Abstract

The notion that businesses have certain responsibilities towards the society beyond the profit maximizing principle known as the Corporate Social Responsibility (CSR) has been devoted increasing attention in the academic field. Prior literature has found a link between firms´ CSR engagement and the use of tax havens, which are generally known for offering some form of preferential tax treatment. The aim of this thesis is to examine this relationship in the context of the Central and Eastern European countries. To perform the analysis, we collected data on 79 unique Central and Eastern European firms from 11 countries for the year 2020. Employing the ordered logistic regression methodology with CSR performance as categorical response variable and a tax haven user dummy as the main dependent variable of interest, we discovered that there is a significant relationship between CSR and tax haven use. It can be thus claimed that CSR has already developed sufficiently for such relationship to emerge in the post-communist region. Moreover, we find that this relationship is negative. This would suggest that the probability of being socially responsible is lower in tax haven using firms. Specifically, we provide evidence that tax haven using firms are more than 60% less likely to have higher CSR score. Our results are therefore in line with the corporate culture theory as opposed to the risk management theory. That is to say, our findings imply that in the context of CEE region, CSR is a reflection of firm´s shared beliefs rather than a reputation enhancing tool. Lastly, we show that the probability of a tax haven using firm being socially responsible increases after including the UK and the US into the list of tax havens.

| **Keywords** | Corporate Social Responsibility, tax havens, corporate culture theory, risk management theory, Central Europe, Eastern Europe, Ordered Logistic Regression |