

The Impact of Tax Transparency Initiatives on Multinational Corporate Tax Avoidance

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Abstract

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This study examines the impact of tax transparency initiatives on multinational corporate tax avoidance, addressing the central question of whether enhanced disclosure can effectively deter aggressive tax planning practices. Situated within the broader context of global concerns over revenue loss and fiscal fairness, the research adopts a systematic literature review approach to synthesize findings from peer-reviewed studies. The analysis highlights that transparency measures, such as country-by-country reporting and beneficial ownership registers, have contributed to increased scrutiny from tax authorities, investors, and civil society, thereby limiting opportunities for profit shifting. The discussion integrates perspectives on policy design, enforcement mechanisms, and the role of international cooperation in amplifying these effects. Findings indicate that while transparency alone is insufficient, it plays a critical role within comprehensive tax governance frameworks. By aligning disclosure requirements with robust enforcement and global coordination, tax transparency initiatives can significantly strengthen fairness and revenue mobilization in international taxation.

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1. Introduction

The surge in policy attention to tax transparency over the past decade reflects growing concern about multinational enterprises' ability to shift profits and erode national tax bases. Broad initiatives from the OECD/G20 BEPS project and its country-by-country reporting (CbCR) rules to voluntary corporate disclosures and public CbCR pilots in some jurisdictions aim to improve information flows, strengthen tax authority enforcement, and alter the incentives for profit-shifting behaviour. Scholars and policymakers have framed these reforms as a supply-side response to the informational asymmetries that enable base erosion, arguing that better cross-border visibility of revenues, profits, and tax paid should reduce opportunities for aggressive tax planning (Beer et al., 2019).

Yet the empirical evidence on whether transparency initiatives actually curb corporate tax avoidance is mixed. Some studies find that transparency, especially when disclosures reach tax authorities or the public, can increase detection risk and reputational costs, raising effective tax rates for some firms (Overesch & Wolff, 2020). Other analyses, however, document limited or heterogeneous effects: country-by-country rules that remain confidential to tax administrations may strengthen audits in some settings but leave aggregate avoidance unchanged, while public disclosure can shift corporate behaviour in contexts where media, civil society, or investors react to country-level tax information (Copelovitch et al., 2018; Hugger, 2019).

Important questions therefore remain about mechanisms, scope, and conditionality. Does CbCR deter profit shifting primarily through increased audit

activity, through reputational pressures, or via changes in intra-firm decisionmaking? Are public disclosures necessary to trigger market or civic responses, or is high-quality intergovernmental exchange of CbCR with sufficient analytic capacity enough? Empirical heterogeneity suggests that institutional capacity, the legal and enforcement environment, and industry structure mediate outcomes, for example, extractive and capital-intensive sectors may respond differently than technology or service multinationals. Comparative work also indicates that smaller or lower-capacity tax administrations benefit less from raw data unless accompanied by investment in analytical tools and international cooperation (Beer et al., 2020).

This systematic literature review synthesizes peer-reviewed evidence to answer two linked questions: (1) What is the observed impact of tax-transparency initiatives (public and non-public CbCR, mandatory disclosure regimes, and voluntary transparency commitments) on multinational corporate tax avoidance; and (2) under what institutional and market conditions do these measures produce meaningful deterrence? By mapping empirical strategies, outcome measures (effective tax rates, profit re-allocation, tax payments), and contextual moderators reported in the literature, the review identifies where the evidence converges and where gaps persist. The review finds that transparency can change incentives and improve enforcement, but its effectiveness depends critically on whether disclosures are actionable, how tax authorities and stakeholders use the information, and whether complementary capacity and governance reforms are in place. These findings carry implications for policymakers deciding between confidential

exchanges, public disclosure, or capacity-building priorities in their anti-avoidance toolkits.

2. Literature Review

Tax transparency initiatives have become central to global efforts aimed at curbing multinational corporate tax avoidance. The OECD's Base Erosion and Profit Shifting (BEPS) framework has been a primary driver, particularly with measures such as Country-by-Country Reporting (CbCR), which requires multinationals to disclose profits, revenues, and taxes paid across jurisdictions (OECD, 2020). These transparency mechanisms aim to close information gaps between tax authorities and global corporations, thus limiting opportunities for profit shifting (Johannesen et al., 2020).

Empirical evidence suggests that tax transparency can influence corporate behavior, though the effects are often context-dependent. De Simone and Olbert (2022) highlight that public CbCR increases reputational risks, prompting some firms to adjust their tax strategies. Similarly, Beer et al. (2020) finds that improved information exchange among tax authorities has reduced the scope for profit shifting, particularly in high-income economies. However, developing countries often face enforcement challenges due to resource constraints, which can undermine the potential impact of transparency reforms (Pomeranz, 2015; Beer & Loeprick, 2015).

While voluntary disclosure regimes have shown some promise, their effectiveness largely depends on the credibility of enforcement and the perceived

likelihood of detection (Leuz & Wysocki, 2016). Furthermore, public and political pressures, amplified by media scrutiny, can accelerate compliance shifts, especially among consumer-facing corporations (Slemrod, 2019). Yet, there is evidence that firms may engage in strategic reporting to meet minimum compliance requirements without substantially altering tax practices (Overesch & Wolff, 2020).

More recent scholarship indicates that transparency policies must be complemented by broader governance reforms to produce sustained reductions in avoidance (Fuest et al., 2022). For example, tax authority capacity-building and enhanced cross-border cooperation have been shown to significantly increase the effectiveness of transparency measures (Hebous & Johannesen, 2021). These insights suggest that while transparency initiatives are a crucial step, their full potential can only be realized when embedded within a coherent and well-resourced tax governance framework.

3. Methods

This study adopts a systematic literature review (SLR) approach to examine the impact of tax transparency initiatives on multinational corporate tax avoidance. The review followed established guidelines for identifying, selecting, and analyzing relevant scholarly works to ensure rigor and reliability. The search strategy targeted peer-reviewed journal articles, institutional reports, and working papers from reputable academic and policy sources. Databases such as Scopus, Web of Science, and Google Scholar were used, with keywords including “tax transparency”,

“multinational corporations”, “corporate tax avoidance”, and “country-by-country reporting”.

Inclusion criteria focused on studies that directly assessed the relationship between tax transparency measures such as automatic exchange of information, beneficial ownership registers, and public country-by-country reporting, and multinational corporate tax behavior. Articles with purely theoretical frameworks but no empirical link to corporate tax avoidance were excluded. The final selection consisted of studies that provided empirical evidence, policy analysis, or comparative evaluations across jurisdictions.

Data from the selected literature were synthesized thematically to identify recurring findings, divergences, and gaps in the existing research. This qualitative synthesis enabled the integration of diverse perspectives, supporting the development of an informed discussion and conclusion on the effectiveness of tax transparency initiatives in curbing multinational tax avoidance.

4. Results and Discussion

The literature consistently indicates that tax transparency initiatives have made significant strides in curbing multinational corporate tax avoidance, though their effectiveness varies by jurisdiction and enforcement strength. Country-by-Country Reporting (CbCR), for instance, has improved tax administrations’ access to data on multinational enterprises (MNEs), enhancing risk assessment and audit targeting (Johannesen et al., 2020). When combined with the OECD’s Base Erosion and Profit Shifting (BEPS) measures, these initiatives have created a stronger

compliance environment that limits profit-shifting opportunities, particularly in high-capacity tax administrations. However, the deterrent effect of transparency tools remains weaker in developing economies with limited administrative capacity, which restricts their ability to leverage disclosed information for enforcement.

In several cases, public disclosure requirements have been linked to reputational pressures that alter MNEs' tax behavior. As Slemrod (2019) argues, transparency can influence corporate decision-making not only through legal enforcement but also via stakeholder scrutiny, including investors, customers, and civil society groups. Yet, the impact of such pressures depends on the degree of publicity and the socio-political context in which firms operate. For example, jurisdictions with active media and strong public accountability mechanisms tend to experience greater compliance gains compared to those where such channels are underdeveloped.

Empirical studies suggest that the deterrence effect of tax transparency initiatives is magnified when they are integrated with international information-exchange frameworks. The automatic exchange of financial account information under the Common Reporting Standard (CRS) has significantly reduced the use of offshore accounts for tax evasion (Beer et al., 2020). In parallel, enhanced transparency has contributed to narrowing tax gaps in certain OECD countries, although the magnitude of these effects remains contested. Some research indicates that while transparency measures reduce the concealment of income in tax havens, they may also encourage the relocation of profits to low-tax but non-transparent jurisdictions, illustrating the adaptive strategies of MNEs (Alstadsæter et al., 2019).

The literature also reveals that while tax transparency can improve global tax equity, it may exacerbate the compliance burden for smaller developing countries. This is partly due to resource constraints in processing and analyzing large volumes of disclosed data, which can hinder timely and effective enforcement actions. Moreover, disparities in the implementation of transparency standards can create competitive disadvantages for certain jurisdictions, influencing investment flows and corporate structuring decisions. As Bradbury and O'Reilly (2018) note, uneven adoption of transparency measures risks fragmenting the global tax system rather than harmonizing it.

Policy discussions emphasize the importance of complementing transparency measures with capacity-building efforts. Tax authorities in emerging economies require not only access to data but also the analytical tools and human capital to interpret and act upon it effectively (OECD, 2021). Without such support, the potential of transparency to combat tax avoidance remains underutilized. Furthermore, coordination between jurisdictions is crucial to close loopholes exploited through mismatches in reporting requirements and enforcement practices.

Overall, the results suggest that tax transparency initiatives have achieved measurable progress in reducing certain forms of corporate tax avoidance, particularly when paired with robust enforcement, international cooperation, and reputational pressures. However, their success is not universal, and persistent gaps highlight the need for more equitable and globally consistent implementation strategies. The discussion underscores that transparency is a necessary but insufficient condition for tackling tax avoidance; it must be embedded within a

comprehensive framework that includes administrative strengthening, legal reforms, and sustained political commitment.

5. Conclusion

This systematic literature review underscores that tax transparency initiatives have emerged as a pivotal tool in addressing multinational corporate tax avoidance. By enhancing the availability and comparability of financial and tax-related information, these measures increase scrutiny from tax authorities, investors, and the public, thereby reducing the scope for aggressive tax planning. The analysis reveals that the effectiveness of such initiatives is strongly influenced by the comprehensiveness of disclosure requirements, the level of enforcement, and the extent of international cooperation in tax matters.

Findings from the review also indicate that while transparency measures such as country-by-country reporting and public registers of beneficial ownership can deter avoidance behaviors, their success depends on closing policy loopholes and ensuring consistent global adoption. Broader stakeholder engagement, including civil society and independent watchdogs, further strengthens accountability and limits opportunities for profit shifting. Ultimately, tax transparency is not a standalone solution but a critical component of a broader tax governance framework aimed at fostering fairness, equity, and sustainable revenue mobilization.

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