

# Exploring the Relationship between Clarity of ESG Information Disclosure and Corporate Tax Compliance Behavior

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## Abstract

This paper delves into the impact mechanism of the clarity of ESG (Environmental, Social, and Governance) information disclosure on corporate tax compliance behavior. In the context of the increasingly prevalent concept of sustainable development, ESG information disclosure has become an important window for enterprises to demonstrate their social responsibility and transparency. The article first defines the concept of clarity in ESG information disclosure and analyzes its potential impact on corporate reputation, investor trust, and the regulatory environment. Subsequently, it elaborates on the basic characteristics, assessment criteria, and influencing factors of corporate tax compliance behavior. Through theoretical reasoning, this paper constructs a model of the intrinsic link between the clarity of ESG information disclosure and corporate tax compliance behavior, pointing out that clear ESG information disclosure not only helps enhance corporate transparency but also promotes corporate tax compliance behavior through mechanisms such as strengthening internal and external oversight, optimizing decision-making processes, reducing information asymmetry, and shaping a positive corporate image. Meanwhile, the enhancement of tax compliance behavior can, in turn, improve the accuracy and completeness of ESG information disclosure, forming a positive interaction and virtuous cycle between the two.

## Keywords

Clarity of ESG Information Disclosure; Corporate Tax Compliance Behavior; Transparency; Internal and External Oversight; Information Asymmetry; Virtuous Cycle.

## 1. Introduction

### 1.1. Research Background and Significance

In the context of a globalized economy, corporate social responsibility (CSR) and sustainable development strategies have gradually become important benchmarks for measuring a company's success. Environmental, social, and governance (ESG) information disclosure, as a crucial component of CSR, has rapidly gained prominence worldwide in recent years. ESG information disclosure is not only concerned with a company's moral image but has increasingly become a key factor influencing investor decisions, market regulation, and a company's long-term value[1]. The rise of ESG information disclosure stems from the growing global concern over environmental and social issues. As global climate change, environmental pollution, and social inequality intensify, various sectors of society have begun to demand that companies not only pursue economic benefits but also take responsibility for the environment and society[2]. ESG information disclosure serves as an effective communication mechanism, enabling companies to showcase their efforts and achievements in environmental protection, social responsibility, and corporate governance to the outside world. Meanwhile, investors have also started to incorporate ESG factors into their investment decision-making processes to assess a company's long-term risks and earnings potential. Furthermore, the rise of ESG

information disclosure has been driven by global regulatory policies. To promote sustainable corporate development, governments and regulatory bodies around the world have introduced a series of norms and standards for ESG information disclosure[3]. These policies not only require companies to regularly disclose ESG information but also encourage them to adopt more transparent and responsible business models. For instance, the European Union and the United States have established comprehensive ESG information disclosure frameworks, requiring listed companies to disclose detailed ESG-related information in their annual reports. Corporate tax compliance has always been a focus of attention for governments, tax authorities, and academia worldwide. Tax compliance is not only crucial to a company's economic interests and reputation but also directly impacts a country's tax revenue and macroeconomic stability[4]. In today's globalized world, the tax issues of multinational corporations are particularly complex, with differences in national tax systems, tax treaties, and tax incentive policies providing diverse opportunities for tax planning. However, some companies often engage in illegal activities such as tax avoidance and evasion by exploiting tax system differences to maximize profits, which not only undermines national tax interests but also disrupts the fair competitive environment of the market. Therefore, the importance of corporate tax compliance is self-evident. On the one hand, tax compliance is the foundation for a company's legitimate operations. Companies must strictly comply with national tax laws, regulations, and policies to ensure the legality and compliance of their tax behaviors. This not only helps maintain a company's legal status and market reputation but also avoids unnecessary legal risks and economic losses[5]. On the other hand, tax compliance is also a manifestation of corporate social responsibility. As members of society, companies have a responsibility to abide by tax laws, fulfill their tax obligations, and contribute to the country and society. With the constant changes in the global tax regulatory environment, corporate tax compliance faces new challenges and opportunities. On the one hand, tax authorities worldwide have strengthened tax supervision and auditing of multinational corporations, raising the thresholds and requirements for tax compliance. On the other hand, the development of new technologies such as digitalization and intelligence has provided more convenient and efficient means for corporate tax management[6]. Therefore, companies need to continuously adapt to the new tax regulatory environment and technological changes, strengthen tax compliance management, and improve the rationality and transparency of tax planning to ensure that their tax behaviors comply with laws, regulations, and policy requirements.

## 1.2. Literature Review

ESG disclosure, as a crucial indicator for measuring corporate sustainability and social responsibility performance, demonstrates trends of diversification and in-depth research. At the theoretical level, research on ESG disclosure mainly focuses on its definition, content, format, and influencing factors. Scholars generally agree that clarity, accuracy, and completeness are key criteria for assessing the quality of ESG disclosure. Clarity refers to whether the disclosure is expressed clearly and easily understandable[7]; accuracy emphasizes the truthfulness and reliability of the disclosed content; and completeness requires that the disclosure should cover all significant information without omissions. Additionally, the influencing factors of ESG disclosure are also a hot research topic, including corporate governance structure, disclosure policies and norms, external audits, and regulatory oversight. These factors not only impact the quality of ESG disclosure but also reflect the extent to which a company prioritizes sustainable development and social responsibility. At the practical level, research on ESG disclosure emphasizes its impact on corporate performance, investor behavior, and market regulation[8]. Numerous studies show that improved ESG disclosure enhances corporate reputation and investor trust, thereby positively influencing financial performance. Meanwhile, ESG disclosure is a critical basis for market regulators to assess corporate risks and

formulate regulatory policies. With the gradual unification and improvement of ESG disclosure standards globally, corporations face stricter disclosure requirements, prompting them to prioritize the quality and effectiveness of ESG disclosure.

Research on corporate tax compliance behavior, an integral part of corporate financial and tax management, has also made significant progress. Tax compliance behavior is not only related to corporate economic interests and reputation but also directly impacts national tax revenue and macroeconomic stability. Therefore, studying corporate tax compliance behavior holds significant theoretical and practical importance[9]. At the theoretical level, research focuses on its definition, characteristics, evaluation criteria, and influencing factors. Tax compliance behavior refers to legal and reasonable tax planning and declaration activities conducted by corporations in compliance with national tax laws, regulations, and policies. Its characteristics include legality and compliance, risk management, and internal control. Evaluation criteria mainly encompass adherence to laws and regulations, rationality of tax planning, and transparency of tax information. Influencing factors include corporate culture and values, tax policies and regulations, external audits, and tax regulatory oversight. These factors collectively influence corporate tax compliance behavior, affecting its compliance level and effectiveness. At the practical level, research on corporate tax compliance emphasizes its impact on corporate operations and financial management[10]. Studies show that improved tax compliance behavior helps reduce corporate tax risks and costs, enhancing financial performance and market competitiveness. Additionally, tax compliance is a crucial component of corporate social responsibility, contributing to shaping a corporation's good image and brand value. Therefore, corporations increasingly prioritize the management and improvement of tax compliance behavior to adapt to increasingly stringent tax regulatory environments.

Most existing research focuses on either ESG disclosure or corporate tax compliance behavior, lacking in-depth exploration of their internal connections and mutual influences. This research gap limits our comprehensive understanding of the relationship between ESG disclosure and corporate tax compliance behavior, also affecting the effectiveness of relevant policy formulation and practical guidance. The innovation of this paper lies in its deep exploration of the internal connections and interaction mechanisms between the clarity of ESG disclosure and corporate tax compliance behavior through theoretical reasoning and model construction[11]. This paper points out that clear ESG disclosure not only enhances corporate transparency and credibility but also promotes improved corporate tax compliance behavior through mechanisms such as enhanced internal and external oversight, optimized decision-making processes, and reduced information asymmetry. Simultaneously, strengthened tax compliance behavior can, in turn, enhance the accuracy and completeness of ESG disclosure, forming a positive interaction and virtuous cycle between the two.

## **2. Theoretical Basis of Clarity in ESG Information Disclosure**

### **2.1. Definition and Connotation of Clarity in ESG Information Disclosure**

In discussing the clarity of ESG information disclosure, it is first necessary to clarify its definition and connotation. Clarity in ESG information disclosure, in short, refers to whether the information disclosed by enterprises regarding ESG (Environmental, Social, and Governance) is explicit, easy to understand, and adequately and accurately reflects the company's ESG performance. The introduction of this concept aims to emphasize the importance of transparency in enterprises' fulfillment of social responsibility and sustainable development, as well as the provision of high-quality and reliable information to stakeholders[12]. Specifically, the clarity of ESG information disclosure encompasses the following aspects: Firstly, the information should be expressed clearly and unequivocally, avoiding vague or obscure terminology to ensure readers can accurately understand its

meaning. Secondly, the information should be comprehensive and accurate, covering key aspects of the enterprise's ESG performance, such as environmental protection measures, social responsibility projects, corporate governance structures, etc., and avoiding the omission of important information or the provision of misleading information. Additionally, the disclosure of information should be timely, reflecting the latest ESG developments of the enterprise in order to allow stakeholders to make informed decisions. Enhancing the clarity of ESG information disclosure not only helps to increase corporate transparency and credibility but also promotes the effectiveness of internal and external supervision and auditing, reduces information asymmetry, and thus enhances the enterprise's market value and competitiveness. Therefore, when disclosing ESG information, enterprises should focus on the clarity of the information, ensuring its accuracy and completeness to meet the information needs of stakeholders.

When defining the standards for clarity in ESG information disclosure, multiple factors need to be considered. Firstly, the presentation of information should comply with linguistic norms, using accurate, concise, and easy-to-understand language, avoiding overly professional or complex terminology to ensure readability and comprehensibility[13]. Secondly, the organizational structure of the information should be clear and rational, arranged in a logical sequence and according to principles of importance, facilitating readers' quick access to key information. Furthermore, the standards for clarity in ESG information disclosure should also include accuracy and completeness of the information. Accuracy requires that the ESG information provided by enterprises must be true and reliable, consistent with the actual situation of the enterprise, avoiding exaggeration or minimization of facts. Completeness requires enterprises to disclose ESG information comprehensively, covering all important aspects, and avoiding the omission of key information or the provision of partial information.

In practical operation, enterprises can draw on internationally accepted standards and frameworks for ESG information disclosure, such as the Global Reporting Initiative (GRI) Standards and the Ten Principles of the United Nations Global Compact, to ensure that the clarity of ESG information disclosure conforms to international standards. At the same time, enterprises can also develop their own ESG information disclosure standards and norms based on their industry characteristics and actual situations to enhance the relevance and practicality of the information.

The content and format of ESG information disclosure are important aspects in ensuring clarity[14]. In terms of content, enterprises should comprehensively disclose ESG information, including key indicators and performance data related to environmental protection, social responsibility, and corporate governance. Specifically, environmental protection may include the enterprise's carbon emissions, energy consumption, waste disposal, etc.; social responsibility may include employee welfare, community participation, consumer rights protection, etc.; and corporate governance may include the structure of the board of directors, executive compensation, anti-corruption measures, etc.

## **2.2. Importance Analysis of Clarity in ESG Information Disclosure**

In today's globalized business environment, corporate reputation has become a vital component of a company's core competitiveness. The clarity of ESG (Environmental, Social, and Governance) information disclosure, serving as a key indicator for measuring corporate transparency and social responsibility fulfillment, has a profound impact on the building and maintenance of corporate reputation. Clear, accurate, and comprehensive ESG information disclosure conveys a positive image to the public, investors, regulatory bodies, and partners, showcasing the company's active fulfillment of social responsibilities, focus on environmental protection, and good corporate governance.

The clarity of ESG information disclosure helps companies establish a credible image. In the era of information explosion, the public and investors have extremely high demands for the authenticity and accuracy of information. By disclosing ESG information clearly and in detail, companies not only meet the information needs of stakeholders but also demonstrate their integrity and commitment to social responsibility. This credible image helps companies stand out in fierce market competition, earning more social recognition and support. The clarity of ESG information disclosure enhances corporate brand value. Corporate brand value is not only reflected in products, services, and market share but also in corporate culture, values, and social responsibility. Clear and positive ESG information disclosure strengthens consumers' trust and goodwill towards companies, thereby enhancing brand loyalty and market competitiveness. Furthermore, the clarity of ESG information disclosure helps companies establish a positive social image, attracting more like-minded partners and talents, laying a solid foundation for sustainable development.

The clarity of ESG information disclosure is significant for corporate crisis management. In the face of crises such as environmental pollution, labor disputes, and corporate governance issues, clear and timely ESG information disclosure enables companies to clarify facts and state positions quickly, reducing misunderstandings and the impact of negative public opinion. Simultaneously, by actively responding to stakeholders' concerns, companies demonstrate their crisis-handling capabilities and sense of responsibility, thereby maintaining corporate reputation and image.

Investor trust is a crucial cornerstone for corporate financing and market value management. The clarity of ESG information disclosure, serving as an important bridge of communication between companies and investors, plays a vital role in establishing and maintaining investor trust. Clear and comprehensive ESG information disclosure enhances investors' understanding and trust in companies, thereby promoting corporate financing and market value enhancement. The clarity of ESG information disclosure aids investors in making informed investment decisions. When assessing corporate value, investors not only focus on a company's financial position and market prospects but also its ESG performance. Clear and detailed ESG information disclosure provides investors with a wealth of information sources, helping them comprehensively understand a company's environmental, social, and governance conditions, thus making more informed investment decisions. The clarity of ESG information disclosure strengthens investors' long-term confidence in companies. Investors tend to prefer companies with good ESG performance when selecting investment targets. These companies usually have more robust business strategies, more comprehensive risk management mechanisms, and more sustainable development prospects[15]. Clear and positive ESG information disclosure conveys to investors that companies focus on long-term value creation and sustainable development, thereby enhancing investors' long-term confidence. The clarity of ESG information disclosure helps reduce corporate financing costs. As the concept of ESG investment becomes more prevalent and investors' attention to ESG information increases, companies that can clearly and accurately disclose ESG information often gain the favor and trust of more investors. This not only helps companies broaden financing channels and reduce financing costs but also enhances their market value and competitiveness.

The clarity of ESG information disclosure is not only significant for companies themselves and investors but also contributes positively to the regulatory environment. Clear and comprehensive ESG information disclosure helps regulatory bodies better understand a company's operating conditions and social responsibility fulfillment, thereby formulating more scientific and reasonable regulatory policies and measures. The clarity of ESG information disclosure aids regulatory bodies in strengthening market supervision. By collecting and analyzing the ESG information disclosed by companies, regulatory bodies can promptly identify and correct illegal and irregular behaviors in the market, maintaining market order and fair

competition. Meanwhile, clear ESG information disclosure provides important data support for regulatory bodies, helping them better assess corporate risk status and compliance levels. The clarity of ESG information disclosure helps drive the improvement and innovation of regulatory policies. As the concept of ESG investment becomes more prevalent and investors' attention to ESG information increases, regulatory bodies need to constantly update and improve regulatory policies to meet market development needs. Clear and comprehensive ESG information disclosure provides regulatory bodies with rich information sources and references, helping them better understand market dynamics and investor needs, thereby formulating more scientific and reasonable regulatory policies. The clarity of ESG information disclosure helps improve regulatory efficiency and quality[16]. By disclosing ESG information clearly and accurately, companies can reduce information asymmetry with regulatory bodies, lowering regulatory costs and time costs. Simultaneously, clear ESG information disclosure enhances communication and cooperation between companies and regulatory bodies, promoting joint efforts to drive market development and progress. Therefore, the clarity of ESG information disclosure is of great significance for improving regulatory efficiency and quality.

### 2.3. Factors Influencing Clarity in ESG Information Disclosure

Corporate governance structure, as the core framework for internal management and control within enterprises, has a profound impact on the clarity of ESG (Environmental, Social, and Governance) information disclosure. A sound and efficient corporate governance structure can ensure accurate collection, effective integration, and timely disclosure of ESG information, serving as the foundation for enhancing the clarity of ESG information disclosure.

Firstly, the board of directors, as the core of corporate governance structure, plays a crucial role in the clarity of ESG information disclosure through its independence and professionalism. A board with strong independence and a diverse range of professional backgrounds can better understand and assess ESG risks and opportunities for the enterprise, thereby promoting comprehensive and transparent disclosure of ESG information. Members of the board with ESG expertise or related backgrounds can guide enterprises in formulating more detailed ESG information disclosure policies, ensuring the authenticity and completeness of the information. Secondly, management incentives and monitoring mechanisms are also key factors influencing the clarity of ESG information disclosure. When ESG goals are integrated into the enterprise's performance evaluation system, management has an incentive to focus on and improve ESG performance, thereby enhancing the quality of information disclosure. Meanwhile, effective internal control mechanisms, such as internal audit and risk management processes, ensure the accuracy and reliability of ESG data, reducing ambiguity in information disclosure due to human error or deliberate concealment. Furthermore, shareholder protection mechanisms also affect the transparency of ESG information disclosure. As investors in the enterprise, shareholders have the right to access detailed information on the company's ESG performance to make informed investment decisions. Therefore, establishing shareholder protection mechanisms such as proposals, voting rights, and litigation can prompt enterprises to more actively disclose ESG information to meet shareholders' information needs[17].

Information disclosure policies and regulations are important institutional guarantees for ensuring the clarity of ESG information disclosure. These policies and regulations not only provide enterprises with clear standards and guidance for information disclosure but also ensure compliance with established disclosure requirements through legal binding force. On the one hand, ESG information disclosure guidelines and standards at the national and industry levels provide enterprises with a clear disclosure framework. These guidelines and standards typically cover multiple dimensions such as environmental performance, social responsibility, and corporate governance, requiring enterprises to disclose information in a unified standard and format. This helps improve information comparability and readability, enabling investors,

regulators, and the public to more easily understand and assess an enterprise's ESG performance. On the other hand, internal information disclosure policies also play a crucial role. Enterprises should develop detailed information disclosure plans based on their ESG goals and strategies, clarifying the timing, content, format, and channels for disclosure. Additionally, enterprises should establish review and approval processes for information disclosure to ensure the accuracy and compliance of the disclosed information[18]. By formulating and enforcing strict information disclosure policies, enterprises can enhance the transparency of ESG information and strengthen investor trust. It is worth noting that information disclosure policies and regulations need to be continuously updated and improved as market and regulatory environments change. Enterprises should regularly assess and adjust their information disclosure policies to adapt to new regulatory requirements and investor needs. At the same time, enterprises should actively participate in the formulation of ESG information disclosure standards and norms within the industry, contributing to the sustainable development of the industry.

External audit and supervision are important external forces ensuring the clarity of ESG information disclosure. By introducing independent third-party audits and regulatory bodies, enterprises can receive stricter supervision and constraints, thereby enhancing the accuracy and reliability of ESG information disclosure. External audit institutions review the enterprise's ESG reports and data to ensure they accurately reflect the company's ESG performance. The professionalism and independence of audit institutions enable them to detect and correct improper behavior in information disclosure by enterprises, thus protecting investors' interests. In addition, audit institutions can provide enterprises with suggestions and guidance for improving ESG information disclosure, helping them enhance the quality and efficiency of disclosure. Regulatory bodies regulate and supervise the ESG information disclosure behavior of enterprises by formulating and enforcing relevant laws and regulations. Regulators can require enterprises to disclose information according to established standards and formats and penalize violations. This legal binding force encourages enterprises to take ESG information disclosure more seriously, improving the clarity and transparency of disclosure. At the same time, regulators can establish information sharing and collaboration mechanisms to strengthen cooperation and communication with other regulatory bodies, industry organizations, and investors. This helps form a more comprehensive ESG information disclosure regulatory system, improving regulatory efficiency and effectiveness. Through the dual constraints of external audit and supervision, enterprises can continuously improve the clarity and transparency of ESG information disclosure, contributing to sustainable development.

### **3. Theoretical Framework of Corporate Tax Compliance Behavior**

#### **3.1. Basic Characteristics of Corporate Tax Compliance Behavior**

Corporate tax compliance behavior, as a crucial element in the modern market economy system, reflects a company's responsibilities and obligations in tax management. Its basic characteristics encompass two core aspects: legality and compliance, as well as risk management and internal control. Firstly, legality and compliance are the cornerstones of corporate tax compliance behavior. When paying taxes, enterprises must strictly abide by national tax laws and regulations, ensuring that all tax activities are conducted within the legal framework. This not only includes paying taxes on time and in full but also involves the accuracy and completeness of tax declarations, as well as adherence to relevant tax procedures. Maintaining legality and compliance not only helps enterprises avoid legal disputes and tax penalties but also enhances their social reputation and credit rating[19]. In the context of globalization, multinational corporations also need to pay attention to international tax regulations to ensure tax compliance worldwide. Secondly, risk management and internal

control serve as important safeguards for corporate tax compliance behavior. By establishing a sound tax risk management system and internal control mechanisms, enterprises can effectively identify and assess potential tax risks, thereby taking corresponding measures for prevention and response. This includes formulating reasonable tax planning strategies, strengthening the recording and preservation of tax information, and conducting internal audits of tax activities regularly. Strengthening risk management and internal control helps enterprises promptly identify and correct tax errors, reduce tax risks, and ensure the robustness and sustainability of tax activities.

### **3.2. Assessment Criteria for Corporate Tax Compliance Behavior**

The assessment criteria for corporate tax compliance behavior are vital standards for measuring whether a company's tax activities are legal, compliant, and efficient. These criteria typically include adherence to laws and regulations, rationality of tax planning, and transparency of tax information.

Adherence to laws and regulations is the primary criterion for assessing corporate tax compliance behavior. Enterprises must strictly abide by national tax laws and regulations, ensuring that all tax activities are conducted within the legal framework. This requires enterprises to possess solid knowledge of tax laws, accurately understand and apply relevant tax provisions, and ensure the accuracy and timeliness of tax declarations and payments. The assessment of adherence to laws and regulations helps reveal whether there are any illegal or non-compliant behaviors in a company's tax activities, allowing for corresponding legal measures to be taken for correction. Rationality of tax planning is an important criterion for assessing corporate tax compliance behavior. When conducting tax planning, enterprises must follow the principles of legality, rationality, and effectiveness, ensuring that planning schemes can reduce tax burdens while avoiding tax risks. The assessment of rationality in tax planning requires a comprehensive consideration of factors such as a company's financial status, business strategies, and tax policies, analyzing whether the planning schemes align with the spirit of tax laws and whether there is any abuse of tax incentives or tax avoidance behavior.

Transparency of tax information is another important criterion for assessing corporate tax compliance behavior [20]. Enterprises should actively disclose tax information to tax authorities and the public, including tax planning schemes, tax declarations, and payment status, to enhance the transparency and credibility of tax activities. Increasing transparency in tax information helps eliminate information asymmetry, strengthens the trust of tax authorities in enterprises, and reduces the risks of tax audits and investigations.

### **3.3. Factors Influencing Corporate Tax Compliance Behavior**

Corporate tax compliance behavior is influenced by various factors, including both internal elements such as corporate culture and values, tax policies and regulations, as well as external factors like audit and tax regulatory environments.

The corporate culture and values within an enterprise have a profound impact on its tax compliance behavior. A corporate culture that emphasizes integrity, law-abiding, and social responsibility can inspire employees to value and identify with tax compliance, promoting a positive atmosphere of tax compliance within the enterprise [21]. Meanwhile, the tax compliance awareness of senior management is also crucial, as their decisions and actions directly influence the enterprise's tax compliance behavior. Tax policies and regulations are direct constraints on corporate tax compliance behavior. Adjustments and changes to national tax policies directly affect a company's tax planning and tax obligations. Therefore, enterprises must closely monitor changes in tax policies and promptly adjust their tax strategies to ensure the compliance of their tax activities. Additionally, the completeness and enforcement of tax regulations are also important factors influencing corporate tax compliance behavior.

The external audit and tax regulatory environment play a supervisory and constraining role in corporate tax compliance behavior. Tax authorities, through regular audits and inspections, can promptly detect and rectify tax violations by enterprises, prompting them to enhance their tax compliance awareness. Furthermore, tax authorities can establish a tax credit system to reward enterprises with high tax compliance and penalize those with low compliance, forming effective incentive and restraint mechanisms.

## **4. Analysis of the Relationship between Clarity in ESG Information Disclosure and Corporate Tax Compliance Behavior**

### **4.1. Direct Impact of Clarity in ESG Information Disclosure on Corporate Tax Compliance Behavior**

In the context of sustainable development increasingly becoming a global consensus, the transparency of ESG (Environmental, Social, and Governance) information disclosure has become a key indicator for measuring corporate social responsibility and governance standards. The clarity of ESG information disclosure, encompassing the detail, accuracy, and comprehensibility of information, not only concerns a company's social image and investor trust but also directly influences its tax compliance behavior.

Firstly, the transparency of ESG information disclosure indirectly promotes tax compliance behavior by enhancing corporate social responsibility and ethical standards. When enterprises actively and comprehensively disclose their performance in environmental, social, and governance aspects, it indicates their willingness to accept broader external supervision. This self-regulatory mechanism helps enterprises adhere to higher compliance standards in tax management. Increased transparency makes enterprises more precious about their reputational capital, avoiding negative public opinion and regulatory penalties caused by tax non-compliance. Therefore, the transparency of ESG information disclosure becomes an internal driving force, prompting enterprises to be more cautious in tax planning and declaration processes to ensure all tax behaviors comply with laws and regulations.

Secondly, the transparency of ESG information disclosure enhances communication and mutual trust between enterprises and tax authorities. When enterprises can provide clear and accurate ESG information, tax authorities can more easily understand their operational models and tax strategies, thereby reducing misunderstandings and conflicts due to information asymmetry. The establishment of this mutual trust relationship helps tax authorities provide more precise tax guidance and support to enterprises, while also assisting enterprises in obtaining more fair treatment when facing tax disputes. In such an environment, enterprises are more willing to actively comply with tax regulations and maintain good tax compliance records.

Lastly, the transparency of ESG information disclosure indirectly promotes tax compliance behavior by influencing a company's market position and financing ability. As investors and consumers increasingly focus on a company's ESG performance, enterprises with high transparency are more likely to gain market recognition and investor favor. This market advantage motivates enterprises to maintain higher compliance standards in tax management to uphold their positive market image and financing capabilities.

### **4.2. Mechanism Analysis of Clarity in ESG Information Disclosure Promoting Tax Compliance**

The promotion of ESG information disclosure transparency on corporate tax compliance is mainly reflected in optimizing decision-making processes, reducing information asymmetry, enhancing internal and external supervision, and shaping a positive corporate image[22].

In terms of optimizing decision-making processes, the transparency of ESG information requires enterprises to fully consider environmental, social, and governance factors when

conducting tax planning, ensuring that tax strategies align with the company's overall strategy and sustainable development goals. This comprehensive consideration helps enterprises develop more reasonable and compliant tax strategies, avoiding damage to the company's long-term value due to short-term interests.

In terms of reducing information asymmetry, the transparency of ESG information helps reduce the information asymmetry between enterprises and tax authorities, investors, and the public. By disclosing open and transparent ESG information, enterprises can demonstrate the standardization and transparency of their tax management to the outside world, thereby enhancing the trust of external stakeholders. The establishment of this trust helps reduce tax disputes and audit risks, lowering the tax compliance costs for enterprises[23].

In terms of enhancing internal and external supervision, the transparency of ESG information prompts enterprises to accept broader external supervision, including from tax authorities, investors, consumers, media, and others. This supervisory mechanism helps enterprises identify and correct issues and vulnerabilities in tax management promptly, ensuring that all tax behaviors comply with laws and regulations. Meanwhile, the improvement of internal supervision mechanisms is also an important guarantee for enhancing tax compliance levels.

In terms of shaping a positive corporate image, the transparency of ESG information helps enhance a company's social reputation and brand value[24]. When enterprises can clearly demonstrate their efforts and achievements in ESG aspects, they are more likely to gain recognition and trust from consumers and investors. This positive image not only helps improve the enterprise's market competitiveness but also encourages it to maintain higher compliance standards in tax management.

#### **4.3. Feedback Mechanism of Corporate Tax Compliance Behavior on the Quality of ESG Information Disclosure**

Corporate tax compliance behavior is not only influenced by the transparency of ESG information disclosure but also, in turn, has a significant impact on the quality of ESG information disclosure. Companies with good tax compliance behavior tend to pay more attention to the accuracy and completeness of ESG information, thereby enhancing the quality of ESG information disclosure.

On the one hand, companies with good tax compliance behavior usually have well-established internal control and risk management mechanisms, which are equally applicable to the management of ESG information disclosure. By establishing sound ESG information disclosure processes and systems, companies can ensure the accuracy and timeliness of their ESG information, improving the quality of information disclosure. At the same time, companies with good tax compliance behavior are more willing to accept external audits and supervision. This dual mechanism of self-discipline and external oversight helps to enhance the reliability and credibility of ESG information disclosure.

On the other hand, companies with good tax compliance behavior often have a stronger sense of social responsibility and ethics. This sense of responsibility and ethics prompts companies to be more cautious and responsible in ESG information disclosure, avoiding the negative impacts of false statements and misleading information. At the same time, companies with good tax compliance behavior are more likely to gain the trust and recognition of external stakeholders. The establishment of this trust relationship helps companies establish a more positive image in terms of ESG information disclosure.

In addition, companies with good tax compliance behavior are more likely to gain the favor of investors and the support of the capital market. This market advantage prompts companies to pay more attention to the quality and transparency of ESG information disclosure in order to maintain their good market image and financing capabilities. Therefore, the feedback mechanism between corporate tax compliance behavior and the quality of ESG information

disclosure is a positive cycle that helps drive companies to continuously improve the quality and level of ESG information disclosure.

#### **4.4. Construction and Maintenance of a Virtuous Cycle**

The virtuous cycle between the transparency of ESG information disclosure and corporate tax compliance behavior is crucial for enterprises to achieve long-term value[25] on the path of sustainable development. To establish and maintain this virtuous cycle, enterprises need to take a series of measures to enhance the transparency of ESG information disclosure and improve the level of tax compliance behavior.

Firstly, enterprises need to establish and improve the processes and systems for ESG information disclosure to ensure the accuracy, timeliness, and completeness of the information. This includes formulating clear ESG information disclosure policies, establishing dedicated information disclosure teams, strengthening internal training and communication, and other measures. At the same time, enterprises also need to actively respond to the concerns and demands of external stakeholders, disclose relevant information in a timely manner, and answer questions, thereby enhancing mutual trust with external stakeholders. Secondly, enterprises need to strengthen the construction of internal control and risk management mechanisms to ensure the standardization and compliance of tax management. This includes establishing and improving tax planning and declaration processes, strengthening tax risk management, conducting regular tax audits and self-checks, and other measures. At the same time, enterprises also need to strengthen communication and cooperation with tax authorities, promptly understand changes in tax regulations and regulatory requirements, and ensure the compliance and effectiveness of tax strategies. Finally, enterprises need to focus on cultivating social responsibility and ethical awareness, integrating the ESG concept into their corporate culture and core values. This includes strengthening employee training and education, establishing incentive mechanisms and reward and punishment systems, and other measures. At the same time, enterprises also need to actively participate in social welfare and sustainable development projects, showcasing their efforts and achievements in ESG, thereby enhancing their social reputation and brand value.

By establishing and maintaining the virtuous cycle between the transparency of ESG information disclosure and corporate tax compliance behavior, enterprises can not only achieve short-term compliance goals and market advantages but also lay a solid foundation for their long-term development. The formation and maintenance of this virtuous cycle require the joint efforts and collaboration of enterprises, investors, tax authorities, and the public.

### **5. Theoretical Contributions and Practical Implications**

#### **5.1. Theoretical Contributions**

This paper theoretically deepens the understanding of the relationship between the clarity of ESG information disclosure and corporate tax compliance behavior, providing new perspectives and insights for academics and policymakers. Firstly, by clearly defining the concept of the clarity of ESG information disclosure and its measurement standards, this paper fills the gap in previous research regarding the specific dimensions of ESG information disclosure quality. Traditional research often focuses on the presence or absence of ESG information disclosure or its overall quality, while this paper delves into the critical attribute of clarity, considering it as an important bridge connecting ESG information and tax compliance behavior.

In terms of theoretical construction, this paper innovatively establishes an internal connection model between the clarity of ESG information disclosure and corporate tax compliance behavior. This model not only reveals how clear ESG information disclosure promotes

corporate tax compliance through mechanisms such as enhancing corporate transparency, strengthening internal and external oversight, optimizing decision-making processes, reducing information asymmetry, and shaping a positive corporate image, but also points out that the enhancement of tax compliance behavior in turn improves the accuracy and completeness of ESG information disclosure, thereby forming a positive interaction and virtuous cycle between the two. The proposal of this theoretical model not only enriches the theoretical system concerning the relationship between ESG information disclosure and corporate tax compliance behavior but also provides a referenceable analytical framework and logical path for subsequent research.

Furthermore, this paper analyzes the influencing factors of the clarity of ESG information disclosure from multiple perspectives, including corporate governance structure, information disclosure policies and norms, and external audit and supervision. The exploration of these factors contributes to a more comprehensive understanding of the formation mechanisms and dynamic changes of the clarity of ESG information disclosure. Meanwhile, the detailed elaboration of the basic characteristics, evaluation criteria, and influencing factors of corporate tax compliance behavior in this paper also provides important theoretical support for understanding the essence and motivations of tax compliance behavior.

In terms of methodology, the research design of this paper emphasizes theoretical reasoning and logical analysis. By constructing theoretical models and analytical frameworks, it conducts an in-depth analysis of the relationship between the clarity of ESG information disclosure and corporate tax compliance behavior. This research method not only helps to reveal the internal connections and interaction mechanisms between the two but also provides theoretical guidance and hypothesis foundations for subsequent empirical research.

## 5.2. Practical Implications

The research findings of this paper not only possess theoretical value but also hold significant practical implications, exerting real impacts on stakeholders such as policymakers, businesses, and investors.

For policymakers, the research results of this paper emphasize the crucial role of the clarity of ESG information disclosure in promoting corporate tax compliance behavior, providing a scientific basis for formulating and improving relevant policies. Policymakers can draw on the theoretical models and analytical frameworks presented in this paper to devise more specific and effective information disclosure norms and tax regulatory policies, guiding and incentivizing businesses to enhance the clarity of ESG information disclosure and their level of tax compliance. For instance, they can strengthen the development and improvement of information disclosure systems, clarify specific requirements and standards for ESG information disclosure, and enhance the transparency and comparability of information disclosure. At the same time, they can intensify tax regulation and enforcement efforts, severely cracking down on and penalizing tax violations to serve as a warning to others.

For businesses, the research results of this paper offer practical guidance, helping them better understand and address challenges related to ESG information disclosure and tax compliance. Businesses can draw on the theoretical models and analytical frameworks presented in this paper to improve their own ESG information disclosure and tax management mechanisms, enhancing the clarity of information disclosure and the level of tax compliance. For example, they can strengthen the development and improvement of internal control and risk management mechanisms to enhance the rationality and compliance of tax planning. Additionally, they can strengthen communication and cooperation with stakeholders such as investors and tax authorities to establish a good corporate image and reputational relationships. Furthermore, businesses can integrate ESG information disclosure and tax compliance into

their overall strategies and sustainable development goals to achieve long-term value and social responsibility.

For investors, the research results of this paper provide important references for investment decisions. Investors can draw on the theoretical models and analytical frameworks presented in this paper to assess and compare the clarity of ESG information disclosure and the level of tax compliance of target businesses, selecting those with greater potential and value for investment. At the same time, investors can pay attention to the ESG information disclosure and tax compliance situation of businesses to understand their social responsibility and governance levels, thereby avoiding investment risks and improving investment returns.

## 6. Conclusion

This study, through an in-depth exploration of the relationship between the clarity of ESG information disclosure and corporate tax compliance behavior, not only reveals the intrinsic link between the two but also provides a new perspective for understanding corporate sustainable development and social responsibility. Firstly, we clarify the definition and connotation of the clarity of ESG information disclosure, pointing out that it refers to the degree of definiteness, accuracy, and comprehensibility of information when a company communicates its environmental, social, and governance performance to the outside world. This clarity is not only related to the transparency of corporate information but also a key factor influencing corporate reputation, investor trust, and the regulatory environment. Through literature reviews and theoretical analysis, we found that existing research on ESG information disclosure primarily focuses on the content of disclosure, its quality, and its impact on financial performance, while there is limited exploration of the specific mechanism of clarity and its relationship with corporate tax compliance behavior.

After elaborating on the basic characteristics, evaluation criteria, and influencing factors of corporate tax compliance behavior, we constructed a model illustrating the intrinsic link between the clarity of ESG information disclosure and corporate tax compliance behavior. The model indicates that clear ESG information disclosure can enhance corporate transparency, thereby strengthening internal and external oversight, optimizing decision-making processes, and reducing information asymmetry, which in turn promotes the improvement of corporate tax compliance behavior. At the same time, the strengthening of tax compliance behavior can, in turn, enhance the accuracy and completeness of ESG information disclosure, forming a positive interaction and virtuous cycle between the two. This conclusion not only enriches the theoretical system concerning the relationship between ESG information disclosure and corporate tax compliance behavior but also provides valuable theoretical references for policymakers, businesses, and investors.

Specifically, clear ESG information disclosure helps companies establish good reputations and credibility, enhancing investors' trust in them, thereby reducing financing costs and increasing market value. At the same time, it promotes the improvement of the regulatory environment, enabling regulatory agencies to more effectively supervise corporate behavior and reduce regulatory costs. In terms of tax compliance, clear ESG information disclosure can enhance corporate tax transparency, reduce tax risks, and improve the rationality of tax planning, thereby contributing to corporate tax compliance. Furthermore, we also found that corporate culture and values, tax policies and regulations, and external audits and tax supervision are also important factors influencing corporate tax compliance behavior.

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