

Analysis of the Impact of Tax Transparency on International Investment Behavior of Enterprises and the Role of Corporate Governance

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Abstract: Economic globalization is evolving in depth, and the international tax governance system is becoming increasingly perfect. Tax transparency has become a core institutional endowment that affects the cross-border resource allocation of enterprises. Based on three major theories of information asymmetry, this article deeply deconstructs the deep coupling logic between tax transparency and international investment decision-making, location selection, scale, and efficiency of enterprises, and explores the regulatory and intermediary effects of corporate governance. Research has found that tax transparency injects positive empowerment into international investment by reducing financing costs, easing cross-border tax exposure, and building a foundation of investor trust; Improved corporate governance can not only improve the quality of tax information disclosure, but also establish a sound compliance framework, significantly amplifying this positive effect. In addition, the impact of tax transparency shows distinct heterogeneity among different enterprise sizes, industry attributes, and investment regions. The BEPS Action Plan provides theoretical and practical guidance for enterprises to deepen tax transparency, governments to promote international tax management, and create a fair and efficient cross-border investment environment by improving global tax information exchange and reducing compliance risk exposure.

Keywords: Tax transparency, international investment behavior, corporate governance, cross-border investment, information disclosure.

1. Introduction

With the acceleration of global economic integration, international direct investment, cross-border mergers and acquisitions, and other activities are becoming increasingly frequent, becoming important paths for enterprises to expand their markets and optimize resource allocation. The institutional differences and tax management differences faced by cross-border investment make tax risk a core consideration for international investment decisions of enterprises. In recent years, international tax reforms represented by the OECD BEPS (Base Erosion and Profit Shifting) Action Plan have promoted the continuous improvement of global tax transparency rules. Countries have continuously increased their requirements for cross-border tax information disclosure by enterprises, and tax transparency has risen from an internal management issue to a public governance issue affecting the international investment environment [1].

The transparency of corporate taxation is directly related to the compliance costs, market trust, and resource acquisition capabilities of their cross-border investments. As the core of internal decision-making and supervision in enterprises, corporate governance is crucial for the quality of tax information disclosure and the efficiency of tax risk control, and may play a regulatory role between tax transparency and international investment behavior. Currently, academic research on tax transparency is mostly focused on areas such as corporate tax burden and earnings management, lacking a systematic analysis of its international investment effects, and there is no unified conclusion on the specific role of corporate governance.

In practice, enterprises with insufficient tax transparency are prone to cross-border tax investigations and investment

obstacles, while enterprises that standardize tax information disclosure are more likely to gain international market recognition. Based on this, this article focuses on the impact path of tax transparency on international investment behavior of enterprises, deeply analyzes the intermediary and regulatory roles of corporate governance, aiming to reveal the inherent logic of the three, provide practical reference for enterprises to optimize international investment strategies and improve corporate governance structures, and also provide theoretical basis for governments to formulate cross-border tax collection and management policies and promote international investment facilitation.

2. Theoretical Basis of Tax Transparency and International Investment of Enterprises

2.1. Definition of Core Concepts

The core of tax transparency is for enterprises to comprehensively, timely, and accurately disclose tax related information in accordance with tax regulations and international rules, including tax declaration data, tax planning strategies, cross-border related party transaction tax processing, tax compliance risks, etc. The essence is to reduce tax information asymmetry and safeguard the right to know of stakeholders such as tax authorities and investors. At the international level, the measurement is mainly based on the OECD's "Automatic Information Exchange Standards" and "Three Level Structure of Transfer Pricing Documents", with core evaluation dimensions of disclosure completeness, timeliness, and verifiability.

International investment behavior of enterprises refers to cross-border resource allocation activities, including foreign direct investment (greenfield investment, cross-border

mergers and acquisitions), foreign securities investment, international cooperative research and development, etc. The core characteristics are cross-border decision-making, environmental complexity, and risk diversification. The key decision-making dimensions include investment location, scale, method, and duration, all of which are influenced by external factors such as tax system and information environment, as well as internal factors such as corporate governance and resource capabilities.

2.2. Theoretical Support System

The theory of information asymmetry constitutes the core analytical dimension. In cross-border investment, the information gap between investors and enterprises, as well as between enterprises and the tax authorities of the host country, is particularly prominent: vague disclosure of tax information by enterprises can shake investors' confidence in expected returns, thereby raising financing costs; The host country's tax authorities have strengthened their tax collection and management due to information imbalance, exacerbated compliance risks, and suppressed investment willingness.

The theory of agency provides a key analytical framework for deconstructing the effectiveness of corporate governance. There is a deviation between the interests of owners and management, and management may conceal tax core information and adopt aggressive tax planning in pursuit of short-term performance, which not only weakens tax transparency but also distorts the scientific nature of cross-border investment decisions. Sound corporate governance can be effectively constrained through professional supervision by the board of directors and audit mechanisms, promoting standardized disclosure of tax information and ensuring that investment decisions align with the long-term development vision of the enterprise.

Institutional theory focuses on the dual effects of the external institutional environment. The global tax transparency rules are increasingly converging, and the international tax coordination mechanism represented by the BEPS Action Plan constitutes a rigid constraint. By following disclosure standards, enterprises can not only gain institutional legitimacy endorsement, but also reduce barriers to cross-border investment access, enhance market trust, and lay a solid foundation for promoting cross-border investment [2].

3. Mechanism Analysis of The Impact of Tax Transparency on International Investment Behavior of Enterprises

Tax transparency can make corporate information disclosure more authentic and concrete, effectively bridging the information gap between investors and companies, reducing valuation bias, and strengthening investor trust stickiness [3]. Cross border investment cannot be separated from the support of large long-term funds, and financing ability directly affects how big and fast the investment can be made.

Enterprises with transparent tax information allow investors to clearly see their tax compliance status and profit stability. With peace of mind and no worries, they can naturally obtain more favorable financing rates and loose terms. Whether it is seeking loans from international financial institutions or issuing cross-border bonds, they have an

advantage and can steadily support the funding needs of international investment.

Cross border investment often encounters issues such as double taxation, tax penalties, and legality of tax planning, which are mostly caused by the lack of transparency in tax information. The BEPS Action Plan has made the global tax information exchange system increasingly perfect, which coincides with the trend of international tax management coordination. Tax authorities can accurately identify violations through cross-border information sharing. At this point, tax transparent enterprises that proactively disclose information do not have to worry about being investigated or punished for concealing information, and compliance costs can be significantly reduced; Moreover, when applying for tax treaty benefits and enjoying tax incentives from the host country, it is more advantageous, which can legally reduce the actual tax burden and increase the returns on international investment.

When making international investment decisions, it is necessary to comprehensively consider many factors such as the host country's tax policies, market environment, and tax management level. Tax transparency is the key decision-making basis that enterprises need. Enterprises with transparent tax information can accurately calculate tax costs and compliance risks in different host countries, scientifically plan investment layouts - accurately match their own resources with the tax advantages of the host country, and develop differentiated risk strategies for different transparency regions. In addition, standardizing the disclosure of tax information will force enterprises to establish a sound tax management system, incorporate tax factors into the entire process of investment project evaluation, avoid decision-making errors caused by poor tax planning, ensure that international investment projects are in line with the overall strategy of the enterprise, and make investment resources more reasonable and decision-making efficiency higher.

4. The Moderating Effect of Corporate Governance on Tax Transparency and International Investment

4.1. The Investment Promotion Effect of Strengthening Tax Transparency Through Board Supervision

The board of directors is the core of corporate governance, and its supervisory function can enhance tax transparency, making its positive impact on international investment more evident. Establishing a specialized tax committee or designating professional directors to manage taxation can better supervise the tax decisions of the management and promote standardized disclosure of tax information; Directors with financial and tax backgrounds can accurately identify tax risks, ensuring that tax planning is legal and transparent. Enterprises with a high proportion of independent directors can more objectively supervise disclosure and avoid management sacrificing transparency for short-term benefits. Enterprises with a tax committee have significantly higher tax information disclosure completeness and cross-border investment success rate than those without, which can reduce management opportunistic behavior and avoid decision-making deviations.

4.2. Audit Mechanism Ensures the Quality of Tax Information and Reduces Investment Uncertainty

The dual audit mechanism of the audit committee and external audit institutions is an important guarantee for enhancing tax transparency, which can reduce international investment uncertainty by improving information quality [4]. The audit committee reviews the authenticity and completeness of disclosures and supervises the external audit process; External auditing agencies conduct independent audits of tax statements and related party transactions, verify the reliability of information, and provide authoritative references. In cross-border mergers and acquisitions, the target company providing tax reports audited by professional institutions can help the acquirer accurately assess risks, shorten negotiation cycles, and reduce transaction costs; At the same time, promote the establishment of a standardized tax internal control system for enterprises and provide continuous support.

4.3. Equity Structure Affects Tax Transparency Decisions and Regulates Investment Behavior

The equity structure will regulate the relationship between tax transparency and international investment through decision-making logic. When equity is concentrated, the controlling shareholder can directly influence tax information disclosure: emphasizing long-term development promotes transparency and enhances investment competitiveness, while pursuing short-term benefits may tighten disclosure and retain flexibility in tax planning. In the case of dispersed equity, small and medium-sized shareholders prefer transparency in corporate taxation to protect their interests and prevent management from concealing information and deceiving them. Institutional investors such as social security funds and sovereign wealth funds often include tax transparency in their evaluation criteria, voting with their feet on opaque companies to force them to increase transparency and attract funds to support international investment.

5. Heterogeneity Analysis of The Impact of Tax Transparency in Different Contexts

The impact of tax transparency on international investment varies greatly between large enterprises and small and medium-sized enterprises. The tax management system of large enterprises is more mature, with strong compliance capabilities, better adapted to international tax transparency rules, and transparent signals are more effective, easily recognized by the host country government and market.

It can also rely on economies of scale to dilute compliance costs, amplify the promotion effect on investment, and coupled with its large international investment scale and wide scope, tax transparency has a more critical impact on decision-making. Small and medium-sized enterprises have limited tax management resources, and improving transparency requires additional compliance costs. In addition, their international investment scale is small, and their signal effect is weak. Some companies maintain low transparency due to cost pressures, which increases financing and compliance risks and weakens the investment promotion effect of tax transparency.

The industry characteristics of manufacturing and service industries determine the heterogeneity of the impact of tax transparency. International investment in the manufacturing industry is mostly in the form of greenfield investment, cross-border mergers and acquisitions, and other physical asset investments, involving multiple taxes such as tariffs and corporate income tax. Tax transparency has a more direct impact on investment costs and risks. International investment in the service industry is concentrated in fields such as finance and technology, with intangible asset investment and cross-border services as the main focus. Tax risks focus on transfer pricing, permanent establishment recognition, etc. The core role of tax transparency is to avoid disputes over the legality of tax planning, and its core competitiveness is related to intangible assets. Tax transparency can indirectly help expand the international market by enhancing reputation [5].

The differences in the institutional environment of the host country result in heterogeneity in the impact of tax transparency between developed and developing countries. Developed countries have sound tax transparency rules, strict tax management, and high participation in cross-border tax information exchange. Tax transparency is the core for enterprises to obtain institutional legitimacy. Transparent enterprises can quickly adapt to tax management requirements, while opaque ones face strict tax management and high investment costs. The tax transparency rules in developing countries are not perfect and the efficiency of tax collection and management is low, but some countries have tax incentives for foreign investment. Tax transparency mainly relies on improving financing capabilities to assist investment, and has little impact on access. There are significant differences in rules among countries, and companies need to adjust their disclosure strategies to improve quality and efficiency.

6. Enhancing Tax Transparency and Optimizing Corporate Governance Pathways for International Investment

Establishing a sound tax information disclosure system is the core essence. Enterprises should establish a standardized disclosure system, taking into account the comprehensiveness, timeliness, and accuracy of information, benchmarking international rules, covering core content such as tax compliance status and pricing principles for cross-border related transactions, and meeting the demands of stakeholders. The disclosure medium can be annual reports, social responsibility reports, or special tax reports to ensure that information is accessible. Enterprises need to dynamically track BEPS action plans and OECD standard iterations, flexibly adjust disclosure content, follow the three-level structure of transfer pricing documents to organize information, and strengthen the compliance foundation of cross-border investment [6].

Next, we need to strengthen the corporate governance structure and enhance our tax management capabilities. Enterprises may wish to adjust the structure of the board of directors, set up a special tax committee, find some professionals who understand finance, tax and law as directors, and more Dim sum to supervise tax transparency and international investment decisions. The audit committee should establish a clear tax audit process, regularly verify the

quality of disclosure, focus on external audits, and ensure the authenticity and credibility of information. At the same time, provide more tax literacy training to the management team and integrate tax management into the entire investment process: carefully analyze the host country's tax policies during evaluation, and include costs and risks in feasibility analysis; Establish a cross-border tax management system during implementation and monitor compliance status in real-time.

Secondly, establish a comprehensive tax compliance management system and strengthen cross-border tax risk prevention and control. Enterprises need to integrate compliance requirements throughout the entire investment process: conduct thorough tax due diligence in the host country before investment and finalize compliance strategies; Standardize cross-border tax declaration, related party transaction management, and archive preservation in investment; Regularly conduct tax audits after investment and promptly rectify risks and hidden dangers. At the same time, professional tax consulting firms can be introduced to support the establishment of a performance evaluation mechanism, incorporating transparency and compliance levels into management performance evaluations to ensure the long-term stable promotion of international investment.

Finally, strengthen cross-border tax collaborative governance and enhance the adaptability of the institutional environment. Enterprises need to strengthen communication and cooperation with the tax authorities of the host country and home country, actively participate in cross-border tax governance: clarify tax treatment rules through tax pre rulings and tax treaty negotiations before investment, and reduce uncertainty; Actively cooperate with cross-border information exchange in investment and maintain good tax management interaction relationships. In addition, we should actively participate in the tax governance process of industry associations and international business organizations, provide practical suggestions for rule making, provide feedback on pain points in practice, help optimize and improve rules, and create a more favorable institutional environment for cross-border investment.

7. Conclusion

Based on the theories of information asymmetry, agency theory, and institutional theory, this article deeply deconstructs the deep coupling logic between tax transparency, corporate governance, and international investment behavior of enterprises. The core conclusion is as follows: tax transparency has a significant positive empowering effect on international investment of enterprises by reducing financing costs, easing tax compliance exposure, and improving decision-making efficiency, and this effect shows significant heterogeneity in enterprise size (larger enterprises have higher adaptability, and compliance cost constraints for small and medium-sized enterprises are more prominent), industry type (manufacturing industry focuses on cost risk regulation, service industry focuses on reputation

and compliance governance), and investment region (developed countries focus on institutional adaptation, developing countries focus on financing empowerment).

Corporate governance plays a core regulatory role in the interaction among the three parties, relying on professional supervision by the board of directors, rigid checks and balances through audit mechanisms, and optimization of equity structure. It not only improves the quality and efficiency of tax information disclosure, but also amplifies the positive effects of tax transparency on international investment. A sound governance system is the core pivot for its value transformation.

Currently, global tax governance is becoming increasingly strict, and enterprises need to rely on standardized tax information disclosure and governance optimization as support, establish a full process compliance system and cross-border tax collaboration mechanism, and develop differentiated strategies based on their own characteristics to achieve a positive interaction between the two.

At the policy level, we should deepen international coordination in tax collection and management, improve tax transparency rules, strengthen cross-border information exchange, and help small and medium-sized enterprises overcome resource constraints and narrow the international investment gap through tax incentives and compliance training.

Although this article clarifies the theoretical correlation and action path of the three, it does not quantify the impact intensity and boundary conditions. In the future, the theoretical model can be empirically verified by combining enterprise micro data; New investment scenarios have emerged in the digital economy, and the interactive logic among the three can be explored in the future to provide precise theoretical support for practice.

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