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Adopting the Concepts of Distributive and Compensatory Justice as an Approach to Determining Optimal Tax Treatments for Corporate Donations: A Justified View

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ABSTRACT

This study examines the determination of tax treatment for corporate donations by applying the concepts of distributive justice and compensatory justice. The objective is to develop a more rational and equitable framework that aligns tax policy with principles of fairness among corporations and stakeholders, including government, shareholders, and society, while preserving the integrity of corporate social responsibility (CSR). Using a conceptual and analytical approach, the study evaluates corporate donations based on several criteria, including their impact on financial performance, their social and environmental implications, and their role under different market conditions. Based on this evaluation, the study proposes seven alternative scenarios for classifying corporate donations and determining appropriate tax treatments grounded in either distributive justice or compensatory justice. The findings suggest that uniform tax policies, whether granting or denying tax incentives, may fail to achieve fairness across different contexts. Instead, a differentiated approach based on the underlying characteristics of corporate donations provides a more balanced and justifiable basis for tax policy design. This study contributes to the literature by offering a conceptual framework that integrates justice-based perspectives into tax policy analysis and provides practical insights for policymakers in developing more equitable and context-sensitive tax systems.

Keywords: Corporate Philanthropy. Corporate Social Responsibility (CSR). Tax Treatments. Tax Incentives. Tax Justice.

INTRODUCTION

In practice, three main approaches are commonly used in determining the tax treatment of corporate donations: (1) deducting donations from taxable income, (2) deducting donations from

tax payable, and (3) excluding donations from tax calculations. These approaches reflect different policy orientations and have distinct implications for tax incentives and fairness.

Approximately three-quarters of countries worldwide provide tax incentives for corporate donations, while the remaining countries adopt a non-incentive approach. Corporate donations generally refer to voluntary financial or nonfinancial support provided by companies to social causes, including charitable organizations, community development initiatives, and disaster relief efforts (Quick et al., 2014; Asatryan & Joulfaian, 2022).

This variation in policy raises important questions regarding the alignment of such approaches with the principles of corporate social responsibility (CSR) and tax fairness. In particular, it remains unclear whether granting or denying tax incentives for corporate donations leads to equitable outcomes among corporations and stakeholders.

Existing justifications for both approaches tend to focus on economic or administrative considerations, with limited attention to justice-based perspectives. As a result, current tax policies on corporate donations may not fully reflect the broader principles of fairness and the underlying philosophy of CSR. This limitation highlights the need for a more comprehensive framework that integrates justice considerations into the determination of tax treatment for corporate donations.

Problem Description

The central issue addressed in this study lies in the limitations of both existing policy approaches, namely, granting and not granting tax incentives for corporate donations. Each approach presents inherent weaknesses when evaluated from the perspectives of tax fairness and corporate social responsibility (CSR).

On the one hand, the policy of granting tax incentives may lead to unintended consequences. While it is often justified as a mechanism to encourage corporate philanthropy, it may also distort the underlying principles of CSR by linking voluntary social contributions to direct economic benefits. In addition, such policies may create imbalances among firms, particularly between environmentally responsible and environmentally harmful companies, as well as between competitive and monopolistic firms. The uniform application of tax incentives may therefore fail to reflect differences in corporate behavior and social impact.

On the other hand, the policy of not granting tax incentives is not without limitations. Although it aims to protect government revenue and avoid potential misuse of tax benefits, it may also lead to inequitable outcomes, particularly when corporate donations generate indirect economic or social benefits. In such cases, the absence of tax consideration may result in a disproportionate burden on shareholders and may discourage socially beneficial corporate activities.

These limitations indicate that both policy approaches, when applied uniformly, may not adequately achieve tax fairness among stakeholders, including governments, corporations, and society. Consequently, there is a need for a more nuanced and context-sensitive approach to determining the tax treatment of corporate donations, one that takes into account the underlying characteristics and impacts of such donations.

Purpose of the Research Article

This study aims to critically evaluate existing approaches to the tax treatment of corporate donations and to propose a conceptual framework that enables a more consistent and equitable determination of such treatments. The proposed framework is intended to enhance fairness among stakeholders while maintaining alignment with the principles of corporate social responsibility (CSR).

Corporate donations are inherently multifaceted, involving diverse impacts, beneficiaries, and economic implications. This complexity presents significant challenges for policymakers in designing tax rules that balance competing stakeholder interests. In many cases, existing policy approaches tend to rely on simplified or uniform treatments, which may not adequately reflect the underlying characteristics of corporate donations.

In this context, tax fairness requires consideration of both the distribution of benefits and the allocation of burdens among stakeholders. Accordingly, this study introduces a framework based on distributive justice and compensatory justice as guiding principles for determining appropriate tax treatments under different conditions.

LITERATURE REVIEW AND MEANINGFUL DISCUSSION

Corporate Philanthropy (CP)

Corporate philanthropy is widely regarded as an important component of corporate social responsibility. It reflects voluntary corporate contributions to society in the form of financial and non-financial support. These activities are often justified through social contract theory and stakeholder theory, which recognize that corporations have obligations not only to shareholders but also to society at large. Prior studies indicate that corporate giving can enhance corporate image and stakeholder perceptions (Sen and Bhattacharya, 2001; Szöcs et al., 2016), although it may also provide indirect economic benefits to firms.

Corporate philanthropy is commonly understood as the allocation of corporate resources to support social welfare, typically through donations to non-profit organizations or community initiatives (Madrakhimova, 2013). However, the motivations behind such activities remain debated. While some firms engage in philanthropy as part of their social responsibility, others may be influenced by strategic considerations, including tax benefits and reputation building (Odubunmi, 2018; Asatryan and Joulfaian, 2022).

Tax Treatments of Corporate Donations

Corporate income tax is one of the instruments used by governments to encourage private sector participation in economic and social activities (Oke et al., 2025). In the context of corporate philanthropy, tax policies may generate either positive or negative effects on the income tax burden of companies, depending on how donations are treated within the tax system.

In practice, tax treatments of corporate donations generally fall into two broad approaches. The first approach allows donations to reduce the income tax payable, reflecting the provision of tax incentives to corporate donors. The second approach does not allow such reductions, thereby maintaining the full tax obligation of corporations. These alternative approaches reflect different policy orientations and have distinct implications for corporate behavior and stakeholder welfare.

The tax treatment of corporate donations plays a crucial role in shaping the distribution of economic burdens among stakeholders, including governments, corporations, and society. As such, ensuring fairness in tax treatment becomes an essential consideration in policy design.

Conceptually, tax treatment can be understood as the process of determining income tax through various calculation mechanisms, including additions and deductions. It represents the practical application of tax policy and reflects legislative intentions. Policies such as granting or withholding tax incentives are ultimately translated into specific tax rules, which influence how corporate donations are recognized within the tax system.

Tax Justice

A fair tax system requires both equitable design and consistent implementation of tax rules. Tax justice is widely recognized as a fundamental principle of a sound tax system, ensuring fairness among taxpayers as well as between taxpayers and the government. As emphasized by Gomulowicz (2006), tax legislation must be structured to achieve justice in the distribution of tax burdens.

However, in the context of corporate donations, tax policies may introduce imbalances among stakeholders. Policies that provide tax incentives can reduce government revenue and shift part of the burden to other taxpayers. At the same time, the absence of incentives may discourage corporate participation in socially beneficial activities. These competing effects highlight the complexity of achieving tax fairness in this area.

Debate on Tax Incentives for Corporate Philanthropy

The provision of tax incentives for corporate philanthropy remains a subject of ongoing debate. On one hand, tax incentives are considered an effective mechanism to encourage corporate participation in charitable activities, which can contribute to improving societal welfare and enhancing the quality of life within communities.

On the other hand, concerns have been raised regarding the potential negative implications of such policies. Tax incentives may reduce government revenue and limit the capacity of the state to finance public services. In addition, they may create opportunities for unethical practices, including tax avoidance and the misuse of philanthropic activities for private interests. Furthermore, the provision of tax incentives may distort the fundamental meaning of corporate social responsibility by shifting the motivation for donations from genuine social commitment to financial benefit.

These contrasting perspectives highlight the complexity of designing tax policies that both encourage corporate contributions and maintain fairness among stakeholders.

Justified Rejection of the Policy of Granting Tax Incentives to Donor Companies

There are several arguments supporting the rejection of tax incentives for corporate donations, as outlined below:

1) Corporate Philanthropic Responsibility Is Not a Separate Responsibility from CSR

Philanthropic responsibility is an integral component of corporate social responsibility and cannot be treated in isolation. It reflects voluntary contributions that go beyond legal obligations.

However, firms cannot be considered genuinely philanthropic if they simultaneously engage in harmful practices, such as environmental damage or labor exploitation (Mallaby, 2023).

Accordingly, any incentives should be based on overall social performance rather than a single dimension such as donations. In this context, donations made by firms that harm their communities are more appropriately viewed as compensation rather than philanthropy.

2) Corporate Donations in the Area of Government Spending

Taxes are a primary source of government revenue used to finance public services and infrastructure. When corporate donations support public sector activities, they may effectively substitute government spending.

In such cases, corporate donations can be interpreted as indirect taxes, as they contribute to public welfare without passing through formal tax collection and redistribution mechanisms.

3) Corporate Donations Cannot Be Included in the List of Corporate Social Costs

Corporate donations are often described as social costs because they are voluntary, not directly compensated, and intended to enhance social welfare. However, when tax incentives are provided, donations generate direct economic benefits in the form of tax savings.

This creates a conceptual inconsistency. If donations produce financial returns, they no longer represent pure social costs. Moreover, tax incentives reduce the actual economic sacrifice made by firms, even though the full donation value is publicly reported.

As a result, the real contribution of firms is overstated, and the true cost borne by companies is understated. To preserve the integrity of the concept of social cost, donations should not generate direct economic benefits.

4) Misleading Disclosure

Tax incentives may obscure the actual economic sacrifice associated with corporate donations. In practice, such incentives create a form of implicit partnership between governments and corporations, where part of the donation is effectively financed through reduced tax revenue.

The tax savings obtained by firms represent a corresponding loss in government revenue, which can be interpreted as the government's contribution to those donations. However, this implicit contribution is rarely disclosed in financial statements or public communication.

As a result, reported donation amounts may overstate the actual sacrifice made by firms, potentially misleading stakeholders and undermining transparency and full disclosure.

5) Corporate Donations Are Compensation

Under social contract theory, corporations have an obligation to compensate society for the externalities generated by their operations (Ibanga, 2018). From this perspective, corporate donations may represent compensation rather than voluntary charitable acts.

If donations serve as compensation for environmental, social, or economic harm, providing tax incentives becomes conceptually inconsistent. Compensation should be borne by the firm and its owners, not subsidized by the government.

Moreover, when firms cause harm to society, their financial contributions cannot be considered purely philanthropic. Instead, they reflect an obligation to address the consequences of their activities. In such cases, treating donations as charitable acts distorts their true nature.

6) Corporate Donations Can Be Considered Marketing Costs

In competitive markets, tax incentives may be unnecessary, as firms already use corporate donations to enhance reputation and strengthen their public image (Kerner and Sumner, 2020; Sumner, 2022; McCarty and Sumner, 2024). Such activities can improve customer loyalty and increase sales.

Accordingly, corporate donations may be interpreted as marketing-related expenditures rather than purely philanthropic actions.

7) Corporate Donations Are to Enhance Legitimacy

Historically, corporate philanthropy was not always accepted. Early legal debates even challenged the legitimacy of using corporate resources for charitable purposes (Sharfman, 1994; Wren, 1983; Vaidyanathan, 2008). Over time, academic developments in corporate social responsibility contributed to the recognition and acceptance of corporate philanthropy.

Legitimacy theory explains that firms engage in philanthropic activities to align with societal expectations and maintain their legitimacy (Suchman, 1995; Chen and Cao, 2016; Pandapotan, 2023). Legitimacy depends on the extent to which corporate actions are perceived as appropriate within social norms (Suchman, 1995). When gaps arise between corporate behavior and societal expectations, firms use philanthropy to restore legitimacy (Sethi, 1979; Chen and Cao, 2016).

Philanthropic activities can therefore enhance corporate image, strengthen stakeholder relationships, and support long-term sustainability (Brønn and Vidaver Cohen, 2009; Wang and Qian, 2011; Wang et al., 2018). In this context, corporate donations may be viewed as legitimacy-related costs rather than purely voluntary contributions, reducing the need for tax incentives.

8) Tax Incentive Policy is not Consistent with Stakeholder Theory

Stakeholder theory emphasizes that firms should create value for all stakeholders, not only shareholders (Freeman, 2009; Strand and Freeman, 2015; Zarefar and Sawarjuwono, 2021). Corporate success depends on balancing the interests of multiple stakeholder groups, as ignoring certain stakeholders may lead to withdrawal of support (Haataja, 2020; McWilliams et al., 2006).

Tax incentive policies may conflict with this principle by benefiting some stakeholders, such as shareholders and communities, while reducing value for others, particularly the government. As a result, such policies may undermine the balance of stakeholder interests.

9) Tax Incentive Policy does not Achieve Justice

Tax incentives for corporate donations may fail to achieve fairness among firms and stakeholders. Corporate donations vary significantly in terms of their nature, duration, and number of beneficiaries. However, uniform tax treatments do not adequately reflect these differences.

This lack of differentiation may distort corporate behavior, encouraging firms to allocate donations based on tax benefits rather than social priorities. In addition, such policies may create

inequities between different types of firms, including competitive and monopolistic firms, as well as environmentally responsible and harmful firms.

10) Undermining the Role of CSR

Tax incentives may weaken the essence of corporate social responsibility by shifting motivations from genuine social commitment to financial gain. As a result, firms may prioritize symbolic or superficial initiatives aimed at securing tax benefits rather than addressing meaningful social and environmental issues.

11) Corporate Tax Responsibility

Taxes are a primary source of government revenue and play a critical role in financing public goods and reducing inequality (Avi Yonah, 2006; Pandapotan, 2023). From a CSR perspective, corporations are expected to contribute fairly to public finances and avoid aggressive tax minimization strategies (De Colle and Bennett, 2014; Jallai, 2017; Munisami, 2018; De la Cuesta Gonzalez and Pardo, 2019).

However, evidence suggests that some firms engage in philanthropic activities while simultaneously pursuing tax avoidance, creating a contradiction between CSR and tax behavior (Hoi et al., 2013; Sun et al., 2023). This tension raises concerns about the sincerity of corporate social responsibility practices.

The relationship between CSR and tax behavior remains debated. Some studies suggest a complementary relationship, where socially responsible firms also fulfill tax obligations (Lanis and Richardson, 2012, 2015; Hoi et al., 2013; Jin and Huang, 2021). Others find a substitutive relationship, where CSR engagement is associated with increased tax avoidance (Davis et al., 2016; Col and Patel, 2019; Li et al., 2016; Jin and Huang, 2021).

From a normative perspective, paying taxes is a fundamental corporate responsibility. Taxes represent a societal right and should not be reduced as a means of encouraging charitable behavior (Avi Yonah, 2014a; Svernlöv, 2016).

12) Collective Welfare

The argument for collective welfare suggests that corporate donations should arise from a moral obligation rather than financial incentives. Individual welfare is closely linked to societal well-being, and long-term prosperity depends on collective conditions.

Accordingly, corporate donations can be viewed as contributions by owners to support societal welfare, rather than actions requiring tax incentives.

Justified Rejection of the Policy of Not Granting Tax Incentives to Donor Companies

As previously discussed, a non-incentive policy fails to ensure fairness among key stakeholders, including shareholders, governments, and society. It also does not adequately differentiate between environmentally harmful and environmentally responsible firms, nor between competitive and monopolistic firms. As a result, such a policy cannot be considered a just or balanced approach.

Research Article Approach

This study proposes a framework based on distributive justice and compensatory justice to determine optimal tax treatments for corporate donations. This approach aims to achieve fairness among shareholders, society, and the government, while also ensuring fairness across firms.

The framework begins with a rational evaluation of corporate donations based on the following criteria:

1. The impact of donations on financial performance, including reputation and competitive advantage
2. The extent of harm caused by corporate activities to society
3. The nature of donations, whether directed to public spending, charities, or emergencies
4. Market structure, particularly competitive versus monopolistic conditions
5. The nature of products, whether essential or luxury

Rational evaluation refers to an assessment based on logic, evidence, and sound judgment. This process enables legislators to form realistic and justifiable perceptions of corporate donations. Distributive justice concerns the fair allocation of benefits and burdens among stakeholders, while compensatory justice focuses on compensating affected parties for harm caused. The selection of tax treatment should align with these principles based on the evaluation outcomes.

The Seven Perceptions of Corporate Donations.

Legislators may interpret corporate donations through seven possible scenarios:

1. Donations as marketing costs
2. Donations as indirect taxes
3. Donations as joint costs
4. Donations as compensation to society
5. Donations as shared responsibility
6. Donations as loans to the government
7. Donations as charitable contributions by owners

The selection of a particular scenario depends on a rational evaluation of corporate donations and their real-world implications.

Framework for Determining Tax Treatment

The determination of tax treatment follows a structured sequence of steps:

1. Evaluating corporate donations based on objective criteria
2. Forming a perception regarding the nature of donations
3. Identifying the appropriate type of justice
4. Determining the corresponding tax treatment

This structured framework ensures that tax policy decisions are grounded in logic, fairness, and empirical realities. Figure 1 provides a conceptual representation of the proposed framework, linking evaluation criteria, scenario formation, justice orientation, and tax treatment decisions.

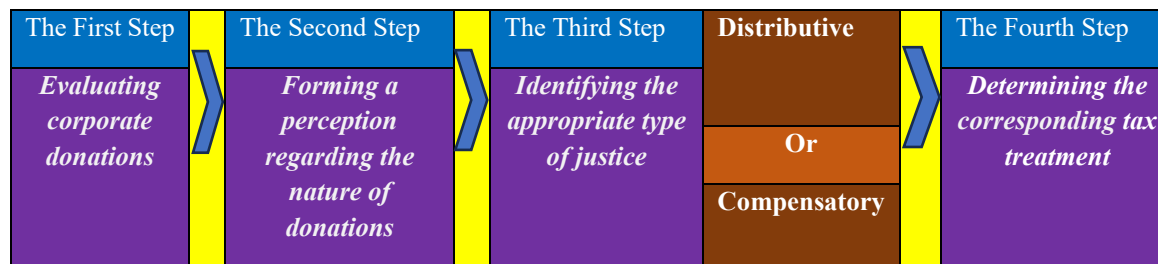


Figure 1. Steps for Determining The Tax Treatment of Corporate Donations

A rational evaluation of corporate donations is based on several key considerations, including their impact on financial performance, the extent of harm caused by corporate activities, the nature and purpose of donations, market structure, and the type of products involved. These criteria provide the basis for forming a logical perception of donations and determining the appropriate tax treatment in line with distributive or compensatory justice.

Detailed Explanation of the Seven Scenarios

The following section elaborates the seven scenarios that legislative bodies may adopt in determining fair tax treatments for corporate donations, including their underlying logic, conditions, and implications.

Scenario 1: Donations as Marketing Costs

Although corporate donations are voluntary, in competitive markets they often function as strategic expenditures that enhance reputation and competitive advantage, thereby improving financial performance. In such contexts, donations can be regarded as operating expenses.

Accordingly, donations should be deducted from taxable income when the following conditions are met:

- (1) Donations contribute to financial performance,
- (2) Corporate activities do not harm society,
- (3) Donations are not related to government spending, and
- (4) Donations are not made under emergency conditions.

Under this scenario, tax reductions are not considered tax savings, as donations represent necessary expenditures. This approach aligns with distributive justice, where benefits and burdens are shared among stakeholders.

Scenario 2: Donations as Indirect Taxes

When donations support public expenditure, they may be interpreted as indirect tax contributions. In this case, donations are deducted directly from tax liabilities.

If firms cause harm, donations may instead be treated as compensation and deducted from after-tax income. In cases where harm cannot be eliminated, donations may be partially treated as indirect taxes and partially as compensation.

This scenario reflects compensatory justice, as donations compensate society and are offset by tax reductions.

Scenario 3: Donations as Joint Costs

Donations may generate both private and social benefits. In such cases, they are treated as joint costs, with one portion classified as marketing costs and another as compensation.

Accordingly:

- One part is deducted from pre-tax income
- The other part is deducted from after-tax income

This approach reflects distributive justice, as both benefits and burdens are shared among stakeholders.

Scenario 4: Donations as Compensation to Society

When corporate activities cause harm, donations should be treated as compensation regardless of other considerations.

In this case, donations are deducted from after-tax income. If donations also enhance financial performance, they may be partially treated as marketing costs, but the dominant logic remains compensatory.

This scenario is grounded in compensatory justice.

Scenario 5: Donations as Shared Responsibility

Corporate donations may reflect shared responsibility between firms and governments in addressing societal needs.

Accordingly, the tax burden is shared:

- Part of the donations is deducted from tax liabilities
- the remaining part is deducted from the after-tax income

This approach reflects distributive justice, particularly when firms do not harm society or when donations do not affect financial performance.

Scenario 6: Donations as Loans to the Government

Donations made under emergency conditions may be treated as interest-free loans to the government.

In this case, donations are offset against tax liabilities, either fully or in instalments. This approach reflects compensatory justice, as governments effectively reimburse firms for their contributions.

Scenario 7: Donations as Charitable Contributions by Owners

When donations do not affect financial performance, are unrelated to public spending, and are not emergency-related, they may be considered voluntary contributions by shareholders.

In this case, donations are deducted from after-tax income. This reflects distributive justice, where profits are allocated among government, society, and shareholders.

Table 1. Implicit and Explicit Results of the Seven Scenarios

Scenarios	Implicit and Explicit Results
Donations as marketing costs	Tax reduction is not a tax saving. Donations are necessary expenditures that may enhance revenues and indirectly support tax income.
Donations as indirect taxes	No significant impact on corporate profits or government revenues. Donations function as indirect tax contributions.
Donations as joint costs	Benefits and burdens are shared among firms, the government, and society.
Donations as compensation to society	Donations reflect compensation rather than philanthropy, even if they generate social benefits.
Donations as shared responsibility	Burdens are shared between firms and the government, reflecting joint responsibility for societal welfare.
Donations as loans to the government	Donations provide indirect financial support to the government and reduce tax revenue in the short term.
Donations as charitable contributions by owners	Profits are allocated among taxes, donations, and retained earnings.

The seven scenarios presented in Table 1 illustrate that the tax treatment of corporate donations is not uniform but varies depending on the underlying interpretation of donations and the conditions under which they are made. These scenarios highlight the need for a structured evaluation framework to ensure that tax policies are applied consistently and fairly.

To operationalize this framework, it is necessary to clarify the concept of tax savings and establish clear evaluation criteria that guide the selection of the appropriate tax treatment.

Evaluation and Policy Implications

Evaluating corporate donations based on distributive and compensatory justice provides a novel and flexible framework. This approach:

- (1) Preserves the integrity of CSR, and
- (2) Enhances fairness among firms and stakeholders.

Legislators may adopt different scenarios across industries and firms, reflecting variations in economic conditions and corporate behavior.

Redefining the Concept of Tax Savings

Traditional interpretations consider any reduction in income tax resulting from the inclusion of donations in tax calculations as tax savings. However, this view is conceptually misleading.

This study defines tax savings more precisely as reductions in tax liability that arise from direct deductions from the tax bill. Accordingly, not all tax reductions associated with corporate donations should be classified as tax savings.

In particular:

- Deductions from taxable income do not constitute tax savings, as they reflect necessary expenditures, such as marketing costs
- Only deductions from tax liability can be considered true tax savings

This distinction is essential for correctly interpreting the fiscal implications of different tax treatments across the seven scenarios.

How to Evaluate and Select the Appropriate Tax Treatment

The selection of an appropriate tax treatment requires a structured and conditional evaluation process.

First, the environmental and social impact must be assessed

It is necessary to determine whether the company contributes to environmental or social harm. If no harm exists, the evaluation proceeds to the nature and purpose of donations. However, if harm exists, donations are primarily treated as compensation to society and deducted from after-tax income. A further distinction is required between harm that can be mitigated and harm that cannot be prevented, as this affects the extent of compensation.

Second, the nature and purpose of donations must be identified

Donations that are not related to government spending and are not provided under emergency conditions, and that enhance corporate reputation and financial performance, may be treated as marketing costs and deducted from taxable income. In contrast, donations directed toward public expenditure may be treated as indirect taxes, while those provided under emergency conditions may be considered loans to the government and deducted from tax liabilities.

Third, the impact of donations on financial performance must be evaluated

Donations that contribute to improving financial performance, particularly in competitive markets, may justify treatment as marketing costs or joint costs. Conversely, when donations do not generate financial benefits, alternative classifications such as shared responsibility or charitable contributions by owners may be more appropriate.

Fourth, market structure and product characteristics must be considered

Market structure influences whether donations affect financial performance, as competitive firms are more likely to benefit from reputational gains than monopolistic firms. In addition, product classification into essential and non-essential goods is important for determining fairness. Donations related to essential products may require a different treatment compared to those related to luxury products, particularly under compensatory justice.

When multiple interpretations of donations are possible, compensatory justice takes precedence over distributive justice. Table 2 summarizes the evaluation criteria, corresponding scenarios, required conditions, types of justice, and associated tax treatments derived from this structured assessment.

Table 2. Evaluation Criteria, Scenarios, Justice Type, and Tax Treatment

Evaluation Criteria	Scenario	Required Conditions	Type of Justice	Tax Treatment
Positive impact on financial performance	Donations as marketing costs	Donations enhance financial performance; no environmental harm; not related to government spending; not emergency-based	Distributive justice	Deduct from taxable income
Support for public expenditure	Donations as indirect taxes	Donations related to government spending; no environmental harm	Compensatory justice	Deduct from tax liability
Dual benefit (company and society)	Donations as joint costs	Donations benefit both the company and recipients; no environmental harm; not	Distributive justice	Split: pre-tax and after tax

Evaluation Criteria	Scenario	Required Conditions	Type of Justice	Tax Treatment
		government-related; not emergency-based		
Environmental or social harm	Donations as compensation to society	The company causes harm	Compensatory justice	Deduct from after-tax income
Shared responsibility	Donations as shared responsibility	No financial performance impact; no harm OR monopoly firm	Distributive justice	Split: tax liability and after tax
Emergency or humanitarian context	Donations as loans to the government	Donations made under emergency conditions exceeding normal allocations	Compensatory justice	Offset against tax liability
Purely voluntary contribution	Donations as charitable contributions by owners	No financial benefit; no harm; not government-related; not emergency-based OR monopoly	Distributive justice	Deduct from after-tax income

Conceptual Naming of Tax Treatment Methods

For conceptual clarity, this study proposes an alternative naming approach for tax treatment methods by reframing “taxes” as the *government’s rights* and “donations” as *society’s rights*. Within this perspective, corporate donations are viewed as society’s rights voluntarily transferred by corporations, consistent with the principles of social contract theory.

This reframing provides a clearer interpretation of how economic rights are allocated among stakeholders under different tax treatment scenarios. Table 3 presents the proposed naming of tax treatment methods based on the seven scenarios, without extending to additional assumptions or alternative configurations.

Table 3. Conceptual Naming of Tax Treatment Methods

Perception	Tax Treatment	Conceptual Naming
Donations as marketing costs	Deducting donations (society’s rights) from taxable income	Allocation of society’s rights prior to the government’s rights
Donations as indirect taxes	Deducting donations from tax liability (income tax)	Government’s rights followed by a reallocation to society’s rights
Donations as joint costs	Partial deduction from pre-tax income and partial deduction from after-tax income	Sequential allocation between society’s and the government’s rights
Donations as compensation to society	Deducting donations from after-tax income	Government’s rights followed by society’s rights
Donations as shared responsibility	Partial deduction from tax liability and partial deduction from after-tax income	Shared allocation between the government and society
Donations as loans to the government	Offsetting donations against tax liability	Temporary transfer of corporate rights to the government’s rights
Donations as charitable contributions by owners	Deducting donations from after-tax income	Allocation of profits between the government and society

Requirements for Applying the Distributive and Compensatory Justice Approach

The implementation of a distributive and compensatory justice framework in the tax treatment of corporate donations requires a structured classification of firms based on several key dimensions.

First, companies should be classified according to the characteristics of the market structures in which they operate, including perfect competition, monopolistic competition, oligopoly, and monopoly.

Second, firms should be categorized based on the nature of their products, particularly distinguishing between essential and non-essential (luxury) goods.

Third, companies must be evaluated based on their contribution to environmental or social harm, distinguishing between polluting and non-polluting entities.

Fourth, polluting firms should be further classified according to their ability to mitigate or prevent such harm.

Finally, companies should be assessed based on whether corporate philanthropy contributes to their financial performance, particularly in terms of indirect economic benefits.

These classifications are essential for ensuring that tax treatment decisions are aligned with both distributive and compensatory justice principles and reflect the economic realities of corporate behavior.

CONCLUSION

Adopting a uniform tax treatment for all corporate donations, whether through granting or denying tax incentives, does not ensure fairness among stakeholders and may distort the fundamental purpose of corporate social responsibility. A single policy approach fails to reflect the diverse economic realities underlying corporate donations.

This study argues that the optimal tax treatment should be aligned with the actual economic meaning of corporate donations, as determined through a structured and context-specific evaluation. By incorporating key factors such as environmental impact, financial implications, and the nature of donations, tax treatment can be more accurately matched to real-world conditions.

To address this issue, the study proposes a framework based on distributive justice and compensatory justice as a normative foundation for determining tax treatment. This approach enables a more balanced allocation of rights and responsibilities among stakeholders, while preserving the integrity of CSR.

The primary contribution of this study lies in reframing the debate on corporate donation taxation. Rather than focusing on whether tax incentives should be granted, the study advances a more nuanced perspective that considers which type of tax treatment is appropriate, for which type of firm, and under what conditions. The seven proposed scenarios and the structured evaluation framework provide a conceptual basis for designing more equitable and context-sensitive tax policies.

This framework offers practical implications for policymakers seeking to develop fairer tax systems and avoid unintended distortions in corporate behavior. It also provides a foundation for future research to further refine and empirically examine the proposed approach.

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