

# **An Extended Abstract of the role of taxation in the international strategy literature: An overview and research agenda**

\*Aleksi Eerola, PhD Student, [aleksi.eerola@kuleuven.be](mailto:aleksi.eerola@kuleuven.be), +32486689824

and

Arjen Slangen, Professor of International Business, [arjen.slangen@kuleuven.be](mailto:arjen.slangen@kuleuven.be)

KU Leuven, Faculty of Economics and Business, Warmoesberg 26, 1000 Brussels, Belgium

Corresponding author email: [aleksi.eerola@kuleuven.be](mailto:aleksi.eerola@kuleuven.be)

## **ABSTRACT**

Since globalization has amplified the possibilities and necessity for firms to engage in cross-border tax arbitrage, and since such arbitrage has been increasingly scrutinized and thwarted, tax optimization has become an increasingly important strategic challenge for multinational enterprises (MNEs). Consequently, a sizeable number of studies by now has explored the role of taxation in international corporate strategies and their outcomes. We provide an overview of these studies and their findings and develop a research agenda to further advance the field. We structure our discussion of extant research around three categories of international strategies - strategies for profit shifting, relocations of headquarters, and foreign expansion strategies - and identify four fruitful areas for future research. These areas concern the measurement of income tax rates, the role of tax-related formal institutions other than income taxes, the role of tax-related informal institutions, and MNEs' strategic use of bargaining power to close tax deals with governments. More generally, our review shows that, rather than merely being an accounting issue, tax optimization poses strategic challenges for MNEs and therefore warrants even more attention from international strategy scholars.

**Keywords:** corporate taxation, international strategy, literature review, research agenda, tax optimization, profit shifting, headquarters relocations