How to achieve the tax justice for corporations that incur non-mandatory social expenditures: An initiative and call for developing income tax law

Accepted 31st May 2018

ABSTRACT

Most legislative bodies seek to achieve tax justice among taxpayers, where the Justice prevents double taxation and tax evasion, and encourages taxpayers to respect the tax laws in the state. One of the most important issues that occupies the forefront in the field of tax legislation in the modern age is achieving the tax justice for corporations which incur non-mandatory social expenditures. As a result, this study suggested a justified initiative that can be relied on in the process of developing the tax laws in this area. Also, "a proposed equation" was presented to demonstrate how to achieve tax justice in the area of income tax by determining the value of just income tax, regardless of any other advantages that can be achieved by corporations. Therefore, this study pointed out that, granting tax incentives does not necessarily mean achieving the tax justice among corporations, tax justice is different from tax incentives - where the tax justice can only be achieved by the proposed equation. By adopting it, according to the belief of researcher, the corporations will be continuously committed to their social responsibility.

Key words: The tax justice, non-mandatory social expenditures, corporations.

Abbreviations: N-MSEs, Non-Mandatory social expenditures; JIT, just income tax; OEs, operating expenditures; Rs, revenues; TS, tax saving; VIT, value of the income tax; RS, real sacrifice; Es, expenditures; RIT, rate of the income tax; VTI, value of the taxable income.

INTRODUCTION

At the end of every financial period, as usual, the corporations provide their financial statements to IRS, whose role is to study, inspect and evaluate these statements to determine the financial amounts that must be paid to the IRS or the public treasury as income taxes imposed on incomes achieved by corporations in the ended financial period according to the laws and regulations of the country. The value of income taxes is often determined without any problems, disputations nor injustice because all matters are clear to all parties, but the process of determining income taxes - which must be paid to the IRS – may become more complicated in the event that income statements of some corporations contain values of non-mandatory social expenditures (N-MSEs) in the area of interaction with the community or what is known as corporate philanthropy or corporate giving. In this case, it is expected that the IRS determines income taxes which must be paid by the corporations in an unfair way that would not achieve the tax equity among corporations. N-MSEs in the area of interaction with the community, as it’s known, are just financial amounts incurred by corporations for the purpose of contributing to achieving the social benefits to other parties in the society. Thus, these expenditures will not contribute to producing the income or operating the business and activities of these corporations, such as the contribution of the other expenditures
(operating expenditures), except for some tax incentives that may be authorized by the IRS, which often do not achieve tax justice.

In spite that, N-MSEs in the area of interaction with the community (corporate philanthropy or corporate giving) are different from the rest expenditures (operating expenditures) incurred by corporations with regards to the goal of spending process – N-MSEs do not contribute to achieving the revenues, but the accounting treatment of these expenditures in the income statement is not different from the treatment of the other expenditures – where they are shown in the income statement to be subtracted from the value of revenues in order to determine the value of the taxable income – The difference between N-MSEs in the area of interaction with the community (corporate philanthropy or corporate giving) and operating expenditures in terms of the goal of expending process is a main plea for legislative bodies and IRSs all over the world to call for the necessity of adjusting laws and finding suitable methods for achieving tax justice in the field of income tax for the corporations which incur N-MSEs. Also, there is another argument that may be used to defend the idea of the necessity of the tax justice in the field of the income tax for the corporations that incur N-MSEs. This argument is based on the belief that the N-MSEs are indirect income taxes or unforced taxes directly paid by corporations in the framework of interaction with the community for the purpose of achieving social benefits to other parties in the society without the mediation of the fiscal administration, IRS and government in the processes of receiving and repaying these funds in the field of public services. It is known that in most countries, a part of the funds collected from corporations by the tax authority as income taxes expends in the social fields (education, health, infrastructure, poor families help), thus, it can be considered that the N-MSEs are incurred by corporations in the field of interaction with the community as indirect income taxes created by the nature of the social contract. If it is admitted that the N-MSEs are indirect taxes or unforced taxes resulting from the nature of the modern concept of CSR, then the fiscal administrations must not ignore these expenditures when determining income taxes for the purpose of achieving the tax justice for the corporations. Fairness for corporations, obliged with their CSR, as achieving the tax justice for corporations that incur N-MSEs, indicates stimulation of these corporations to continue to incur those expenditures.

Objective of the study

This study aims to achieve the following: (1) Submitting an initiative through which tax justice for corporations that incur N-MSEs in the area of interaction with the community can be achieved. (2) This study is designed to demonstrate that: granting tax incentives for corporations that incur N-MSEs in the area of interaction with the community does not necessarily mean achieving tax justice among corporations - tax justice is different from tax incentives - where the tax justice can only be achieved through what is suggested by the researcher according to his logical justifications.

Importance of the study

The importance of the study depends on the following: This study will represent a call for legislative bodies to develop their tax systems in line with the new changes embodied in the emergence of CSR to urge the corporations to continue to perform their social responsibility within the community. The idea of this initiative and justifications may represent a base and argument which can be relied upon to achieve justice for corporations that incur N-MSEs whether through the issuance of laws or by giving the tax incentives to achieve this purpose. Therefore, this study proposed that non-achievement of tax justice among corporations might affect the continuation of their social responsibility to communities in the future, as they become aware of whether tax incentives achieve justice for them or not. They are aware of the following fact, that is, the acquisition of tax incentives may not necessarily mean achieving the tax justice.

METHODOLOGY OF THE STUDY

There is an idea in the researcher’s mind with rational justifications that must be submitted to the people (The staff at IRS and Legislative bodies in the country) in order to take advantage of it in the development of tax systems. This study can theoretically enrich the accounting and legal thought in the field of taxes and CSR, as well as tax legislation, therefore, the methodology of the study will depend on some of the contained information in the accounting, legal and management literature, in books, researches and studies to support the formulating process of the researcher’s ideas that rely on the analysis and logical justifications through hypothetical comparisons.

LITERATURE REVIEW

Classification of the social expenditures

The researcher used a legal compulsion and legal accountability criterion in the classification process. Therefore, for the purposes of this study, the researcher classified the social expenditures into two types:

1). Mandatory social expenditures MSEs: There are legal accountability about them in the event of spending
stopping. There are some social expenditures incurred by corporations in some areas of social activities - as a result of legal commitment to a prevailing law and regulations in the state, therefore all corporations will incur those expenditures, no option for rejecting, these expenditures cannot be avoided as a result of accountability and legal pressures. Also, spending stopping will expose the corporation to penalties and fines and in many cases to stop activity, such as the contribution of Libyan corporations through payment for subscriptions to social security of employees (in Libya, corporations and staff contribute to the payment of subscriptions, for the benefit of staff, according to the Libyan social Security Act), salaries for families of the missing people and dead in wars, expenditures to treat work-related injuries and medical insurance and protection expenditures of the environment and consumer, security and safety of employees expenditures etc. Therefore, the researcher defines the Mandatory Social Expenditures (MSEs) as follows: MSEs are mandatory and as such, cannot be avoided, there are legal accountability about them in the event of spending stopping, which directly affect corporation economic performance through the penalties and fines or stop of the activity.

2). Non-mandatory social expenditures N-MSEs: This type can be classified into two types:

A). Non-mandatory social expenditures- In areas unrelated to interact with the community: This type may affect the loyalty of consumers and workers and then on the economic performance of the corporation. There are some social expenditures incurred by the corporations in areas of social activities (Workers, environment protection, consumer protection) - without any legal pressures and accountability, these expenditures can be avoided. Also, spending stopping will not expose the corporation to penalties and fines or stopping of the activity, but affect the corporate economic performance -through a change in the level of consumer loyalty to the corporation’s product - where consumer is one of important stakeholders of the corporation - and a loyalty of the workers and employees to the corporation - especially, in the presence of competition in the modern age, such as expenditures of the improvement of the working environment, product development, transport means, training of workers and staff, child custody and free food and drinks for workers etc. Therefore, the researcher defines the Non-Mandatory Social Expenditures (N-MSEs) in areas unrelated to interact with the community as follows: N-MSE are necessary, not voluntary and not mandatory and as such, can be avoided, there are no legal accountability about them in the event of spending stopping, and indirectly and directly affect the economic performance of the corporation in the presence of market competition (in the market of labor, goods and services) through a change in the level of consumer loyalty. Thus, the consumer becomes more aware of issues of CSR as a result, their decisions become influenced by the extent of corporation’s commitment to its social responsibility – and a loyalty of the workers and employees to the corporation. According to some scholars, competition is the primary driver for corporations to be more socially responsible (Keeler, 2002; Kasipillai and Rachagaran, 2012: 1). As a result of the competition in the market of labor, goods and services, in the modern era, consumer loyalty depends largely on the extent of the corporation’s commitment to its social responsibility. Where the consumer has become more aware of the issues of social responsibility, such as boycotting the products that are not environmentally friendly, and also, completion of business has become dependent on skill and knowledge of the workers in order to earn their loyalty and maintain them as part of a work system. For this reason, corporations will incur social expenditures such as free food and drinks for workers… etc.

B). Non-mandatory social expenditures- In the areas of interaction with the community (Corporate Philanthropy, Corporate Giving): This type is voluntary and similar to government spending in the field of public services. Corporations incur this kind of expenditures in order to contribute to the improvement of the quality of life in the community and play the role of government in this area. This type is intended in this study. There are some social expenditures incurred by the corporations in the area of interaction with the community - without any legal pressures, these expenditures can be avoided. Also, spending stopping will not expose the corporation to penalties and fines or stopping of the activity, such as the expenditures of contribution in educating people in the area, contribution in cleaning public gardens and helping of poor families...etc. Therefore, the researcher defines the Non-Mandatory Social Expenditures (N-MSEs In This Area) as follows: N-MSEs are non-mandatory, can be avoided, with no legal accountability about them in the event of spending stopping. Mostly, they affect the corporate economic performance through the acquisition of some incentives and tax benefits or other economic benefits in the developed countries through community satisfaction and loyalty of consumers. Here, consumers and communities are aware of the importance of the social responsibility of corporations.

Corporations and philanthropy intent

It is often forgotten that corporate philanthropy is still a relatively new phenomenon. In most of the first half of the 20th century, American legal restrictions largely prevented corporations from meddling in social affairs unless there is a clear business purpose. But in 1953, the New Jersey Supreme Court ruled that A.P. Smith Manufacturing
Company, a manufacturer of fire hydrants, could make a charitable donation to Princeton University with no "direct benefit" expected to the company. This cleared the way for dramatic growth in corporate contributions and launched the development of the field of corporate philanthropy (Kasper and Fulton, 2006: 1). Corporate philanthropy is the act of corporations donating a portion of their profits or resources to various non-profit organizations. The function of corporate giving can be handled directly by the corporation or through a company foundation. The most common resource that corporations donate is cash; however, corporations also donate the use of their corporate facilities; property (such as used computers, buildings or land); gifts of products, services and equipment; advertising support; executive loans; and many corporations have employee volunteer groups that donate their time. Corporations give to a wide variety of nonprofit organizations, which include education, the arts, human services, health, the environment, public benefit and many others (Madrakhimova, 2013: 125). Increasingly, philanthropy is used as a form of public relations or advertisement to promote a company's image or brand through cause related marketing or other high-profile sponsorships- arguing that "social and economic goals are not inherently conflicting, but integrally connected (Porter and Kramer, 2002: 1). Whereas, philanthropy can be a source of competitive advantage (Porter and Kramer, 2002: 1; Henderson and Malani, 2008: 7). Numerous studies claim to support the link between giving and profit- donating to charity leads to greater returns on capital (Khanna and Damon, 1999; Arora and Gangopadhyay, 1995; Moir et al, 2004; Henderson and Malani, 2008: 7). The mechanism is generating good feelings from customers, suppliers, or employees (Atkinson and Galaskiewicz, 1988; Henderson and Malani, 2008: 7). Reducing turnover of employees - finding that corporate giving reduces employee turnover (Greening and Turban, 2000; Henderson and Malani, 2008: 7); or decreasing the risk of government or activist action - finding that giving reduces risks of government or activist action (Baron, 2001; Henderson and Malani, 2008: 7). Whether the source of the goodwill and increased profits is due to the advertising benefits of doing good or something else is beside the point, concluding that corporate contributions represent a form of advertisement, as firms that spend more on advertising also tend to give more to charity (Navarro, 1988; Henderson and Malani, 2008: 7). All that matters is that the firm is actually doing some public good and that the act of doing this helps not only strangers to the firm, but also its shareholders." Moreover, several researchers have suggested that shareholders may draw non-financial utility from corporate social actions even if they have lower corporate profits" (Elhauge, 2005; Henderson and Malani, 2008: 7). Even some other researchers, who famously claimed that the "only . . . responsibility of business [is] to use its resources and engage in activities designed to increase its profits," acknowledged that corporate philanthropy may be justified when it is necessary to maximize long-run profits (Friedman, 1970; Henderson and Malani, 2008: 7). Other scholars argue that philanthropy is simply managerial graft, and in this way no different than a CEO using a fancy corporate jet (Kahn, 1997; Henderson and Malani, 2008: 7). Managers are spending other people's money, and because monitoring by shareholders is imperfect, managers will do so in ways that maximize their own utility but not that of the shareholders. Numerous studies claim to support this view (Helland and Kiholm, 2003; Henderson and Malani, 2008 :7). Philanthropy and giving of the corporations may be one of the tools of economic crimes such as tax evasion and smuggling money etc... In Russia, the law was far imperfect, as stated by many educated people in matters of taxation. In the early 2000s, the government began to deal with this state of affairs as a result of the abolition of many benefits for donors. Before a period of directing up to 5% of their income to charity, this legislation establishes that the donation by firms and organizations can only occur at the expense of net profit. The Ministry of Finance has decided that the companies providing charitable activities through the provision of free services or delivery of goods are exempted from VAT, but payments to the state treasury is not reduced. In order to avoid the transfer of funds through bogus charities against government charity, double taxation was introduced. According to the Tax Code of the Russian Federation, donation recipients have to pay income tax, but people can avoid it if they obtain grant in the field of education, science, culture and art (Madrakhimova, 2013: 128).

The proposed equation and its rational justifications to determine the value of the just income tax

For the purpose of the achieving the tax justice in the field of the income taxes of the corporations which incur N-MSEs and achieving the tax justice among corporations, the researcher suggests using the equation given below to deduce the value of the just income tax as follows:

\[ \text{The Proposed Equation } \text{JIT} = \text{VTI} \times \% \text{RIT} - \text{RS} \]
\[ \text{VTI} = \text{R} - \text{OEs} - \text{N-MSEs} \]
\[ \text{RS} = \text{N-MSEs} \times \text{TS} \]

Tax saving \( \text{TS} = \) (The value of the tax must be paid to the fiscal administration under the assumption that the corporation did not incur any non-mandatory social expenditures during the ended accounting period ) - (The value of the tax must be paid to the fiscal administration in the case that the corporation incurred non-mandatory social expenditures during the ended accounting period). Tax saving resulting from social expenditures can be defined as follows: It is the amount of the decrease in the value of the income tax paid by the corporation to the fiscal...
administration on a definite financial period as a result of incurring non-mandatory social expenditures during that period. Also, it can be defined as the difference in value resulting from comparing the value of the income tax paid to the fiscal administration – under the assumption, that the corporation did not incur any non-mandatory social expenditures during the ended accounting period – with the value of the income tax paid to the fiscal administration in the case that the corporation incurred non-mandatory social expenditures during the ended accounting period. The hypothetical comparison method is used to indicate the paid amounts with the right hand and the collected amounts with the left hand.

It involves Comparison of the result in the presence of a variable with the result in the absence of that variable. This type is intended in this study. Table 1 shows the values of the revenues, expenditures, tax saving, real sacrifice and just income tax for two corporations with the same market share, and working in the same industry.

An assumption: If the corporation A has not incurred any N-MSEs before the financial period ends on Dec. 31st, 2016, it will pay to the IRS income tax at the amount of $ 32000 as: (Rs $100000 – OEs $20000) Rate of the Income Tax 40%. Also, it would achieve an increase in the value of the net assets at the amount of $ 48000 as: (Rs $100000 – OEs $20000 – VIT $32000). Through the above data, it can be observed that the corporation A will pay an income tax of $ 28000, while the corporation B $32000. Absolutely, this tax treatment is unfair for the corporation A, since the tax justice is not achieved between the two corporations A and B. The above data show that the corporation A has incurred N-MSEs during the ended financial period while the corporation B has not incurred any N-MSEs during that period. As it is known, N-MSEs, based on the areas of interaction with the community (Corporate Philanthropy, Corporate Giving), are financial amounts incurred by the corporation for the purposes of performing some goals and social programs in order to contribute in achieving social benefits for other parties in the society. Hence, these expenditures will not contribute in producing the income or achieving the economic goals or operation of business and activities for this corporation. These expenditures are incurred by corporations on behalf of the government. Social reforms and infrastructure construction are mostly from the government specializations. Also, N-MSEs incurred by corporations are- in fact- as indirect or unforced taxes paid by that corporations for the purpose of achieving social benefits for other parties in the society without mediation of the fiscal administration in the processes of receiving and re-paying these expenditures due to the following fact: that part of the funds collected by the fiscal administration from corporations as income taxes is expended on the social reforms and infrastructure construction in the society. That, the researcher insists on the need to achieve tax justice between corporations (A and B) for the purpose of righting the corporation A and stimulate it to continue in the processes of expending the N-MSEs in the future. Thus positive results will be achieved by their continuation improvement of the quality of life within the community. Also, the achievement of tax justice for the corporation A and other corporations which incur N-MSEs indicate government’s attention in the interests of the corporations in the country and the preservation of their money to their growth, development and continuation – whereas the growth and continuation of the corporations in the state mean growth and development of the economy of that state. As it is known, the corporations represent the main supports for the state economy, therefore, maintaining the corporations and protecting them from economical damage indicate guarding the state economy.

The proposed equation can be applied to determine the value of the just income tax which must be paid by corporation A to the fiscal administration for achieving the tax justice between the two corporations as follows: First, determining the value of the tax saving using the hypothetical comparison method. Tax Saving = (The value of the tax that must be paid to the fiscal administration under the assumption that the corporation has not incurred any non-mandatory social expenditures during the ended accounting period) – (The value of the tax that must be paid to the fiscal administration in the case that the corporation has incurred non-mandatory social expenditures during the ended accounting period). TS = ($100000 - $20000 × 40% = $32000) – ($100000 - $20000 - $10000 × 40% = $28000) = $4000. Second, determining the value of the Real Sacrifice as follows: RS=N-MSEs × % RIT – RS. $100000 - $20000 - $10000 × 40%-$6000 = $22000.

Generally, if this equation is used to determine the value of the income tax which must be paid by corporation A to the fiscal administration, the corporation A will pay an income tax at the value of $ 22000 and achieve an increase in the value of its net assets at the value of $ 48000. This is the same increase which will be achieved, if it has not incurred any N-MSEs during the ended financial period on Dec. 31st, 2016. Thus, achieving tax justice for corporation A. This result in the achievement of the tax justice between the two corporations A and B.

The undesired economical and social effects resulting from non-achievement of tax justice

The researcher sums up the undesired economical and social effects which are expected to occur as a results of non-achievement of the tax justice in the field of income tax for the corporations which incur N-MSEs. They are given as follows:

(1) Non-achievement of tax justice leads to the emergence of what is known as double taxation and disappearing the...
Table 1: The values of the revenues, expenditures, tax saving, real sacrifice and just income tax for two corporations.

<table>
<thead>
<tr>
<th>Data</th>
<th>Corporation (A)</th>
<th>Corporation (B)</th>
<th>Corporation (A)</th>
<th>Corporation (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues achieved during the financial period on Dec. 31st, 1999.</td>
<td>$100000</td>
<td>$100000</td>
<td>$100000</td>
<td>$100000</td>
</tr>
<tr>
<td>Operating expenditures paid during the financial period on Dec. 31st, 1999.</td>
<td>$20000</td>
<td>$20000</td>
<td>$20000</td>
<td>$20000</td>
</tr>
<tr>
<td>N-MSEs paid during the financial period on Dec. 31st, 1999.</td>
<td>$10000</td>
<td>$10000</td>
<td>$10000</td>
<td>$10000</td>
</tr>
<tr>
<td>Income before taxes or the taxable income</td>
<td>$70000</td>
<td>$80000</td>
<td>$70000</td>
<td>$80000</td>
</tr>
<tr>
<td>Rate of the Income Tax (RIT) 40%</td>
<td>$28000</td>
<td>$32000</td>
<td>$22000</td>
<td>$32000</td>
</tr>
<tr>
<td>Value of the income tax (VIT) paid to the fiscal administration or IRS</td>
<td>$28000</td>
<td>$32000</td>
<td>$22000</td>
<td>$32000</td>
</tr>
<tr>
<td>After tax income ; the increase in the value of net assets; distributable net income.</td>
<td>$42000</td>
<td>$48000</td>
<td>$48000</td>
<td>$48000</td>
</tr>
<tr>
<td>Distribution of profits“1000 shares”</td>
<td>$42</td>
<td>$48</td>
<td>$48</td>
<td>$48</td>
</tr>
</tbody>
</table>

For corporations (A and B): Tax Saving (TS). Hypothetical Comparison Method is: 
To indicate the paid amounts with the right hand and collected amounts with the left hand.

For corporations (A and B): Real Sacrifice (RS)
For corporations (A and B): Just Income Tax (JIT)

![Table 1](image)

Criticism of the justice and tax equality in the field of the income tax for the corporations which incur N-MSEs. The N-MSEs incurred by the corporations are – in fact – taxes that can be described as non-compulsory or indirect taxes, where these corporations expend the financial amounts in the social areas, such as contribution to clean public gardens, contribution pave roads, contribution to maintain public hospitals and contribution to support poor families ... etc. for the purpose of achieving social benefits for other parties in the society. Since the government in the state often contributes to achieving those benefits by spending a part of the funds collected by the IRS- as income taxes from the corporations after being supplied to the public treasury of the state- therefore, the N-MSEs incurred by the corporations can be classified as unforced (non-compulsory) taxes or indirect taxes. This is due to the fact that expenditures are incurred by corporations in order to achieve social benefits for other parties in the society without the mediation of the fiscal administration in the process of receiving and repaying them by the government in the social fields. His can be explained in a language of numbers as follows: The corporation A incurred an amount at a value of $ 34000 ($ 28000 value of the income tax paid to the fiscal administration + $ 6000 real sacrifice which means value of the non-compulsory taxes or indirect taxes), if we are convinced that the N-MSEs are non-compulsory taxes or indirect taxes, in this light of the lack of tax justice, the value of what is known as the internal double taxation can be determined at value of $ 6000. This, in fact, represents the value of real sacrifice. Therefore, the value of the income tax which must be paid by corporation A to get rid of the internal double taxation is $ 22000 according to the proposed equation. It is worthwhile to mention that most of the tax experts see the double taxation as an extraordinary phenomena that should be avoided or restricted when designing the tax system of the state. This is because these taxes would represent a burden on the taxpayer and expose him/her/ to frequent deductions about the same money, especially if these frequent deductions came as a result of weak legislation and tax laws because of the moving away from the principles of justice and equality of sacrifices among financiers.

(2) Non-achievement of tax justice in the field of income tax for the corporations which incur N-MSEs is considered as violation of the rule and principle of the justice and equity which represents a main criterion to establish a good tax system in the country. Based on previous example, it can be observed that the corporation B has not incurred any N-MSEs during the ended financial period on Dec.31st, 2016, but it has incurred an income tax at value of $ 32000, while the corporation A has incurred an amount at value of $ 34000 calculated as follows: (the value of N-MSEs or non-compulsory taxes “real sacrifice” $ 6000 + the value of income tax $ 28000). In fact, the value of just income tax which must be paid by corporation A according to the proposed equation is $ 22000. If this value is added to the value of N-MSEs, the total amount which will be incurred by corporation A is $ 32000. This is the same amount which will be incurred by corporation A in case it has not incurred any N-MSEs. In general, non-achievement of tax justice in the field of income tax for the corporations that incur N-MSEs may result in a decrease in the size of expected N-MSEs which will be contributed by these companies in the future as a result of their abstinence from incurring those expenditures, especially when corporations realize that the tax system in the country does not achieve justice and tax equality among corporations. Justice and equality are encouraging incentive for corporations to continue to incur those expenditures - especially in poor countries. Thus failure may lead to a decline in the volume of social benefits realized by the other parties in the society, vice versa, if the tax system in the state achieves the tax justice in the field of income tax for corporations that incur N-MSEs, the size of
the N-MSEs will increase in the future. Thus, this will lead to increase the size of social benefits realized by the other parties in the society.

(3) Non-achievement of tax justice in the field of income tax for corporations that incur N-MSEs results in a decrease in the value of net income after taxes, that is, the available income for distribution to owners or shareholders - especially if the volume of N-MSEs is somewhat large - thus, a decrease in earnings per share. If the value of dividends per share is low, it will lead to a decline in market value of the shares in stock market, with the assumption that the value of the net income after taxes is completely distributed to the shareholders. In general, non-achievement of tax justice may result in economical damage to owners and their corporations. As a result, the owners may impose pressure on the administrations of the corporations to call for abstaining from paying any N-MSEs in the future. Whereas, the continuation of payment or incurring these expenditures without achieving tax justice will harm owners' interest as the individuals or authorities are seeking to achieve the most amount of profits. If these corporations stopped incurring the N-MSEs, this will lead to a decrease in social benefits that are expected to be enjoyed by the other parties in the society in the future. This is under the assumption that the government in the state would not cover any shortages in size of the social expenditures - this question may result in negative effects within the society. For example, corporations abstaining from rendering any financial aids to the unemployed may lead to increase in crime rates within the society. Non-achievement of tax justice may affect the market value of shares due to a decline in dividends, as a result of N-MSEs incurred by corporations, especially in the presence of an investor that is not aware of the importance of CSR and in the absence of sufficient disclosure of those expenditures.

(4) Non-achievement of tax justice in the field of income tax for corporations that incur N-MSEs results in a decrease in the value of net assets for corporations. Based on previous example, it can be observed, in the case of non-achieving the tax justice for the corporation A, an increase in the value of the net assets equals $ 42000, but if the tax justice was achieved for corporation A according to the proposed equation, the increase in the value of the net assets equals $ 48000. Therefore, it can be said that non-achievement of tax justice for corporation A can lead to a decrease in the value of its net assets at the amount of $ 6000. As it's known, the decrease in the value of the net assets for corporations that incur N-MSEs as a result of non-achievement of tax justice may result in occurrence of what is known as slowness of the economic growth for the corporations or a decrease in the value of the future revenues. Supposing that each dollar invested in the corporation A will achieve a return during the following accounting period at the rate of $ 2" assets turnover ", and the corporation would not distribute any profits during this period, the value of the revenues which will be achieved by the corporation A during the following accounting period – under assumption of non-achievement of tax justice equals $ 84000 and can be calculated as follows: (the value of the net assets $ 42000 × value of the return"a return of each dollar invested in the assets "$ 2). If the tax justice for the corporation A was achieved according to the proposed equation, the value of revenues which would be achieved by corporation A during the following accounting period equals $ 96000 and can be calculated as follows: (the value of the net assets $ 48000 × value of the return"a return of each dollar invested in the assets "$ 2). Thus, it can be said that non-achievement of tax justice in the field of income tax for corporation A - that has incurred N-MSEs during the ended financial period on Dec.31st, 2016 - will result in a decrease in the value of future revenues or occurrence slowness in the process of the economical growth for corporation A at value of $ 12000. Achieving tax justice for the corporation A and other corporations which incur N-MSEs means that the government care for the corporations in the state and in most cases, take care of their funds for the purpose of the growth and continuation. Whereas, the corporations growth and continuation in the state mean growth and development of the state economy, and taking care of these corporations and protecting them from the economical damage indicate taking care of the state economy.

(5) Non-achievement of tax justice in the field of income tax for corporations that incur N-MSEs may cause the corporations to abstain from incurring any N-MSEs in the future. This results in an increase in the amount of the state’s revenues from the taxes. If the size of state’s revenues from taxes increases – resulting from non-achievement of tax justice – this indicates that the available amount of funds for the government can be used to face its future expenditures. When funds are available for the government from tax resource (tax revenues), they may ignore the process of searching for complementary or alternative revenues and instead increase taxes to get other revenues, such as establishing new economical projects which yield benefit and interest to the national economy of these states. Achieving tax justice in the field of income tax for corporations that incur N-MSEs results in a decrease in the amount of state's revenues from taxes and, in turn, a decrease in the governments' funds which can be used to pay their expenditures. This issue may force the governments, in order to look for alternative and complementary sources for the tax revenues, to diversify the income resources of these states.

**RECOMMENDATIONS**

The researcher recommends the need to achieve tax justice for corporations that incur N-MSEs in the area of interaction with the community using the proposed
equation in the developing and developed countries for the following reasons:

1) **The developed countries**: Legislative bodies in the area of taxation in these countries always seek to develop the laws to achieve justice and equality among taxpayers. Where justice and equality are basic pillars of every good tax system. One of the issues that still represents a problem for the legislative bodies is determining the just income tax for corporations which incur the non-mandatory social expenditures, and achieving justice among corporations. As a result, the researcher has submitted his proposal to those bodies to apply it, with a statement of his views on the expected result as follows: The corporations adopt charitable activities (Philanthropy) within the community to gain economic benefits. Communities, investors and consumers in these countries need to realize the importance of CSR in the development of life quality, for this reason, the corporations should try to gain the community satisfaction and loyalty of consumers by adopting those activities. Moreover, many states grant benefits and tax incentives for these corporations to encourage them to continue the spending on charitable activities, and these incentives may not achieve the tax justice among corporations. Therefore, the researcher advises the application of the proposed equation due to its importance in achieving justice among corporations, as well as the benefits that will be achieved by those corporations and communities in those countries. This can be interpreted as follows: According to the researcher's belief, achieving tax justice will create a kind of balance of economic power among corporations by obtaining the satisfactory quotas of benefits and economic advantages. The tax justice will encourage corporations to adopt charitable activities, all corporations will use the philanthropy and giving in order to gain community satisfaction and loyalty of consumers. This will create economic balance among corporations and in the end, consumers’ loyalty will be determined by product price and its quality. Therefore, all competing corporations will reduce the prices, improve the product quality and develop the product, improve the quality of life and achieve a kind of the luxury to consumers within the community.

2. **The developing countries**: In these countries, the situation is quite different, since the thought of CSR is still immature in most of those countries. In addition, consumer’s awareness of CSR importance in those countries - is not yet complete, thus there is no competition among corporations in a real sense. Therefore, achieving tax justice will lead to the promotion of the idea of CSR in these countries by encouraging the corporations to continue to their charitable activities. Where the negligence of tax justice affects the continuation of those corporations to incur those expenditures, because justice is considered their sole motivation. The achievement of tax justice in accordance with the researcher's view means the rapid economic growth of those corporations in those countries, and in case of any reduction in the size of state’s revenues from taxes, smart government will look for and innovate alternative or complementary sources.

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