, 2016; Glozer et al., 2019). This offers insights that can help stakeholders better understand and interpret the tax strategy disclosures and can also help to inform new policy initiatives on tax transparency.

Against the backdrop of increased public criticism of MNCs tax avoidance practices, we examined the discursive legitimation strategies used by companies in their tax strategy reports that serve to defend their corporate legitimacy. We have focussed on the reports that we identified as comprising those most clearly "intended to be read" in light of their integration of a CFO/chairman statement (Forstater, 2018, p.17) and analysed their legitimation strategies. In the context of a heated corporate tax shaming environment, "[a]biding by the social contract can be seen as demanding more from companies in addition to fulfilling legal requirements [i.e., complying with HMRC tax strategy reporting regulation]" (Middleton and Muttonen, 2020b, p.48). Particularly, considering the different and sometimes conflicting interests of various stakeholder groups, including regulatory bodies, shareholders, NGOs, tax activists, and society at large, disclosing corporate tax strategies that are perceived to reflect legitimate and responsible corporate tax behaviour is difficult (Anesa et al., 2024).

Our findings show that the companies in our sample deployed three overarching legitimation strategies namely, (1) discursive antagonism, (2) discursive co-optation (Luyckx and Janssens, 2016) and discursive validation (Glozer et al., 2019) to cater for the different interests of their stakeholders via purifying their corporate image, acknowledging stakeholders and critics as partners, and enforcing their commitment to operate in line with society's norms and rules. Taken together, we view these three overarching discursive legitimation strategies to have acted as a means to portray "a coherent and legitimate [tax] image" (Christensen, 2002, p.164) to different stakeholder groups beyond the regulatory body, without necessarily "break[ing] down the boundaries between […] [the companies] and their surrounds […] [or] expos[ing] […] [their tax practices] to the external world" (Christensen, 2002, p.166). Also, as these legitimation strategy disclosures have been embedded by companies which are perceived to have thoroughly considered the content of their tax strategy reports and incorporated a message from their CFO or chairman (Forstater, 2018), these strategies will help in "generating frameworks of knowledge" (Christensen, 2002, p.166) on what compliance with HMRC tax strategy regulation looks like for other companies seeking to be perceived as responsible taxpayers.

Our research thus extends the work of Blaufus et al. (2023, p.1) which noted that companies "[…] tend to portray themselves as "responsible taxpayers" […]", as we provide a detailed insight into the themes that companies included as part of their tax strategy narrative, the discursive legitimation strategies they deployed to construct those themes, and the overarching discursive aims that the companies achieved. This on the one hand confirms Freedman and Vella's (2016, p.656) view on "[g]overnment […] rel[iance] on pressure from the media and NGOs, and the influence of advisers, to put pressure on business to make this [tax strategy reporting] exercise more meaningful". On the other hand, it raises the question of how can we ensure the meaningfulness of these disclosures when companies have exercised their discretion over which information to disclose and which information to hide, yet still managed to construct a responsible image of their corporate tax practices, to highlight their co-operative relationship with a diverse group of stakeholders, and to validate their tax behaviour as being the right thing to do in line with tax laws and society's values.

Although, to our knowledge, we are the first study to examine corporate tax strategy disclosures from a discursive legitimation lens, we acknowledge that a limiting aspect in our study is our choice to focus on a small sample of FTSE 100 companies. Future research can thus examine a wider range of tax strategy reports to expand on our understanding of the content of the reports and whether there have been changes in the information incorporated by companies across the different iterations of their tax strategies[11], particularly in light of the new global reporting initiative (GRI) 207 tax standard, which came into effect on 1st January 2021, to enhance tax transparency via prompting companies to publicly disclosure information on their tax practices, including information on their tax strategies (GRI, 2019). It would also be interesting to look into the tax strategy reports of companies that did not incorporate a CFO/chairman statement to get some insights on whether they employed similar discursive legitimation strategies or not, and whether or not more companies are adding a CFO/chairman letter to their reports to provide a more credible presentation of their tax strategy.

[11] Although it might be difficult to assess past strategies as the regulation only requires companies to keep their latest tax strategy available until they publish the current year's strategy.

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