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Tax Avoidance in Family Firms: A Multi-Level Literature Review

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Abstract: While tax avoidance has attracted scholarly and policy interest over the years, its peculiarities in family business are far from being completely understood. Motivated by the growing attention to family firms' tax-saving strategies, this paper aims to critically and systematically review the 42 articles on tax avoidance in family businesses published up to June 2024. The study organises the literature upon four levels of analysis and offers future research avenues to move our knowledge on the topic forward.

Keywords: tax avoidance; family business; literature review; future research

1 Introduction

Recently, anecdotal evidence has pointed towards the ubiquity of tax avoidance practices on a global scale, with even highly esteemed companies reportedly engaging in such strategies (Davis et al. 2016). Consequently, the exploration of tax avoidance activities has garnered significant attention from researchers, regulators, and practitioners, owing to the pivotal role of taxation in the broader economy of firms and nations (Huseynov, Sardarli, and Zhang 2017).

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From a conceptual perspective, the stream of research suffers from the lack of a universal definition of tax avoidance (e.g. Dunbar et al. 2010). Following the perspective of tax accounting research, Chen et al. (2010, p. 1) define tax aggressiveness as “downward management of taxable income through tax planning activities”. Alternatively, from an ethical assessment, tax avoidance is the ‘non-genuine’ arrangement of transactions aimed at tax optimization that an agent pursues by interpreting the law literally and not according to the democratic intent of the legislator (Lenz 2020). Or even more, aggressive practices can result in evasion if they have a clear criminal intent to defraud, resulting in *extra legem* activities, which cause an abuse of the tax law (Vlcek 2019).

For this reason, scholars have placed tax avoidance practices along a continuum of tax planning strategies that starts with legal tax benefits, from the moment the firm is not strictly compliant with tax laws and may end with tax evasion (Bird and Davis-Nozemack 2018; Hanlon and Heitzman 2010; Payne and Raiborn 2018). Accordingly, to broadly consider tax avoidance behaviours, this study follows this definition, which pivots on tax avoidance as all practices (legal or illegal) of a firm to pay less tax compared to GAAP tax expense, resulting from corporate financial statements (Dyreng et al. 2008; West 2018). This definition strictly considers the business, whose tax planning results in a lower corporate tax burden, as the unit of analysis. Consequently, the distinction between legal and illegal practices is outside the scope of the analysis, as only the tax authority has the ultimate responsibility to determine the legal boundaries of corporate tax avoidance decisions (Hasseldine and Morris 2013). In essence, tax avoidance could involve both legal actions, such as using amortization discretionally or maximizing deduction, and illegal behaviours, such as hiding assets in offshore accounts or underreporting income (West 2018).

The topic of tax avoidance is situated at the crossroads of different disciplines, including psychology and sociology (e.g. Belahouaoui and Attak 2024; Kirchler 2007). However, from a business perspective, it is specifically grounded in the fields of finance and accounting.

From a financial perspective, tax strategies may shape a firm’s value. Indeed, *ex ante* cost of capital increases with deviations from expected levels of tax avoidance: investors are concerned about firms who engage in tax avoidance perceived as unfair and less transparent (Drake et al. 2019). Second, the cash flows available as a result of tax-aggressive behaviours increase companies’ liquidity providing greater financial flexibility and empowering firms to better plan and execute their investment strategies (Ha and Feng 2021). Thus, tax-driven actions optimize tax burdens and contribute to a more robust financial position. Third, tax strategies may influence Merger and Acquisitions (M&A) activities. Indeed, several tax aspects are considered to be drivers of M&As, e.g. tax attributes regarding the possibility to benefiting from unused tax credits and tax losses, the management of

the assets to allow higher future deductions, the adjustments of the capital structure for tax deductibility, and the choice of a target firm in a tax haven country (e.g. Desai and Dharmapala 2006; Temouri et al. 2022).

From an accounting perspective, tax avoidance involves a set of accounting tactics aimed at lowering reported earnings, due to either implicit taxes and/or book-tax conformity. It effectively reduces firms' taxable income and, consequently, their tax obligations, ultimately affecting the financial reporting quality (Chen et al. 2010).

The intersection of the finance and accounting fields allows for a broad perspective which helps understanding tax avoidance from the corporate unit of analysis. Indeed, the decision for a firm to engage in tax avoidance practices implies a careful consideration of the associated business benefits and costs (Kovermann and Wendt 2019). On the one hand, such a strategy positively contributes to enhancing the value of a firm by reducing corporate tax obligations towards the state, which represents a considerable cost for a firm (Austin and Wilson 2017). On the other hand, managers can reap personal benefits from tax planning at the expense of shareholders' returns (Chen et al. 2010), as it results in an immediate boost to the firm cash flows.

In family firms, the distinctive characteristics of family decision-makers may introduce additional considerations, particularly regarding economic and emotional benefits and costs (Gómez-Mejía et al. 2007). Following the agency theoretical approach (Chen et al. 2010; Kovermann and Wendt 2019), family involvement at different levels of the business is a source of 'control' which is often increased at the expense of others (non-family members). Thus, tax avoidance stands as a strategy to transfer wealth from public stakeholders (i.e. state) to family shareholders which might benefit from having greater financial leeway to extract private rents (Gaaya et al. 2017). Indeed, the controlling family could maximise its utility by exploiting the high cash flow resulting from aggressive tax behaviours (Parisi and Federici 2023).

In contrast, the behavioural agency model suggests that family firms are more willing to preserve socioemotional wealth (SEW), which makes them reticent to practices jeopardising family affective endowments (Gómez-Mejía et al. 2007). That is, family firms are less prone to engage in tax avoidance since it may spoil the family (firm) reputation if detected (Bauweraerts et al. 2020). From a financial perspective, it might negatively alter the perception of investors, who feel that tax aggressiveness deviates from the generally positive behaviour expected of family businesses (Cao et al. 2023).

As attested, there is growing scholarly attention to tax avoidance in family business domain although a lack of conclusive empirical evidence on the topic persists. This situation underscores the necessity to analyse and systematize prior

research. At the same time, there is no uniform definition of tax avoidance nor a consensus on its measurement. Therefore, this study aims to uncover (theoretical) shortcomings, measure challenges and establish a framework for organizing (future) research in this domain. Stemming from these premises, we aim to answer the following research questions: *i. How has the research on tax avoidance in family firms been developing?* and *ii. What is the future of research on tax avoidance in family firms?*

Whit this aim, we employed a systematic literature review with a narrative approach and, drawing from three different databases, we analysed the 42 academic papers published up to June 2024. Starting from the analysed literature, we provided a conceptualization of tax avoidance measurement and categorized the papers into four levels of analysis: business, family, individual, and context.

Our findings indicate that most papers focused on the family level, aiming to both discern if family owners show a different inclination towards tax avoidance and what family characteristics influence tax behaviours. While family members act as a shield towards opportunistic behaviours, if tax avoidance is perceived as a tool to protect family endowment, it seems that family firms engage in tax-saving strategies more than non-family firms. However, such results are country-dependent as well as contingent on other, business and individual, factors.

Stemming from our narrative systematization, this study differs from previous scholarly efforts for several reasons. First, by disentangling tax avoidance behaviours in family firms at four different levels, the paper offers a more family business-focused, nuanced perspective, addressing the call for more studies considering “...*more than one level of conceptualization and analysis*...” (Daspit et al. 2024, p. 10). In doing so, we go beyond previous similar attempts (i.e. Bergmann 2024; Khelil and Khelif 2023) which, being based on a single-level analysis, inevitably fail to fully capture the inherent complexities of family businesses. Instead, a multilevel approach is crucial for deepening our understanding of the unique characteristics of family firms and addressing their heterogeneity (Daspit et al. 2024). At the same time, while valuable previous literature reviews, such as Bergmann (2024), investigate the topic, they assumed a broader perspective, by considering policies of finance, accounting and tax, that constrains a deeper understanding of tax avoidance behaviours in family firms. In contrast, our specific narrow allows us to offer insights on tax avoidance measures and tailored research avenues by making our work more informative for scholars than previous studies (e.g. Khelil and Khelif 2023). Moreover, the paper extends the existing literature reviews on the topic (i.e. Bergmann 2024; Khelil and Khelif 2023), which stopped their research in 2022, by considering an updated time frame.

In this way, the article contributes to scholarly knowledge and provides guidance for future research questions that academics may address. First, it establishes

the state of the art on tax avoidance in family firms, a topic which is attracting scholars and policy interests. Moreover, the study highlights several gaps in research and offers scholars a research agenda, calling for a more in-depth deciphering of tax avoidance strategies in the family business context.

The structure of the article is as follows: it begins with an explanation of the research methodology. Subsequently, it presents the findings of the literature review, followed by a discussion of the results through a thematic overview of studies and suggestions for future research directions on the topic. Last, it concludes by highlighting contributions and implications for both theory and practice.

2 Methodology

Following previous studies (e.g. Campopiano et al. 2017), this study employs a systematic selection of the articles and a narrative review to scrutinize the literature on tax avoidance in family firms. While the systematic approach establishes a robust and transparent foundation for the research process, ensuring replicability (Bettinelli et al. 2017), the narrative approach provides a complementary perspective, by allowing researchers to synthesize and interpret existing literature (Baumeister and Leary 1997). Matching the two approaches contributes to a comprehensive understanding of the research topic, combining the strengths of methodical selection with the richness of contextual interpretation.

We followed four steps for the selection strategy presented in Figure 1 in the form of a PRISMA flowchart (Moher et al. 2009).

In the first step, we combined widely accepted databases – Scopus, ISI Web of Science, and EBSCO Business Source Complete (Torchia et al. 2015) – to identify appropriate and relevant studies for our review. We searched for peer-reviewed papers (also “in press”) published in scientific journals in English until June 2024. To ensure the relevance of potential articles for the investigated topic, we utilised two sets of search strings,¹ in the title and/or abstract and/or keywords (Carbone et al. 2022). The first set focused on the realm of tax avoidance, while the second set centred on family business. Employing this research strategy allowed us to extract a total of 112 distinct items, after eliminating duplicates.

¹ Group 1: “tax a*” or “tax plan*” or “tax manag*” or “tax shelter*” or “tax evasion*” or “tax risk” or “tax fraud” or “tax optim*” – and – Group 2: “family business*” or “family firm*” or “family-owned business*” or “family-owned firm*” or “family-owned compan*” or “family-controlled firm*” or “family-controlled business*” or “family-managed business*” or “family-managed firm*” or “family-managed compan*” or “family compan*” or “family enterprise*” or “family-controlled compan*”.

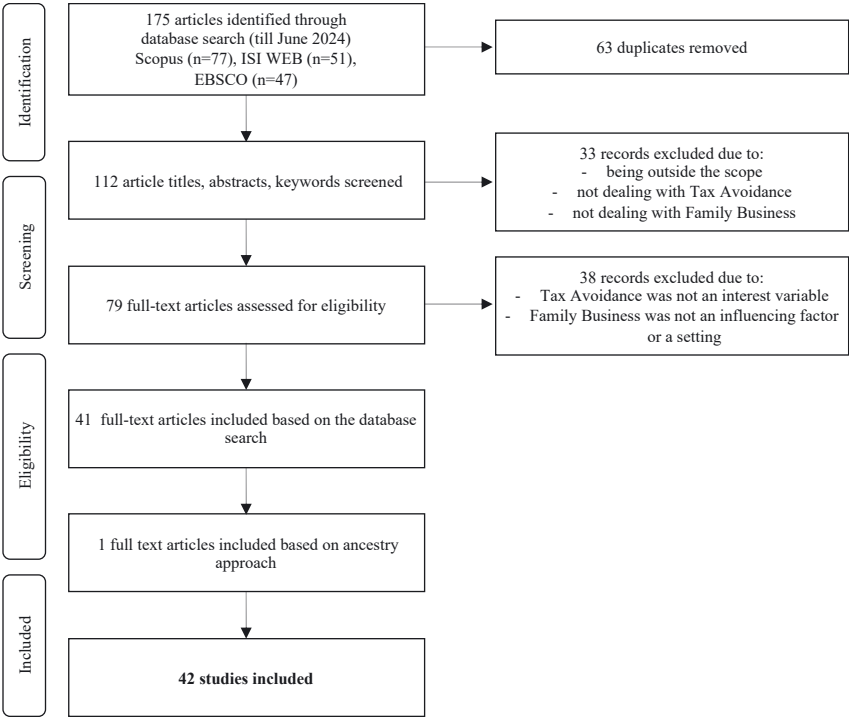


Figure 1: Paper selection strategy.

The second step involved two authors independently reviewing titles, keywords and abstracts to evaluate the articles' relevance to the research aim. Discrepancies were resolved through a third scholar's input. 33 articles were excluded as they were outside the scope, or they did not deal with either tax avoidance or family businesses.

In the third step, for the remaining 79 articles, we assessed the consistency with the topic. We read full texts and adopted double-inclusion criteria for eligibility embracing the focus of article analysis. An article was deemed eligible for inclusion if it was based on tax avoidance, either as a conceptual framework, independent or dependent variable, within the context of family business, not merely considered as a control variable but as a focal point or influencing factor (Michiels and Molly 2017). Specifically, to establish a foundation for our analysis, we broadly refer to tax avoidance as the ability of a firm to pay less tax compared to GAAP tax expense, resulting from corporate financial statements (Dyreng et al. 2008; Hanlon and Heitzman 2010; West 2018). This definition, as previously highlighted, leverages exclusively on the unit of analysis of the firm, and not on the

individual one. Accordingly, we included in our sample all the articles focusing on the firm tax planning aimed at avoiding tax thus reducing corporate tax liabilities. Conversely, we excluded papers concentrating on behaviours aimed at reducing the individual tax burden, e.g. inheritance tax (e.g. Shin 2020), not included in the definition.²

As regards family businesses, several definitions, still debated, have been identified, including combinations of elements such as family ownership, family involvement in governance and management, intergenerational and trans-generational perspectives (e.g. Anderson and Reeb 2003; Chua et al. 2003; Miller et al. 2007; Villalonga and Amit 2010). This view, prompted researchers to investigate differences between family businesses from non-family businesses, thus creating dichotomous definitions (family business status) and, more recently, has led to more nuanced definitions that allow a distinction between various types of family businesses (family heterogeneity) (e.g. Prencipe, Bar-Yosef, and Dekker 2014). We embraced both kinds of definitions and when the described differences represented the core of the analysis or the reference setting, then the article was included in our sample.

As a result, the article to be included was required to contribute either a conceptual advancement in comprehending tax avoidance within the family business or to empirically test and address expectations regarding tax avoidance in the family business context.

Following the elimination of 38 articles that did not meet these specified criteria, we were left with 41 contributions deemed relevant to our review.

The fourth step involved hand-searching and citation-tracking to ensure that no relevant article was missed. This ‘ancestry approach’ consists of screening the reference list of publications on the topic (Sandgren et al. 2023) across top journals in accounting, entrepreneurship, finance, governance, and management. It provided one additional article (Bauweraerts and Vandernoot 2013) which, although not present in database extraction, provides relevant insights into the behaviour of family businesses and tax aggressiveness, as well as a peculiar alternative measure of tax avoidance (see Table 3 for the measure ‘Corrected Equity’). Therefore, the final sample comprised 42 contributions published between 2010 and June 2024.

Once the collection procedure ended, we organized the sampled literature. To gain a thorough understanding of the research pertaining to the topic, we classified

² For instance, although tax inheritance, as it relates to generational succession issues, has attracted the attention of family business scholars, it concerns the individual (and not the corporate) tax burden. Consequently, if an article explores the strategy of the (family) business to reduce individual estate tax, it has been excluded (e.g. through intragroup mergers – Shin 2020; through pyramidal governance structure – Yang 2016). Conversely, it would have been included if it investigated inheritance tax as a strategy to avoid corporate tax.

articles based on: *i*) theoretical framework (if specified); *ii*) study type (quantitative, qualitative, or conceptual); *iii*) study design (sample size and observation window), *iv*) study setting (geographical context), *v*) family focus (examination only of family firms or comparison with non-family counterparts), *vi*) tax avoidance measurements. To ensure consistency and internal validity in this categorization, each author independently pre-tested a sub-sample of four articles. Following individual classifications, we discussed any coding differences or disagreements. When necessary, we sought the input of an external scholar to arrive at a final interpretation (Cirillo et al. 2018).

Finally, we qualitatively systematised insights from the literature. First, we paid particular attention to the theoretical rationale used by scholars and the definitions and measures provided for tax avoidance in order to underpin tax avoidance dimensions. Second, following previous literature reviews, we interpreted the articles' findings through four levels of analysis: *i*) business level, *ii*) family level, *iii*) individual level, and *iv*) context level (Campopiano et al. 2017; Carbone et al. 2022). The inclusion of these levels is based on recognizing family firms as a system made up of three interdependent components (Habbershon, Williams, and MacMillan 2003). Business level includes the factors that, beyond family business status, affect or are affected by the firm itself, such as firm goals, governance, organization, and resources (Chua et al. 2012). The family level encompasses factors that may influence or be influenced by family involvement at various levels (Chrisman et al. 2013). The individual level involves elements that affect or are affected by the individual characteristics of the members composing the family business. Last, consistently with previous similar contributions (Campopiano et al. 2017; Wright et al. 2014), our framework incorporates a fourth level, i.e. the context, in which the (three-levels) family firm is embedded. Thus, this level involves the economic, social, political, cultural, and legal environment.

Stemming from this framework, we conducted an independent classification of the papers, focusing on the 'level of analysis' employed. We identified the key variables investigated and examined the relationships between them. Thus, a paper was classified at the family level if it investigated *i*) family business status thus comparing family to non-family businesses in terms of tax avoidance practices; *ii*) how family heterogeneity affects the tax avoidance strategies; *iii*) how family business status/heterogeneity shapes the relationship between an element at business/individual/context level and tax avoidance. Differently, the article was classified at other (business/individual/context) levels if examined: *i*) how specific business/individual/contextual characteristics influence tax avoidance within family firms; *ii*) how these business/individual/contextual factors shape the relationship between family business status/heterogeneity and tax avoidance practices.

3 Findings

3.1 Descriptive Findings

Before discussing the key findings of the qualitative review, we offer a descriptive overview of the articles included in our collection in terms of publication trend, outlets, and item classification.

Figure 2 shows the trend of the papers on tax avoidance in family firms, providing the number of papers *per year* and their cumulative published amount.

These studies have been conducted between 2010 and June 2024, with the majority of them (more than 80 %) published in recent years (2019–2024). This finding suggests that academic attention to the research realm emerged notably after the publication of Chen and colleagues’ pivotal paper in 2010. Such work marked a turning point in the exploration of tax avoidance within the context of family business (Bauweraerts et al. 2020) highlighting the uniqueness of these companies. Moreover, contemporary global challenges (e.g. military conflicts and health emergencies) have increased political (Li et al. 2022), policy (Benkraiem et al. 2020) and environmental uncertainty (Huang et al. 2017), ultimately friction financing. Thus, managers are keen to engage in aggressive tax strategies – by showing higher after-tax earnings and cash flows – to mitigate the negative effects of uncertainty on credit availability and financial performance (Athira and Ramesh 2023). These dynamics seemed extremely relevant in the context of family business, whose peculiarities, have triggered scholars’ attention and produced mixed findings

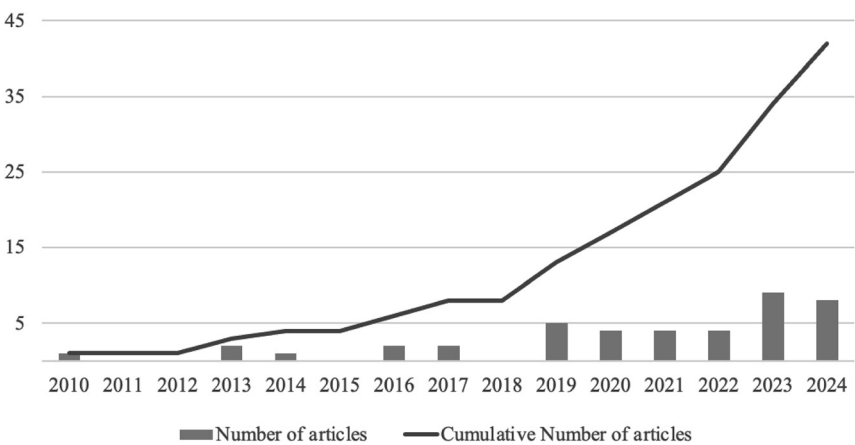


Figure 2: Research trend.

(e.g. Bona-Sánchez et al. 2020; Temouri et al. 2022): on the one hand, the controlling family succumbing to an entrenchment effect, resulting in the firm operating inefficiently due to neglecting tax avoidance, on the other hand, the controlling family ramps up tax avoidance efforts, exploiting the vulnerable minority and reaping the benefits of such strategies.

The papers in our collection have been published in 38 different journals and most of them belong to management (15 papers), accounting (10), finance (8), and family business (5) areas. Moreover, the analysis indicates that the most prolific journals, in terms of the number of papers published, pertain to the field of management – *Journal of Business Research* (2), accounting – *Journal of Contemporary Accounting and Economics* (2), and family business – *Family Business Review* (2), *Journal of Family Business Strategy* (2).

Table 1 describes the articles' classification findings according to *i)* theoretical framework, *ii)* study type, *iii)* study design, *iv)* study setting, *v)* family focus and, *vi)* tax.

Focusing on the theoretical approach, *agency theory* is the main perspective employed in the collection (15 papers). Following this approach, literature explores the implications of the convergence (divergence) of interests between owners and managers (family shareholders and minority shareholders) and the “alignment effect” (“entrenchment effect”) influencing tax avoidance strategies (e.g. Moore et al. 2017; Benkraiem et al. 2024). Also relevant is the *SEW* perspective (9 papers). Following this framework, papers interpret the family firms' tax-saving choices through the lens of their pursuit of non-economic objectives, such as safeguarding family wealth and reputation (e.g. Kuo 2022; Bauweraerts et al. 2024). In addition to these predominant frameworks, various other theoretical lenses are adopted by authors to explore family firms' tax avoidance strategies. For example, the *resource-based view* (RBV) is employed (2 papers). Often, multiple theoretical frameworks are combined to comprehensively analyse the intricacies of tax avoidance within family firms (8 papers).

As for the study design, the articles in our sample are all empirical, mainly adopting panel data analysis.

Regarding the study setting, it stands as a relevant item to consider since tax avoidance strategies are contingent upon the country's tax system (Alm, Bahl, and Murray 1990). The analysis reveals that the main covered settings are Spain and USA (4 papers), Belgium, China, Germany, Indonesia and Italy (3 papers), France (2 papers), followed by a smaller concentration of articles in other alternative countries or with multi-country settings.

Considering the focus of the analysis, most of the papers in our sample investigate the tax avoidance differences between family firms and non-family counterparts (22 papers), while fewer concentrate on family business heterogeneity

Table 1: Descriptives.

	<i>N. of papers</i>
Theoretical Framework	
Agency theory	15
Socio-emotional wealth	9
Resource-based view	2
Multiple	8
Others	8
Study design	
Quantitative method	42
Study setting	
Spain, USA	4
Belgium, China, Germany, Indonesia, Italy	3
France	2
Canada, Czech Republic, Finland, India, Jordan, Korea, Morocco,	1
Pakistan, Poland, Taiwan, Tunisia, Turkey	
Multi-countries	5
Family focus	
Family business	15
Family business and non-family business	22
Both focus	5
Tax avoidance measurements	
Single	13
Multiple	29

(15 papers). Moreover, some authors first look for a difference between family and non-family firms and then analyse the peculiarities of family firms only (5 papers).

Last, in terms of tax avoidance measurements, most articles use several measures to capture the level of tax aggressiveness, both within the main analysis and the robustness tests (29 papers), and very few use only one measure (13 papers).

Table 2 provides information on tax avoidance measurements descriptives.

The most common are two effective tax rate measures, i.e. the *effective tax rate* (e.g. Bauweraerts et al. 2024; Mafrolla and D’Amico 2016 – 29 papers), and *cash effective tax rate* (e.g. Bauweraerts et al. 2020; Moore et al. 2017 – 17 papers) followed by the measures of *book-tax difference* (or *book tax gap*) and declinations, e.g. the

Table 2: Tax avoidance measurements descriptives.

Tax Avoidance Measurement	
Effective tax rate (ETR)	29
Cash effective tax rate (CETR)	17
Book tax difference (BTD) or book tax gap (BTG) and declinations	8
Permanent book-tax differences (PERMDIFF)	4
Others	8

residual book-tax difference (e.g. Cao et al. 2023; Benkraiem et al. 2024 – 8 papers) and *permanent book-tax difference* (e.g. Brune et al. 2019b – 4 papers).

The following sections will introduce tax avoidance measurement challenges and will discuss the findings of qualitative systematization of the articles according to their levels of analysis.

3.2 Tax Avoidance in Family Firms

3.2.1 Measuring Tax Avoidance in Family Firms

The conceptualization of tax avoidance presents numerous challenges and disagreements, largely due to its multifaceted nature. Indeed, many scholars (e.g. Dunbar et al. 2010), have highlighted the difficulty in operationalizing tax avoidance empirically, often stemming from the absence of a universally accepted definition. That is, before proceeding to a review on this topic with specific regard to the family business, it appeared crucial to address this ambiguity, establishing a clear understanding of what constitutes ‘tax avoidance’.

Consistent with our adopted definition of tax avoidance (Dyreng et al. 2008), the measurements in the paper collection reflect any aspects of tax reduction strategies including tax avoidance, tax aggressiveness, tax planning, tax management, tax sheltering and tax evasion.

While our primary goal does not include the measurement of tax-saving strategies, our approach involves analyzing and organizing the literature to facilitate comprehension of tax avoidance measures. To achieve this, we categorized the various measurements utilized in our paper collection, encompassing the generally accepted metrics for assessing tax avoidance, not only in the family business domain. Thus, Table 3 proposes a complete array of *i) labels*, identifying the name assigned to each tax avoidance measurement to distinguish between different metrics; *ii) description* and *formula*, outlining what the measurement seeks to assess or capture

Table 3: Tax avoidance measurements.

TAX AVOIDANCE MEASUREMENTS				
Label	Description	Formula	Interpretation	Details
(GAAP) effective tax rate (GAAP ETR)	Total tax expense (current and deferred) divided by pre-tax book income over 1, 3, 5, 10 years period.	$\frac{\text{Tax expense/PreTax income}}{\text{PreTax income}}$	A higher value of GAAP ETR indicates a lower degree of tax avoidance.	This measure captures whether managers are concerned with reducing tax expense for financial accounting purposes.
			For this reason, often the measure is multiplied by -1 to facilitate the result interpretation.	It can be both a single- or multi-year one, however applying tax rate measurements over a long-term horizon will help avoid the yearly volatility of the effective tax rate. However, it needs dropping loss observations and/or observations with negative current tax expense. Further, the remaining ETRs are often reset to fall between 0 and 1.
Cash effective tax rate (CETR)	Total cash tax paid divided by pre-tax book income (adjusted for special items) over 1, 2, 5, 10 years period.	$\frac{\sum \text{cash taxes}}{\sum \text{PreTax income} - \text{Special items}}$	A higher value of GAAP ETR indicates a lower degree of tax avoidance.	This measure captures whether managers are concerned with reducing actual cash taxes paid including those that defer cash tax paid by creating temporary book-tax difference (e.g., it takes into account the tax benefits of employee stock options). Moreover, it is not affected by changes in estimate such as the valuation allowance or tax cushion. Cash tax paid can be found in the
			For this reason, often the measure is multiplied by -1 to facilitate the result interpretation.	
				Dyreng, S. D., Hanlon, M., & Maydew, E. L. (2008). Long-run corporate tax avoidance. <i>The Accounting Review</i> , 83(1), 61–82.
				SEE also: Atwood, T. J., Drake, M. S., Myers, J. N., & Myers, L. A. 2012. Home country tax system characteristics and corporate tax avoidance: International evidence. <i>The Accounting Review</i> , 87 (6): 1831–1860.

Table 3: (continued)

TAX AVOIDANCE MEASUREMENTS				
Label	Description	Formula	Interpretation	Details
Adjusted effective tax rate (TAETR)	Difference between the firm's (1 year or 3-year average) GAAP effective tax rate (ETR) and (1 year or 3 year average) GAAP effective tax rate (ETR) of the firm's size and industry peers.	$\frac{\text{GAAP ETR average firm} - \text{GAAP ETR average industry}}{\text{GAAP ETR average firm}}$	A higher value of TAETR indicates a lower degree of tax avoidance.	financial statements as a supplemental disclosure at the bottom of the statement of cash flows or in the notes to the financial statements.
				This measure follows the characteristics of the ETR but is presented as a differential.
Adjusted cash effective tax rate (CTP_adj)	Cash tax paid (CETR), as the product of tax rate and firm's pre-tax income ($\tau^* \text{PTI}$), adjusted by the change (δ) in a firm's tax refund receivable (TXR).	$\text{Cash ETR adjusted for tax refund claims (cash ETR_adj) and the statutory tax rate } (\tau) = \frac{\text{Cash tax paid}}{\text{pre-tax income} - \text{tax refund receivable}}$	Due to some combination of tax avoidance activities, the firm's adjusted cash taxes paid (CTP_adj) is different than $\tau^* \text{PTI}$. Thus, CTP_adj is equal to an expected amount of tax payments based on the firm's pre-tax	This measure of cash tax avoidance has a convenient interpretation for both positive and negative realizations of pre-tax income.
				Henry, E., & Sansing, R. (2018). Corporate tax avoidance: Data truncation and loss firms. Review of accounting studies, 23, 1042–1070.

Table 3: (continued)

TAX AVOIDANCE MEASUREMENTS				
Label	Description	Formula	Interpretation	Details Literature
			income (τ^*PTI) plus the effects of all trans- actions that cause a firm's cash taxes paid to differ from this amount (Δ). Δ is the measure of cash tax avoidance and reflects the extent to which a firm is tax-favored ($\Delta < 0$) or tax-disfavored ($\Delta > 0$).	
Effective tax rate Spread (ETRSPR) or cash effective tax rate Spread (CETRSPR)	Difference between the corporate statu- tory tax rate and the effective or cash effective tax rate.	Corporate Statutory tax rate – ETR or corporate Statutory tax rate – Cash ETR	A higher value of ETRSPR or CETRSPR in- dicates a higher degree of tax avoidance.	This adjusting benchmark is useful to calculate the spread of both rates implicitly controlling for unobserved time-varying country-level charac- teristics present in an international setting. As tax preferences lead to different nominal tax rates across firms, this measurement is more comparable for tax avoidance than the effective tax rate measurement Kerr, J. N. (2019). Transparency, in- formation shocks, and tax avoidance. <i>Contemporary Accounting Research</i> . SEE also: Hanlon, M., & Heitzman, S. (2010). A review of tax research. <i>Journal of accounting and economics</i> , 50 (2–3), 127–178.

Table 3: (continued)

TAX AVOIDANCE MEASUREMENTS				
Label	Description	Formula	Interpretation	Details
Conform tax (CONFORM_TAX)	Regression residuals of total tax expenses or cash tax paid divided by lagged value of total assets considering positive and negative book-tax differences.	$TA = \text{tax expenses}/(\text{Lag total assets or } \sum \text{cash taxes}/(\text{Lag total assets} + \mu + \epsilon);$ $CONFORM_TAX = \mu + \epsilon$	A higher value of CONFORM_TAX indicates a lower degree of tax avoidance.	The numerator focuses on actual income tax payments and excludes tax accruals, which can distort a firm's current tax expense. The denominator is a lagged balance sheet measure that is sensitive to neither current period transactions (e.g., earnings manipulations).
Book tax difference (BTD) or book tax gap (BTG)	Difference between the pre-tax income and the taxable income divided by the total assets.	$\text{PreTax book income} - (\text{Current tax expense}/\text{Statutory tax rate})$	A higher value of BTD indicates a higher degree of tax avoidance.	This measure represents the difference between financial income and taxable income that cannot be explained by structural factors and is attributable to tax avoidance activity. However, theoretical taxable income should be > 0 .
Discretionary book tax difference (DD_BTDT)	Regression residuals of tax-book difference considering the effect of accruals (DD_BTDT).	$BTD = \text{total accruals} + \mu + \epsilon;$ $DD_BTD = \mu + \epsilon$	A higher value of DD_BTDT indicates a higher degree of tax avoidance.	Discretionary accruals are used to isolate the component of BTD attributable to earnings management. The residual that cannot be explained by earnings management is inferred to be a measure of tax avoidance activity.
				Manzon Jr, G. B., & Plesko, G. A. (2001). The relation between financial and tax reporting measures of income. <i>Tax L. Rev.</i> , 55, 175. SEE also: Desai, M. A., & Dharmapala, D. (2006). Corporate tax avoidance and high-powered incentives. <i>Journal of financial economics</i> , 79 (1), 145–179. Desai, M. A., & Dharmapala, D. (2006). Corporate tax avoidance and high-powered incentives. <i>Journal of financial economics</i> , 79 (1), 145–179. SEE also: (For accruals without cash flows data) Sundvik, D. (2017). Book-tax conformity and earnings management in response to tax rate cuts. <i>Journal of International Accounting, Auditing and Taxation</i> , 28, 31–42.

Table 3: (continued)

TAX AVOIDANCE MEASUREMENTS					
Label	Description	Formula	Interpretation	Details	Literature
Permanent book-tax difference (PERMDIFF)	Total book-tax differences less temporary book-tax differences for firm.	(Pre-Tax book income - [Current tax expense/ Statutory tax rate]) - (Deferred tax expense/ Statutory tax rate)	A higher value of PERMDIFF indicates a higher degree of tax avoidance.	This measure reflects the permanent book-tax difference that is not caused by financial income planning. This measure only includes tax avoidance through permanent differences between book income and taxable income. It excludes tax avoidance through both discretionary and non-discretionary accrual management.	Frank, M. M., Lynch, L. J., & Rego, S. O. (2009). Tax reporting aggressiveness and its relation to aggressive financial reporting. <i>The Accounting Review</i> , 84 (2), 467–496.
	Tax avoidance factor (TAFACOR)	Factor analysis with: GAAP ETR; CASH ETR; BTD; DD_BTD.	Since the common factor is negatively correlated with the effective tax rate measures and positively correlated with book-tax differences, a higher factor indicates greater tax aggressiveness.	Since the four tax aggressiveness measures (ETR, CAETR, BTD, DD_BTD) are correlated with each other and are intended to capture one common construct, the factor analysis extracts one common factor from these four measures.	Chen, S., Chen, X., Cheng, Q., & Shevlin, T. (2010). Are family firms more tax aggressive than non-family firms? <i>Journal of Financial Economics</i> , 95 (1), 41–61. SEE also: Kim, J. B., Li, Y., & Zhang, L. (2011). Corporate tax avoidance and stock price crash risk: Firm-level analysis. <i>Journal of Financial Economics</i> , 100 (3), 639–662.
Taxes paid to asset (TAPA)	Total cash tax paid divided by lagged total assets.	Cash taxes/Lagged total assets	A higher value of TAPA indicates a lower degree of tax avoidance. For this reason, often the measure is multiplied by –1 to facilitate the result interpretation.	This measure reflects conforming tax avoidance referring to activities that reduce both taxable income and book income.	Badertscher, B. A., Katz, S. P., Rego, S. O., & Wilson, R. J. (2019). Conforming tax avoidance and capital market pressure. <i>The Accounting Review</i> , 94 (6), 1–30.

Table 3: (continued)

TAX AVOIDANCE MEASUREMENTS				
Label	Description	Formula	Interpretation	Details Literature
Underreported Revenues to Evade taxes (URT)	Survey based measure: Respondents are asked to answer to “Approximately what percentage of sales is kept ‘off the books?’”		A higher percentage of sales kept “off the books” indicates a higher degree of tax evasion.	Given the sensitive nature of tax evasion, this is a very direct method of obtaining the data. However, to ask such a question directly requires a great deal of effort in reassuring respondents by guaranteeing confidentiality and a completely anonymous questionnaire. Eddleston, K. A., & Mulki, J. P. (2021). Differences in family-owned SMEs’ ethical behavior: A mixed gamble perspective of family firm tax evasion. <i>Entrepreneurship theory and practice</i> , 45 (4), 767–791. SEE also: World Bank’s business environment and enterprise performance Survey (BEEPS).
Tax havens use (THU)	Dichotomous variable: Whether firms own a tax haven subsidiary or not. <i>and</i> count of the total number of a firm’s subsidiaries located within tax haven jurisdictions.		A value of 1 in the binary variable, or a high number of firm’s subsidiaries located within tax haven jurisdictions indicates a higher level of tax avoidance.	Necessity to distinguish between ‘dot’ tax havens (small economies) and the Big Eight tax havens. Temouri, Y., Nardella, G., Jones, C., & Brammer, S. (2022). Haven-sent? Tax havens, corporate social irresponsibility and the dark side of family firm internationalization. <i>British Journal of Management</i> , 33 (3), 1447–1467.
Tax on Revenues (TR)	Total tax expense divided by revenues.	Tax expense/Revenues	A higher value of TR indicates a higher degree of tax avoidance.	Jedlička, V. (2023). International tax planning and ownership structure in the Czech Republic. <i>Amfiteatru Economic</i> , 25 (64), 867–884.
Treatment & Tax reform (T&T)	Treatment: Dichotomous variable whether companies affected by the new thin capitalization rule, limiting the tax deductibility of their interest expenses; Tax reform: Time period dichotomous variable		The presence of T&T increases the propensity towards tax avoidance.	Clemente-Almendros, J. A., Camisón-Haba, S., & Camisón-Zornoza, C. (2021). Family firm heterogeneity and tax aggressiveness: A quasi-experimental analysis of the impact of

Table 3: (continued)

TAX AVOIDANCE MEASUREMENTS				
Label	Description	Formula	Interpretation	Details Literature
	that takes the value 1 from the year of capitalization rule entering into force.			
Double taxation (DT)	Effective tax rate divided by dividends (weighted average dividend tax rate for the shareholder based on the type and amount of ownership).	ETR/dividends	A higher value of DT indicates a lower degree of tax avoidance.	Poorly explored by the literature. Utama, S., & Hermawan, A. A. (2020). Family ownership and tax avoidance: An analysis of foreign related party transactions and dividend payments. <i>International Journal of Business & Society</i> , 21 (2). different family generations. <i>Journal of small business strategy</i> , 31 (3), 102–121.
Frequency of tax inspections (FTI)	Frequency of tax inspections classified into three categories, 1 = never inspected, 2 = 1–30 times inspected, and 3 = inspected more than 30 times.		A higher presence of FTI indicates a lower degree of tax avoidance.	Poorly explored by the literature. Suchahyo, U. S., Damayanti, T. W., Prabowo, R., & Supramono, S. (2020). Tax aggressiveness of family firms in emerging countries: How does resource-based view explain it? <i>Entrepreneurial Business and Economics Review</i> , 8 (3), 101–115
Corrected equity (CE)	Equity corrected for re-evaluation reserves, subsidies, own shares, other financial assets.	Equity – Re-evaluation reserves – Subsidies – Own shares – other financial assets	A higher presence of CE indicates a higher degree of tax avoidance.	Country specific including the base of calculation for the notional interests deduction. Bauweraerts, J., & Vandermoot, J. (2013). Allowance for corporate equity and tax aggressiveness: Do family firms differ from non-family firms? <i>Journal of Management Research</i> , 5 (3), 1.

and the mathematical expression or methodology used to quantify it; *iii) interpretation*, to grasp the implications of different levels or values of each measurement; *iv) details*, which include information on underlying assumptions, data sources, adjustments, or other factors influencing the calculation or interpretation of the measurement; and finally *v) literature*, which presents the key references where each tax avoidance measurement has been discussed, analysed, or applied.

As a result, the table consolidates a spectrum of tax avoidance measurements employed in the literature, harmonizing the conceptualization of tax avoidance. This alignment lays the groundwork for a nuanced exploration of tax avoidance within the realm of family firms' literature. To systematically dig into this exploration, we structured our findings based on the level of investigation.

3.2.2 Disentangling Tax Avoidance in Family Firms at the Business Level

At the *business level*, three lines of inquiry emerged.

Most studies focus on *governance effects on the relationship between family firms and tax avoidance*. Within the agency framework, researchers have found that classified boards exercise a dual entrenchment effect, by reinforcing the negative relationship between family firms and tax avoidance. Indeed, as highlighted by Moore et al. (2017), the presence of a classified board structure can facilitate independent directors in performing their duty of protecting minority shareholders.

Furthermore, efficient (internal and external) governance mechanisms mitigate tax-aggressive behaviour and decrease the expropriation behaviours of family firms.

Considering internal mechanisms, although some exception (e.g. Flamini et al. 2021), outside board members (Steijvers and Niskanen 2014), non-family management involvement (Brune et al. 2019a), audit committee's frequent meetings and size (Almaharmeh et al. 2024; Hassan 2023), debt level (Jedlička 2023), board size with a broad range of expertise (Hassan 2023), strong control enhancing mechanisms (CEM; Kuo 2022), and the presence of independent board members (Clemente-Almendros and González-Cruz 2023) reduce, when present, the extend of tax avoidance in family firms or reinforce the negative effect of family business status on tax aggressiveness. While some governance mechanisms mentioned above demonstrate their effectiveness in reducing tax manipulation through the lens of agency theory, the moderating impact of CEMs is better understood within the SEW framework. Underpinning the agency perspective is the notion that in family-owned enterprises, family members often act as controlling shareholders, prioritizing their own interests over those of minority investors. This creates a scenario where tax avoidance tactics are employed to cover losses, conceal extraction of benefits, and deceive minority shareholders. However, efficient corporate governance practices, particularly those involving vigilant oversight of family decisions, can foster alignment between the

interests of the family and those of minority shareholders. By ensuring transparency and accountability, these practices mitigate the agency problems inherent in family firms, thus reducing the incentive for tax avoidance. Conversely, the beneficial impact of CEMs on tax avoidance in family firms is advocated by scholars claiming that in firms characterized by complex cross-shareholdings and pyramidal ownership structures, family owners wield significant control, enabling them to steer decision-making processes. Consequently, the negative correlation between family ownership and tax avoidance becomes more pronounced in firms with robust CEMs since these mechanisms facilitate the perpetuation of non-economic objectives, such as ethical conduct and reputation preservation, at the expense of purely economic goals like maximizing available cash.

As for external monitoring mechanisms, such as external audit quality (Gaaya et al. 2017) and analyst coverage (Fan et al. 2023), which deter family firms from engaging in tax-aggressive behaviours, also given the reputational damage associated with such activities.

The second research stream pertains to how *firms' characteristics attenuate or reinforce the family effect on tax avoidance*. Within this research stream, the firm's age and size play a significant role. The age of a family firm exacerbates the inverse relationship between family chairperson and tax avoidance. As family firms mature, the reputational risk associated with engaging in aggressive tax practices becomes increasingly pressing to mitigate. This urgency stems from the consolidation of SEW endowment over time within the family firm. The potential harm inflicted by such unethical behaviours extends beyond immediate consequences, as it jeopardizes the prospects and legacy of future generations within the family business (Cao et al. 2023).

Conversely, according to the RBV perspective, the size of a firm reinforces the positive impact of family ownership on tax avoidance (Sucahyo et al. 2020). Larger family-owned enterprises typically face higher tax burdens and encounter greater complexity in their transactions. These factors not only incentivize firms to actively seek ways to minimize their tax liabilities but also offer more avenues for tax avoidance strategies to be implemented.

Furthermore, it is important to consider the implications of agency theories within the context of firms with Corporate Social Responsibility (CSR) scores (Özbay et al. 2023). Within this realm, researchers emphasize that certain tax strategies are perceived differently in family firms, depending on their level of CSR engagement. In general, the altruistic tendencies inherent in family business may lead members to prioritize familial interests over those of other shareholders, potentially resulting in tax avoidance. However, socially responsible family firms may regard tax management through permanent differences as a more ethical form of tax planning, contrasting with the less ethical approach of tax avoidance through accruals.

Last, an emerging research stream refers to *the mediating role of tax avoidance*. In this regard, researchers indicate that tax avoidance serves as a partial mediator in the relationship between corporate governance effectiveness and earnings management within family firms, irrespective of whether the CEO is a family member or not (Itan et al. 2024). While good corporate governance tends to promote ethical and transparent tax policies, consequently diminishing the inclination toward earnings manipulation, governance deficiency could be linked to more aggressive tax strategies, potentially resulting in earnings management practices.

3.2.3 Disentangling Tax Avoidance in Family Firms at the Family Level

At the *family level*, we identified four research streams.

First, the literature investigates *whether tax avoidance strategies are different for family and non-family firms*. On this point, findings do not converge (Jedlička 2023; López-González, Martínez-Ferrero, and García-Meca 2019; Sari and Nuryanah 2024). Most scholars advocate family firms are less inclined to avoid tax (Bona-Sánchez et al. 2020; Chalevas et al. 2024; Chen et al. 2010; Kuo 2022; Landry et al. 2013; Lee and Bose 2021; Moore et al. 2017; Steijvers and Niskanen 2014), also through tax havens (Temouri et al. 2022), especially when they are privately held (Brune et al. 2019a). However, others claim the opposite: leveraging on family resources, family firms avoid tax more than nonfamily firms (Almaharmeh et al. 2014; Bauweraerts and Vandernoot 2013; Parisi and Federici 2023).

Both the negative and positive effects of family business status on tax avoidance can be explained by the differences in cost and benefits between family firms and their non-family counterparts. Authors adhering to the agency perspective argue that the potential benefits of engaging in tax avoidance are greater for family owners compared to non-controlling shareholders, elucidating a positive relationship. Family owners typically possess higher ownership stakes and greater controlling power in decision-making processes. Consequently, they have more opportunities to extract rents, strengthening incentives for tax avoidance as they capture more of the tax savings (Kałdoński and Jewartowski 2024; Parisi and Federici 2023). This is especially true if family ties are very strong as family interests are more prioritised and family businesses may pursue tax avoidance activities to keep the profits of the business in the hands of family members (Niu et al. 2024).

Simultaneously, scholars have reported a negative relationship between family business status and tax avoidance, suggesting that the costs associated with such behaviours may be higher for family firms than for their counterparts. Since family owners often hold large and undiversified equity positions, the impact of a price discount on their wealth is more significant compared to non-family owners. Indeed, minority shareholders perceive the price discount resulting from insiders'

entrenchment (the cost side) to be higher in family firms (Chen et al. 2010). From a SEW perspective, it can be argued that the potential costs associated with losing family endowment outweigh the economic benefits. Consequently, to safeguard their SEW, family owners are less inclined to participate in tax avoidance activities for several reasons. First, family members typically maintain a strong identification with the firm (Kuo 2022), so any damage to the firm's reputation has a compounded impact on family firms (Chalevas et al. 2024). Second, protecting the family (firm)'s reputation is even more urgent for the sake of future generations (Temouri et al. 2022). Therefore, the preservation of SEW acts as a deterrent against engaging in tax avoidance practices, as it prioritizes the family's legacy and reputation over short-term financial gains.

The second research stream overcomes the family versus non-family firms' dichotomy and explores *the effect of family involvement, at different levels, on tax avoidance*.

First, considering family ownership, scholars reveal mixed results again. It could be positively (Flamini et al. 2021; Gaaya et al. 2017; Kovermann and Wendt 2019; López-González, Martínez-Ferrero, and García-Meca 2019; Parisi and Federici 2023; Suchayo et al. 2020), negatively (Bauweraerts et al. 2020; Boubaker et al. 2022; Herawati et al. 2021) or curvilinearly related (Mafrolla and D'Amico 2016) to tax avoidance practices. The positive relationship is rooted in the conception of tax avoidance as a strategy to increase family wealth at the expense of minority shareholders (Kovermann and Wendt 2019). From an agency perspective, a high proportion of equity in the hands of family members makes it easier for family owners to expropriate non-controlling shareholders, as it entails an entrenchment effect that reduces agency costs (Parisi and Federici 2023). Differently, in the capital market context, listed family firms avoid taxes due to market pressure to increase the financial wealth of shareholders, forgetting the non-financial costs of such a strategy (Brune et al. 2019a).

The negative relationship is mainly attributable to the II-type agency conflicts and SEW expectations since tax avoidance might imply greater reputational damages and greater conflicts with minority shareholders (Kuo 2022).

Second, addressing an emerging issue in the literature on family firms, Shi et al. (2023) investigate the influence of the involvement of in-law managers on tax aggressiveness. In light of the agency framework, they argue that in-law managers are more motivated to seek rents through tax avoidance activities, thereby fulfilling their private benefits. Moreover, at the crossroad between ownership and management, scholars report that the power dimension of F-PEC harms tax avoidance (Sánchez-Marín et al. 2016). Leveraging on the RBV, scholars advocate that in terms of ownership, as previously mentioned, a higher concentration of family ownership tends to prioritize concerns surrounding reputation and the potential repercussions

of a tax audit. Family owners may opt to forgo potential tax advantages if it means avoiding damage to their reputation and potential legal issues. Regarding management participation, since family members typically lack expertise in tax matters, they tend to abstain from aggressive tax strategies. Similarly, both eponymy and the participation of later generations on the board significantly reduces the likelihood of using tax avoidance strategies, e.g. tax havens (Chalevas et al. 2024; Temouri et al. 2022). When the founder's and firm's names coincide and subsequent generations are actively involved in the business, behaviours that jeopardize the reputation of the family and the business, as well as the preservation of SEW, are typically avoided.

The third research stream concerns *the relationship between the family generational stage and tax avoidance*. Even in this case, the results lead to non-univocal conclusions. On one hand, while first-generation members exhibit more conservative tax behaviours, placing greater emphasis on the potential reputational costs of tax aggressiveness, the different characteristics of family firms associated with later generations, such as increasing financial concerns or a higher number of shareholders, diminish the relevance of socioemotional issues and lead to more aggressive tax behaviours (Clemente-Almendros et al. 2021). On the contrary, within the theoretical framework of SEW, other scholars argue that accumulated endowment causes older family firms to engage less in tax avoidance to mitigate the potential reputational damage (Temouri et al. 2022).

In the last, emerging research stream, the focus is on *the heterogeneous preferences of SEW*. Within this line of inquiry, Bauweraerts et al. (2024) find that a restricted SEW is positively associated with tax aggressiveness, while an extended SEW has a negative impact. This is because family owners who prioritize a constrained SEW tend to have a shorter-term outlook, which leads them to view tax aggressiveness as a viable means of extracting resources to fulfil immediate family needs. Conversely, when family owners prioritize an expanded SEW, their focus shifts towards ensuring the long-term prosperity of future generations and non-family stakeholders, thereby reducing their inclination towards tax-aggressive tactics.

3.2.4 Disentangling Tax Avoidance in Family Firms at the Individual Level

At the *individual level*, we recognised two research avenues.

The first one analyses *the effects of family leaders*. Founder CEOs and family Chairman seem to be less prone to tax avoidance than descendants and hired CEOs to protect SEW (Brune et al. 2019b; Cao et al. 2023; Suh et al. 2019). Indeed, from a SEW perspective, consistent with our earlier findings, family leaders tend to engage in less tax avoidance compared to external leaders. This inclination is influenced by their

motivation to preserve SEW (Cao et al. 2023). In the same vein, the presence of a family CFO reinforces the negative relationship between family ownership and tax avoidance practices (Bauweraerts et al. 2020).

However, Bauweraerts et al. (2024) report that Family CEOs act in alignment with the SEW preferences of family owners. This orientation results in more intense tax avoidance if the preferences lean towards restricted SEW, or in the reduction of tax strategies in the presence of extended SEW preferences. On the opposite side, due to increasing agency conflict, in-law CEOs are more tax-aggressive than other types of CEOs (Shi et al. 2023).

The second research stream involves papers investigating *other leaders' characteristics*. First, the role of female leaders has been at issue. While some scholars asserted that women in top positions contribute to fostering an organizational environment that supports a risk-taking approach (Oktaviani et al. 2024), others argue that female CEOs embrace long-term orientation over restricted SEW and short-term objectives (Bauweraerts et al. 2024). That is, on the one hand, they are prone to pursue tax-aggressive behaviours (Oktaviani et al. 2024), on the other hand, they seem to reduce (reinforce) the positive (negative) effect of SEW preferences on tax avoidance.

Second, CEO tenure and managerial experience have been investigated (Oktaviani et al. 2024; Suchahyo et al. 2020). Both reinforce family firms' inclination towards tax aggressive behaviours. CEO tenure aligns the CEO's viewpoint with that of family owners regarding SEW, thereby encouraging tax-aggressive behaviours (Bauweraerts et al. 2024). Additionally, drawing from the RBV, more experienced managers possess the necessary resources, notably firm-specific knowledge, to effectively manage taxes and engage in more tax avoidance (Suchahyo et al. 2020). Conversely, if considering managerial capabilities and proper educational background (e.g. accounting, finance, tax), they negatively affect the relationship between family characteristics and tax avoidance (Clemente-Almendros and González-Cruz 2023; Oktaviani et al. 2024): capable and specialist managers, who effectively lead their firms under favourable conditions, reduce the likelihood of engaging in tax avoidance.

Finally, examining CEO ownership, Steijvers and Niskanen (2014) discover that private family firms with greater CEO ownership are more inclined to tax-aggressive strategies. They attribute this finding to a multiple theoretical perspective. First, the inherent agency conflict between the CEO (acting as both agent and often principal) and other shareholders (principals) diminishes as the CEO's shareholding increases. Second, these results appear to affirm the influence of SEW considerations in elucidating CEO tax aggressiveness, as noted in some of the aforementioned studies.

3.2.5 Disentangling Tax Avoidance in Family Firms at the Context Level

At the *context level*, two research streams are highlighted.

The first stream concerns the investigation of *the regulatory framework within which tax avoidance occurs*. In this regard, the institutional context plays a pivotal role in mitigating opportunistic behaviours in family firms. Indeed, tax enforcement, which reflects the fiscal pressure within a certain institutional framework, reduces the positive effect of founder-in-law involvement on tax avoidance (Shi et al. 2023). Increasing regulatory and penalty risks associated with engaging in tax avoidance, tax enforcement constrains managerial discretion and acts as an external, efficient governance mechanism capable of aligning principal and agent conflicts. Similarly, the allowance for corporate equity positively affects the effective tax rate in family firms (Bauweraerts and Vandernoot 2013). Conversely, tax reforms aimed at increasing the tax burden on firms boost tax avoidance behaviours (Clemente-Almendros et al. 2021). In this context, according to Clemente-Almendros and González-Cruz (2023), when confronted with expansions in the tax base resulting from the implementation of new capitalization rules (such as restricted deductibility of interest expenses), family firms are more likely to engage tax avoidance strategies. Indeed, they seek to reduce their debt/equity ratio, as not all the interest expenses are deductible, to optimise the tax liability. Additionally, since family firms with close ties to governments may receive preferential treatment (e.g. loans or reduced risk of tax inspection), they are likely to engage in more aggressive tax strategies than firms without government connections (Sucahyo et al. 2020). In the context of the RBV, these findings can be explained by political connections being viewed as a valuable resource for family firms.

The second stream, still embryonal, pertains to *the effect of macro-cultural features on tax avoidance*. As outlined by Shi et al. (2023), one factor is social trust, which operates as an implicit social norm within societies. Interestingly, their findings suggest that higher levels of social trust can mitigate the positive impact of founder-in-law involvement on tax avoidance. This implies that in societies characterized by strong social trust, managers are more inclined to reciprocate the trust placed in them by the community. Consequently, they tend to be more conscientious about adhering to social norms and maintaining social connections.

Conversely, following Chalevas and colleagues (2024), the cultural dimension of power distance, i.e. the social belief that members of a society are not equal, attenuates the restraining effect of family ownership on tax avoidance. Indeed, in cultures with a high power distance, the unequal distribution of benefits from tax avoidance (e.g. more profits for the controlling family) might be considered acceptable by other shareholders. Instead, when power distance is low, both family and non-family shareholders might have a more equal voice in the decisional process, thus making

tax avoidance less attractive due to potential reputational damage for the overall company.

4 Discussion

This study reviewed the developing literature on tax avoidance in family firms by assuming the business unit of analysis and distinguishing four levels of analysis: business, family, individual and context (e.g. Campopiano et al. 2017). Based on this multi-level approach, Figure 3 presents a thematic overview offering the key streams explored by scholars (in the continued circles) as well as highlighting promising areas for future studies (in the dotted circles). The ensuing discussion deepens into the findings and proposes avenues for future research in the realm of tax avoidance.

Our literature review highlights that despite the interest scholars have shown in the topic and their advancements in understanding the relationship between family businesses and tax avoidance, some issues remain to be clarified, and several aspects still need to be addressed, leaving space for future research at each level we investigated.

Starting from the *business level*, papers in our sample agree that governance mechanisms, both internal and external, can mitigate agency problems within the family firms, thus reducing the incentive for tax avoidance. However, among the mechanisms analysed, we did not find attention being paid to family governance mechanisms which, in contrast, may play a significant role and have recently been shown to reduce agency problems (Suess 2014) and information asymmetries (Duréndez, Madrid-Guijarro, and Hernández-Cánovas 2019). Thus, an interesting research question may be: *a) do family governance mechanisms moderate the need to*

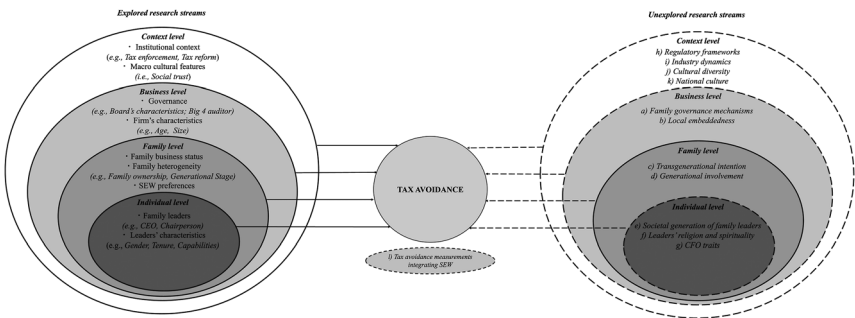


Figure 3: Tax avoidance in family firms: a firm-based phenomenon from a multi-level approach.

account for investor concerns and the level of tax avoidance in family firms? Indeed, the use of family governance mechanisms may balance the desire to minimize tax liabilities with the need to maintain transparency and ethical practices, especially in light of “*investor worries*”. Investors have shown increased concern regarding the tax avoidance practices of firms when determining investment choices (Marriage 2014): although corporate tax avoidance may elevate shareholders’ expectations of forthcoming cash flows, the direct reduction of tax expenses induces investors to undervalue a firm ‘not paying its fair share’ to the government (Dyreng et al. 2016). However, this relationship becomes contingent upon corporate governance mechanisms, which may positively influence stock returns (Desai and Dharmapala 2006).

Another interesting research stream identified by our literature review pertains to the role of engaging in CSR activities in mitigating the family propensity towards tax aggressive behaviours. However, despite the scholarly effort, some aspects that could potentially act as catalysts (or inhibitors) remain in the background. One of these is certainly the “local embeddedness” of family firms (Bichler et al. 2022; Labaki and Mustafa 2023), which considerably affects CSR propensity and performance (e.g. Ge and Micelotta 2019). It implies that social relationships are established on the foundation of trust, reciprocity, identification, and obligations, extending beyond the boundaries of the family firm to engage with the local community (Adjei et al. 2016). This can be considered a crucial factor that boosts family firms to engage in CSR (Stock et al. 2024), as family firms with local embeddedness use CSR to respond to the needs or requirements of the community (e.g. Peake et al. 2017). Consequently, a pertinent research question arises: *b) what is the role of local embeddedness in explaining the relationship between CSR and tax avoidance strategies?*

At *family level*, as noted, the question of whether family firms exhibit more or less tax avoidance behaviors than non-family firms remains to be answered. At the same time, the concept of family heterogeneity has yielded mixed results. As our systematization highlights, this is especially the case if we look at the generational issue, which still stimulates academic debate given its ambiguous effect on tax avoidance (e.g. Temouri et al. 2022). Consequently, at least two research questions could help to examine this topic deeper. The first one implies a specific focus on “*transgenerational intentions*” and, overtaking the comparison between founder and non-founder firms, could be: *c) what is, if any, the impact of transgenerational intention on tax avoidance?* On the one hand, transgenerational intention reinforces the focus on SEW and should be negatively related to tax avoidance (behavioural agency view); on the other, transgenerational intention reinforces the need to pass on a financially prosperous business to the next generation: thus, long-term tax avoidance is increased to create wealth (family life cycle stage view). The second one is related to “*generational involvement*”, currently only explored as a driver of tax avoidance (Temouri et al. 2022) but can act as a contingent factor affecting the

relationship between family involvement and tax avoidance, through a higher level of litigiousness (divergence from family core values) or a higher level of financial sophistication. The related question could be: *d) to what extent does generational involvement moderate the relationship between family involvement and tax avoidance?* This research line may be also investigated by going further into the distinction among the different societal generations, which has recently attracted scholarly attention (Cirillo et al. 2022).

Moving to the *individual level*, our literature review reveals that belonging to the family implies less aggressive tax strategies for leaders in family firms, especially when they exhibit an extended SEW preference attitude. At the same time, other characteristics, such as the CEO's gender and tenure, have been shown to affect tax behaviours in family firms by reducing (or enhancing) their tendency towards tax avoidance. However, some promising individual traits remain unexplored.

First, one intriguing personal feature regards the “*societal generation*” of leaders as it affects firms' strategies (Cirillo et al. 2022). Indeed, considering that each societal generation,³ according to the experiences they faced during their formative years, exhibits a peculiar propensity for transparency, ethical choices, and responsible behaviours (Hurrelmann and Albrecht 2021), it is important to take into account such individual features when considering leaders' propensity for tax avoidance. Therefore, a promising research question can be: *e) which generation of family leaders (e.g. Baby Boomers, X or Millennials) is more prone to engage in tax avoidance behaviour?*

Similarly, recent research has increasingly focused on the relationship between religion and spirituality and business outcomes (e.g. Ernst, Bendig, and Puechel 2024), given the impact of these factors on individuals' values and beliefs (Astrachan et al. 2020). In this context, a compelling research question at the individual level arises: *f) how do leaders' religion and spirituality influence tax decisions in family firms?* Indeed, ethical (or unethical) behaviours in business, including the decision to engage in tax avoidance, are heavily influenced by an individual's underlying principles and values (e.g. Driscoll, McIsaac, and Wiebe 2019). Surprisingly, there is currently no research exploring the role of spirituality in tax avoidance, presenting a promising avenue for further investigation both in family business and tax behaviours literature (Lei et al. 2021).

Still at this level of analysis, the role of the “*CFOs*”, with some exceptions (i.e. Bauweraerts et al. 2020), has been largely unexplored, although they are key decision-makers in tax planning (Chen, Chang, and Lee 2020) and can foster less aggressive tax behaviours. Indeed, thanks to their expertise in financial knowledge

3 Nowadays, four different generations can simultaneously share the leadership of a business: Baby Boomers, Generation X, Millennials, and Generation Z (Howe and Strauss 2003).

and understanding of tax laws and regulations, CFOs identify the best opportunities for ensuring tax (non) compliance (Campa et al. 2022). However, as our review showed, so far, scholars have only paid attention to the effect of appointing a CFO without considering his/her characteristics. A research gap is therefore individuated in the next question: *g) how do CFO traits influence tax avoidance?* To properly address it, characteristics such as CFO generational stage (or CFO kinship distance from founder), CFO ownership (or psychological ownership), CFO co-option with CEO might be at issue.

Finally, at *context level*, studies in our sample have demonstrated that the context, both cultural and institutional, within which tax avoidance occurs matters in explaining family business behaviours (e.g. Shi et al. 2023). However, some crucial aspects still deserve further attention.

First, changes in the regulatory framework within a country or differences among countries in terms of reporting practices (Brown 2020) may affect firms' tax transparency or their propensity to engage in tax avoidance, depending on the costs and benefits involved. Therefore, an interesting research question could be the following: *h) how do changes in regulatory frameworks affect tax avoidance in family firms?* Indeed, while previous scholars have already demonstrated that different fiscal pressures, regulatory and penalty risks, and allowances for corporate equity affect firms' tax behaviours (e.g. Bauweraerts and Vandernoot 2013), they fail to deepen the issue. They often examined the characteristics of a certain institutional context at a specific moment without considering changes in the regulatory framework.

Similarly, a firm's propensity for tax avoidance is influenced by the average level of tax avoidance practised by peer firms within the same industry or geographical region (e.g. Liang et al. 2021). However, the applicability of such analyses remains largely unexplored within the domain of family business, where such variables may act as contingent factors. Consequently, an important research question arises: *i) how do tax avoidance strategies in family firms respond to industry dynamics and the tax avoidance behaviours of both family and non-family peer firms?*

At the same time, while authors in our sample addressed macro-cultural aspects and their implications for tax behaviours, they left out of the debate some critical issues. Among these, scholars in other fields have drawn attention to cultural diversity among people within a country (Lei et al. 2022) and national cultural characteristics among different countries (Kimea, Mkhize, and Maama 2023).

On the one hand, the variety of backgrounds among managers and employees in a firm located in a more culturally diverse environment provides a valuable resource for the company, reducing financial constraints and, consequently, the necessity to engage in tax avoidance. Second, the different propensity to take risks among managers arising from diverse cultures may influence tax avoidance, as it may be

perceived as a risky choice. Last, cultural diversity diminishes the importance attributed to social norms, potentially making tax avoidance less socially constrained. Considering the different relationships that family firms have with employees (Cirillo et al. 2022) and their peculiar attitude towards risk (Gómez-Mejía et al. 2007), these aspects would acquire new nuances in family business, deserving scholarly attention.

On the contrary, national cultural dimensions, such as uncertainty avoidance or individualism (Tsakumis et al. 2007), as well as assertiveness (Bame-Aldred et al. 2013), exert a significant influence on individuals' preferences and behaviours, affecting the decision-making process and outcomes within an organization. This mechanism holds especially true in the realm of tax avoidance: culture shapes attitudes towards tax compliance and evasion, leading to taxpayer values, which mirror those values prevalent within the social environment (Kimea, Mkhize, and Maama 2023). Given that contextual and institutional factors may have an even greater impact on family firms (Soleimanof, Rutherford, and Webb 2018), we propose this area as a promising avenue for research.

While our literature review demonstrates that some progress has been made, as scholars have begun to pay attention to contextual features, including cultural peculiarities (Shi, Hou, and Gu 2023), there are still aspects that remain in the background. Therefore, we suggest addressing the following research questions: *j) how does cultural diversity affect tax behaviours in family firms?* and *k) how do the different national cultural dimensions impact tax avoidance in family firms?*

Overall, our review retraces the difficulty of arriving at an empirical measure of tax avoidance due to a lack of a unanimous definition and its operationalization in different contexts, a reflection that also prompts us to provide a fine-grained discussion on the issue. Considering the inherent features of family firms, which we highlighted in previous sections, and that principally arise from the simultaneous (or predominant) attention to non-economic – socioemotional – goals in the decision-making process, the necessity to reach consensus and, more importantly, a tailored tax avoidance operationalization in family firms appears urgent. Indeed, our review demonstrates the despite academic effort in bringing the family-specific traits into the discussion, their results are inevitably biased by a measure of tax avoidance that is not family business-focused. Consequently, a promising research question, which embraces the above-listed issues and presents a precondition to understanding the phenomenon, could be the following: *l) which corporate tax avoidance measure better fits with the specific family business behaviours?*

Stemming from the results of our review and the reflections on future research opportunities in the field, this paper contributes to the literature on tax avoidance in family firms. It is the first attempt to offer a comprehensive overview of this emerging field of research, suggesting a map to identify the main studied topics

organized across four levels of analysis: business, family, individual, and context. It allowed us to outline the current state of the field in a thematic overview that highlights research problems already addressed and to be addressed.

Second, the article offers scholars a detailed research agenda that might guide future studies on tax avoidance in family firms. We particularly highlight the importance of additional efforts needed at the individual level in terms of decision-makers characteristics such as societal generation, beliefs, and personal traits. Moreover, we extend the knowledge on the topic in family-owned firms and call for research to explain the (un)ethical side of tax-saving strategies. This aspect has been poorly explored in the literature, which has instead mainly focused on the concern that family owners may have to protect their affective endowment.

Finally, the table with tax avoidance measurement assessment integrates diverse perspectives and approaches towards understanding and measuring tax avoidance. From a theoretical point of view, it helps to reconcile differing viewpoints and methodologies, fostering a more holistic understanding of the concept.

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