

Exploring CSR Disclosure and Tax Avoidance: Profitability as a Moderating Variable in Indonesian Manufacturing Firms

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ABSTRACT

Purpose: The study aims to provide empirical evidence on the relationship between Corporate Social Responsibility (CSR) disclosure and tax avoidance, while examining profitability as a moderating variable. By focusing on manufacturing companies listed on the Indonesia Stock Exchange (IDX), the research seeks to clarify whether CSR practices can reduce aggressive tax behavior regardless of financial performance.

Method: The research employs a quantitative approach using purposive sampling to select 37 manufacturing firms from the IDX. CSR disclosure is measured through the Global Reporting Initiative (GRI) G4 guidelines, tax avoidance is proxied by the Effective Tax Rate (ETR), and profitability is assessed using Return on Assets (ROA). This methodological framework ensures consistency in evaluating the interaction among the variables.

Findings: The results reveal that CSR disclosure significantly influences tax avoidance, with higher CSR transparency linked to lower levels of tax avoidance practices. However, profitability does not moderate this relationship. Whether firms achieve high or low profitability, CSR disclosure consistently affects tax avoidance behavior.

Implication: These findings highlight important implications for regulators and corporate managers. Strengthening CSR reporting can serve as an effective mechanism to curb tax avoidance, independent of profitability levels. This suggests that ethical responsibility embedded in CSR may outweigh financial incentives in shaping tax behavior.

Originality: The originality of this study lies in its focus on Indonesian manufacturing firms and its integration of profitability as a moderating factor. By demonstrating that profitability does not alter the CSR–tax avoidance relationship, the research contributes novel insights to the literature and encourages further exploration of other moderating variables.

Keywords: Corporate Social Responsibility, tax avoidance, ROA.

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1. INTRODUCTION

Article 1 of the General Provisions and Taxation Law Number 28 of 2007 defines tax as a mandatory contribution to the state owed by individuals and corporations, which is compulsory and does not receive direct compensation. Tax collection by the government is not always welcomed by taxpayers. The majority of corporate taxpayers (corporate taxpayers) still view the obligation to pay taxes as a burden. Taxes mean a transfer of resources from the business sector to the public sector or government, resulting in reduced purchasing power (Santoso & Rahayu, 2013: 1). In accordance with Article 12 of the General Provisions and Taxation Law, taxpayers are permitted to calculate, pay, and report their own taxes (self-assessment system).

The self-assessment system influences taxpayers' efforts to reduce costs, enabling them to engage in tax planning practices, one of which is tax avoidance. The phenomenon of tax avoidance in Indonesia occurred at PT Bentoel Internasional Investama Tbk, which was suspected of tax avoidance



through intra-company loans and back-home payments to the UK for royalties, fees, and services (Network, 2019).

A company's decision to engage in tax avoidance is also influenced by its decision to engage in Corporate Social Responsibility (CSR) activities (Hidayat et al., 2016). Law No. 40 concerning Limited Liability Companies defines CSR as a company's commitment to participate in sustainable economic development to improve the quality of life and contribute to a beneficial environment. The public views a company as responsible to the state when it complies with corporate tax payments. However, if a company engages in tax avoidance, this is inconsistent with the company's legitimacy and results in a deterioration in its image among the public and stakeholders (Ningrum et al., 2018).

Companies are no longer solely responsible to their shareholders, but now their responsibility extends to the general public (society), hereinafter referred to as social responsibility (Hadi, 2018: 145). CSR is used as an option for companies to avoid paying taxes. Companies typically manage all CSR programs themselves, from activities to costs. Therefore, the government will have difficulty tracking cash flow and the possibility of markups (Zsazya, 2019). Research by Sandra and Anwar (2018), Ningrum et al. (2018) shows that CSR negatively impacts tax avoidance, while CSR positively impacts tax avoidance (Wiguna & Jati, 2017; Adzroo & Suryaningrum, 2023). Another factor influencing management to engage in tax avoidance is profitability (Arianandini & Ramantha, 2018). Profitability is a measure of a company's performance in efficiently utilizing its assets to generate profits. Profitability in this study is proxied by the ROA ratio with the consideration that ROA is able to show the effectiveness of management in utilizing assets in an effort to obtain income (Purwanto, 2011).

This research remains important because tax avoidance continues to be a pressing issue in emerging economies, including Indonesia, where corporate transparency plays a vital role in strengthening public trust and state revenue. By examining the link between CSR disclosure and tax avoidance, the study addresses whether ethical corporate practices can effectively reduce aggressive tax behavior. The novelty lies in incorporating profitability as a moderating variable, an angle rarely explored in prior studies. Although the findings show that profitability does not alter the CSR–tax avoidance relationship, this result itself is significant, as it highlights the independent role of CSR in shaping corporate tax behavior. This opens opportunities for future research to test other moderating factors, such as governance structures or leverage. The study's contribution is twofold. First, it provides empirical evidence from Indonesian manufacturing firms, enriching the literature with insights from a developing market context. Second, it offers practical implications for policymakers and managers: enhancing CSR disclosure can serve as a non-financial mechanism to curb tax avoidance, regardless of profitability levels. Thus, the research advances both academic understanding and policy relevance in the intersection of CSR and taxation.

2. LITERATURE REVIEW

2.1. Stakeholder Theory

Stakeholder theory, first introduced by Freeman (1984), emphasizes that companies are responsible not only to shareholders but also to all parties with an interest in the company's activities. This theory views organizational success as dependent on its ability to create value for various groups, including employees, customers, suppliers, governments, and the wider community. Therefore, companies should not focus solely on short-term profits but also on long-term sustainability through mutually beneficial relationships. This approach places ethics and social responsibility as an integral part of business strategy. Companies that ignore stakeholder interests risk losing social legitimacy and public trust (Rashid, 2024). Therefore, stakeholder theory is an important framework for understanding how companies can survive and thrive amidst the complexities of the modern business environment.

Over time, stakeholder theory has influenced corporate governance practices, sustainability reporting, and Corporate Social Responsibility (CSR) initiatives. This theory emphasizes that creating value for one stakeholder group often positively impacts others, resulting in a more balanced business ecosystem. For example, investing in employee well-being can increase productivity, ultimately benefiting shareholders. Furthermore, active engagement with the community can strengthen a company's reputation and open up new market opportunities. Donaldson and Preston (1995) add that stakeholder theory has normative, descriptive, and instrumental dimensions, allowing it to be used to explain, justify, and guide business practices (Mahajan et al., 2023). With this framework, companies pursue not only profitability but also social legitimacy and long-term sustainability. Therefore,

stakeholder theory contributes significantly to shaping a more inclusive and responsible business paradigm.

2.2. Institutional Theory

Institutional theory explains how organizations are shaped by the rules, norms, and cultural expectations of the environments in which they operate. Rather than focusing solely on efficiency or profit, this theory emphasizes legitimacy as a key driver of organizational behavior (Klaus et al., 2025), 1983). Organizations adopt structures, practices, and policies that conform to institutional pressures, even when these do not directly enhance performance. Such pressures can be coercive, stemming from laws and regulations; normative, arising from professional standards; or mimetic, resulting from imitation of successful peers. This framework highlights that organizations often seek social approval and stability by aligning with widely accepted practices. Institutional theory thus provides a lens to understand why firms across industries tend to become similar over time, a phenomenon known as isomorphism. By focusing on legitimacy, the theory underscores the importance of external expectations in shaping organizational strategies and outcomes.

The significance of institutional theory lies in its ability to explain organizational conformity and the diffusion of practices across industries. Meyer et al. (2023) argue that organizations adopt formal structures to gain legitimacy, even if these structures are decoupled from actual operations. This means that companies may implement policies or reporting frameworks primarily to meet external expectations rather than to improve internal efficiency. Institutional theory also sheds light on the persistence of practices that may not be economically optimal but remain in place due to cultural or regulatory pressures. For example, sustainability reporting and CSR disclosures often emerge as responses to institutional demands rather than purely voluntary initiatives. The theory has been widely applied in research on corporate governance, accounting, and organizational change, offering insights into how external environments shape internal dynamics. Ultimately, institutional theory contributes to understanding the balance between organizational autonomy and societal expectations, reinforcing the idea that legitimacy is as crucial as profitability.

2.3. CSR Disclosure and Tax Avoidance

In relation to legitimacy theory, companies seek recognition from various parties, such as the government, creditors, investors, and the public, to maintain their viability by implementing CSR activities and paying taxes in accordance with government regulations. CSR and taxes have similarities: both provide social contributions to society. Stakeholder theory aims to help companies strengthen relationships with external groups to develop competitive advantages (Mardikanto, 2018: 68). Increasing costs for CSR programs will reduce corporate profits and, consequently, the company's tax burden (Pradipta & Supriyadi, 2015). Based on this description, the following hypothesis can be formulated:

H1: CSR disclosure affects tax avoidance

2.4. Profitability as Moderator

The relationship between profitability and tax avoidance shows a negative effect, as evidenced by research by Arianandini and Ramantha (2018), who found that the more profitable a company is, the more it can position itself for tax planning, thus achieving optimal tax returns. CSR activities incur costs, which then affect the company's profits and tax burden. According to Article 74 of the Limited Liability Company Law in conjunction with Article 4 of Government Regulation No. 47 of 2012, CSR funding comes from the allocation of company profits. Research by Tjondro et al. (2016) shows that there is a moderating effect of ROA, which strengthens the influence of CSR on tax avoidance. Companies that are more socially responsible are less likely to engage in tax avoidance (Sari & Adiwibowo, 2017). From the above description, the following hypothesis:

H2: Profitability moderates the effect of CSR disclosure on tax avoidance

The development of Hypotheses, the relationship between variables and the hypothesis testing are shown in Figure 1. The dependent variable is CSR, the independent variables tax avoidance, and the moderating variable is profitability. The simple linear regression analysis is used to test the first hypothesis, while the second hypothesis using moderated regression analysis (MRA).

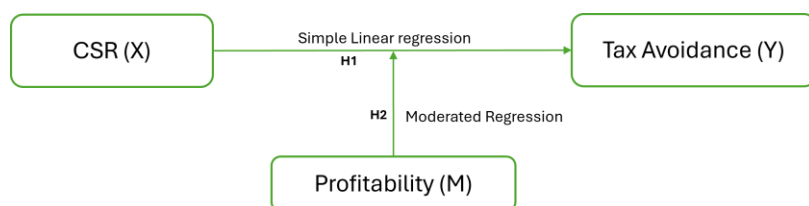


Figure 1. Research Model

3. RESEARCH METHOD

3.1. Research Design

This study adopts a quantitative research design using multiple regression analysis to examine the relationship between CSR, tax avoidance, and profitability in manufacturing companies listed on the Indonesia Stock Exchange (IDX). Quantitative designs are appropriate when the goal is to test hypotheses and measure relationships among variables using numerical data (Creswell & Creswell, 2018). Secondary data were collected from company financial reports, ensuring reliability and consistency across observations. The use of regression analysis allows for the identification of both the strength and direction of relationships between independent and dependent variables, which is essential in financial research contexts (Hair, Black, Babin, & Anderson, 2021).

3.2. Sample dan Data Collection

The population used in this study was manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2016 and 2018. The data used in the study was secondary data, in the form of annual reports and financial statements, obtained from the IDX website and each company's website using documentation techniques. Sampling was conducted using a purposive sampling method (see Table 1).

Table 1. Sample Selection Criteria.

| No | Sampling criteria | Number/year | Total |
|----|--|-------------|-------|
| 1 | Manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2016 and 2018 that were not delisted during the study period. | 182 | 546 |
| 2 | Did not publish annual reports consecutively in the period 2016 – 2018. | (60) | (180) |
| 3 | Use reporting currencies other than the rupiah | (26) | (78) |
| 4 | Did not disclose CSR activities in their annual reports or websites or sustainability reports. | (4) | (12) |
| 5 | Experienced losses during the research period. | (30) | (90) |
| 6 | Annual report is illegible or damaged | (3) | (9) |
| | Outlier | (22) | (66) |
| | Total sample and data processed | 37 | 111 |

Source; IDX and data processed

3.3. Operational Definitions and Variable Measurement

Based on the conceptual model and hypotheses developed, the variables used in this study are tax avoidance (Y) as the dependent variable, CSR (X) as the independent variable, and profitability (M), as moderating variable. The operational definitions and variable measurements are shown in Table 2.

3.4. Data analysis

In this study, the Kolmogorov Smirnov test was used to test the normality of the data. The Kolmogorov Smirnov test assumes that the distribution of the observed variables is continuous and is suitable for testing the goodness of fit of a variable measured at least on an ordinal scale.

Outlier data is data that is significantly different from other data. Outlier data can occur for several reasons, namely errors in data entry and errors in sampling, and there is indeed extreme data whose existence cannot be avoided. Detection of outliers can be done by determining the threshold value that is categorized as an outlier by converting the research data values into a standard score, also called a Z-score, which has an average value of zero and a standard deviation of one. If the data is an outlier, then the Z value obtained is greater than +1.96 or smaller than -1.96. If you look at the z table, the value $z = 1.96$ is the same as the area under the normal curve of 97.5%. This means that

97.5% of all data values are normal data or if the data varies from the average, the variation is still within normal limits (Hair et. Al., 2021).

Table 2. Operational Definitions and Variable Measurement

| No | Variable | Operational Definition | Measurement |
|----|-------------------|--|--|
| 1 | Tax Avoidance (Y) | Legal action by exploiting loopholes in tax regulations to minimize the tax burden owed to the state | $ETR = \frac{Total\ Tax\ Expense}{Pre - Tax\ income} \times 100\%$ (Irawan et al., 2017) |
| 2 | CSR (X) | The checklist refers to GRI G4, with a score of 1 if item i is disclosed by the company and 0 if item i is not disclosed in the checklist table. | $CSR = \frac{Number\ of\ CSR\ items\ disclosed}{91\ GRI - G34\ disclosure\ items} \times \frac{Total\ Tax\ Expense}{Pre - Tax\ income}$ (Adzroo & Suryaningrum, 2023) |
| 3 | profitability (M) | Management effectiveness in utilizing assets in an effort to obtain income (Purwanto, 2011) | $ROA = \frac{Net\ profit\ after\ tax}{Total\ Assets} \times 100\%$ |

Source: Previous Research.

Simple Linear and Moderated Regression

The analysis technique used in this research is a simple linear regression analysis and moderated regression model with the following equation model:

$$Y = \alpha + \beta_1 X_1 + \varepsilon \dots\dots\dots (1)$$

$$Y = \alpha + \beta_1 X_1 + \beta_2 M + \beta_3 X_1 * M + \varepsilon \dots\dots\dots (2)$$

Where:

Y: Tax Avoidance

X1: CSR

M: Profitability

α: Constant

β1,2,3: Regression coefficient

ε: error

The moderated regression equation must be BLUE (Best Linear Unbiased Estimator), meaning that the decision-making for the F-test and t-test must not be biased. To produce a BLUE decision, three classical assumptions must be met that cannot be violated by linear regression: no multicollinearity, no heteroscedasticity, and no autocorrelation. If one of the three basic classical assumptions is violated, then the regression equation obtained is no longer BLUE, so the decision-making through the F-test and T-test becomes biased.

Goodness of Fit and R-square

The F-test is used to determine whether or not the resulting regression model is suitable, while the R-square is used to determine the effect of independent, dependent, and moderating variables. The criteria for the F-test is if the probability value < 0.05, then the model is fit.

Hypotheses Testing

The t-test is used to test whether the influence of the independent variable (X) is significant or not on the dependent variable (Y) and whether profitability is a moderating variable (M). The criterion is the probability value < 0.05.

4. RESULTS AND DISCUSSION

4.1. Results

Descriptive Statistics

Descriptive statistics provide an overview of the data as seen from the average value, standard deviation, and minimum and maximum values. Table 3 shows the results of the descriptive statistics processing. Based on the analysis results in Table 3, it shows that the tax avoidance variable proxied by ETR has a minimum value of 0.1264 and a maximum value of 0.3533, while the overall average value is 0.2556 with a standard deviation of 0.041. The profitability variable proxied by ROA has a minimum value of 0.0220 and a maximum value of 0.4666, while the overall average value is 0.0923

with a standard deviation of 0.0812. The CSR variable shows a minimum value of 0.0090 and a maximum value of 0.4286, while the average value is 0.1204 with a standard deviation of 0.0751.

Table 3. Descriptive Statistics

| Variable | N | Minimum | Maximum | Mean | Std. Deviation |
|----------|-----|---------|---------|----------|----------------|
| ETR | 111 | 0.1264 | 0.3533 | 0.255511 | 0.0411814 |
| ROA | 111 | 0.0220 | 0.4666 | 0.092311 | 0.0812026 |
| CSR | 111 | 0.0090 | 0.4286 | 0.120476 | 0.0751484 |

Source: Data processed.

Simple Linear and Moderated Regression Equation

Before conducting the analysis using multiple linear regression equations in Table 4, a classical assumption analysis was performed to ensure the regression equation was unbiased. The results of the classical assumption analysis demonstrated that the existing data produced a BLUE regression equation, allowing the analysis to proceed.

Table 4. Simple Linear and Moderated Regression Equation

| Model | Regression Coefficient |
|-------------------------|------------------------|
| Constant | 0.278 |
| CSR (X) | -0.152 |
| Profitability (M) | -0.116 |
| CSR*profitability (X*M) | 0.508 |

Source: Data processed.

Based on Table 4, the resulting regression equation is:

$$Y = 0.278 - 0.152 X_1 - 0.116 M + 0.508 X_1 * M \dots \dots \dots (3)$$

The regression equation above explains that:

1. The constant (α) = 0.278 indicates the magnitude of tax avoidance (Y). If CSR (X1), and the profitability (M) is constant or zero, then the magnitude of tax avoidance (Y) is 0.278.
2. The regression coefficient for the leverage (β_1) = -0.152, meaning that every 1% increase in CSR (X1) will decrease tax avoidance (Y) by 0.278, assuming the profitability (M) is constant.
3. The regression coefficient for the profitability (β_2) = -0.116, meaning that every 1% increase in profitability (M) will decrease tax avoidance (Y) by 0.278, assuming the company CSR (X1) is constant.
4. The regression coefficient for the moderated CSR*profitability (β_3) = 0.508, meaning that every 1% increase in X1*M will increase tax avoidance (Y) by 0.278, assuming the and CSR (X1) and the profitability (M) are constant.

Goodness of Fit Test (F Test)

The F test (Table 5) can be used to determine whether the model used is suitable or appropriate to determine the effect of CSR (X1) on tax avoidance (Y), with profitability (M) as moderating variable.

Table 5. Goodness of Fit Test Results

| | Model | Sum of Squares | Df | Mean Square | F | Sig. |
|---|------------|----------------|-----|-------------|-------|-------------------|
| | Regression | .010 | 3 | .003 | 2.019 | .116 ^b |
| 1 | Residual | .177 | 107 | .002 | | |
| | Total | .187 | 110 | | | |

Source: Data processed.

Based on Table 5, The F value is 2.019 with a significance value of 0.116. This significance value is greater than 0.05, and thus it can be concluded that CSR and ROA simultaneously have no effect on ETR.

R-Square Test

Based on Table 6, The adjusted R-Square value is 0.027. This means that the dependent variable, tax avoidance, can be explained by 2.7% of the moderating variable (ROA) and the independent variable (CSR). The remaining 97.3% can be explained by variables outside the regression model.

Table 6. R-Square Test Results

| R | R Square | Adjusted R Square | Std. Error of the Estimate |
|-------|----------|-------------------|----------------------------|
| 0,231 | 0,054 | 0,027 | 0,0406208 |

Source: Data processed.

Hypothesis Test Results

The t-test was used to determine the partial effect of leverage (X1), company performance (ROA) (X2), and the percentage of shares offered at the IPO (X3) on earnings management (Y).

Table 7. Hypothesis Test Results

| Model | | Coefficient ^b | | t | Sig. |
|-------|------------|----------------------------|--------------------------|--------|------|
| | | Unstandardized Coefficient | Standardized Coefficient | | |
| | | B | Std. Error | | |
| 1 | (Constant) | .278 | .012 | 23.732 | .000 |
| | CSR | -.152 | .075 | -2.033 | .045 |
| | ROA | -.116 | .120 | -.962 | .338 |
| | CSR*ROA | .508 | .632 | .220 | .424 |

Source: Data processed.

Based on [Table 7](#), the following results are obtained:

- The calculated t-value for the CSR (X1) is -2.033 with a significance level (p-value) of less than 5% or 0.045. Therefore, H0 is rejected and Ha is accepted, indicating that CSR (X1) negatively influences tax avoidance (Y).
- The calculated t-value for the company profitability (M) is -0.962 with a significance level (p-value) of greater than 5% (0.338). Therefore, H0 is accepted and Ha is rejected, indicating that company profitability (M) does not influence tax avoidance (Y).
- The calculated t-value for the CSR*Profitability (X1*M) is 0.803 with a significance level (p-value) of greater than 5% (0.424). Therefore, H0 is accepted and Ha is rejected, indicating that profitability do not moderate the influence of CSR on tax avoidance (Y).

4.2. Discussion

The Influence of CSR Disclosure on Tax Avoidance

Table 7 shows a significance value of 0.045 for CSR, which is less than 0.05, and a beta value of -0.152. Thus, CSR influences tax avoidance. The higher a company's CSR disclosure, the lower its likelihood of tax avoidance. High levels of CSR activity naturally require high costs, which will reduce company profits, resulting in a lower tax burden ([Pradipta & Supriyadi, 2015](#)). CSR program management is typically handled by the company itself, making it difficult for the government to track cash flow and potentially leading to markups ([Zsazya, 2019](#)).

These results support research by [Sandra and Anwar \(2018\)](#), [Ningrum et al. \(2018\)](#), and [Pradipta and Supriyadi \(2015\)](#), which found that CSR disclosure has a negative and significant effect on tax avoidance. The results of this study support stakeholder theory, which states that companies are required to contribute not only to internal interests but also to the community through CSR programs and to the government through tax compliance. This also supports legitimacy theory, which states that companies gain legitimacy through two things: disclosing their CSR activities and paying a predetermined amount of taxes to the government ([Ningrum et al., 2018](#)).

Corporate Social Responsibility (CSR) disclosure is theorized to reduce tax avoidance because it enhances transparency and signals ethical commitment to stakeholders. According to stakeholder theory, firms are expected to act responsibly toward society, including fulfilling tax obligations that contribute to public welfare ([Rashid, 2024](#)). When companies disclose CSR activities, they build legitimacy and trust, which discourages aggressive tax practices that could damage reputation. Institutional theory further explains that organizations conform to societal norms and regulatory expectations, meaning CSR reporting aligns with broader institutional pressures for accountability ([Klaus et al., 2025](#)). Empirical studies show that firms with higher CSR disclosure tend to avoid tax strategies that could be perceived as socially irresponsible ([Lanis & Richardson, 2012](#)). This relationship suggests that CSR acts as a governance mechanism, embedding ethical standards into corporate

behavior. Thus, CSR disclosure negatively influences tax avoidance by reinforcing legitimacy and aligning business practices with societal expectations.

The implications of this finding are significant for both policymakers and corporate managers. For regulators, encouraging CSR disclosure can serve as an indirect tool to reduce tax avoidance, complementing traditional enforcement mechanisms (Huseynov & Klamm, 2012). For companies, transparent CSR reporting strengthens stakeholder relationships and mitigates reputational risks associated with aggressive tax planning. This dynamic highlights that CSR is not merely symbolic but can shape substantive financial behavior. Moreover, the negative link between CSR disclosure and tax avoidance underscores the importance of integrating ethical responsibility into corporate strategy. Firms that prioritize CSR are more likely to achieve long-term sustainability, as they balance profitability with social legitimacy. For academia, these findings contribute to the literature by demonstrating how non-financial disclosures influence financial practices. Ultimately, CSR disclosure emerges as a critical factor in promoting responsible corporate conduct and reducing harmful tax avoidance practices.

The Moderating Role of Profitability

Regarding the profitability (ROA), Table 7 indicates a significance value of 0.338 was obtained, greater than 0.05, and a beta value of -0.116. The absence of a moderating effect of ROA can be explained by the fact that companies, whether experiencing high or low profits, must still implement CSR to fulfill their obligations under Law No. 40 of 2007. Related to stakeholder theory, corporate responsibility is not solely measured in economic terms. Therefore, even when a company's profits fluctuate, the obligation to implement CSR must still be fulfilled (Hadi, 2018: 146).

The results of this study are inconsistent with the research of Tjondro et al. (2016), which stated that ROA can strengthen the influence of CSR on tax avoidance. This means that companies with good CSR and, under certain conditions, achieving high profits tend to engage in tax avoidance. Therefore, profitability is not a moderating factor in the effect of CSR on tax avoidance. Therefore, H2 in this study is rejected.

Profitability, measured by Return on Assets (ROA), was expected to moderate the relationship between CSR disclosure and tax avoidance, but empirical findings show otherwise. From the perspective of stakeholder theory, CSR disclosure reflects a company's ethical responsibility to society, independent of its financial performance (Freeman, 1984; Rashid, 2024). This suggests that firms disclose CSR activities to maintain legitimacy and trust, regardless of whether profitability is high or low. Institutional theory further supports this outcome, as organizations conform to societal norms and regulatory expectations to gain legitimacy, not merely to maximize profits (Klaus et al., 2025). Thus, profitability does not weaken or strengthen the CSR–tax avoidance link because CSR disclosure operates as a normative and institutionalized practice. Firms may continue to reduce tax avoidance through CSR transparency even when profitability fluctuates. This finding highlights that CSR disclosure is driven more by legitimacy-seeking behavior than by financial incentives.

The implications of this result are significant for both theory and practice. For policymakers, it indicates that CSR disclosure can be an effective mechanism to curb tax avoidance regardless of firm profitability, making it a reliable governance tool (Lanis & Richardson, 2012). For managers, the finding suggests that CSR initiatives should not be tied solely to financial performance but embedded into corporate strategy as a long-term commitment. This reinforces the idea that CSR disclosure is not contingent on profitability but rather on institutional and ethical pressures. Academically, the result contributes to the literature by showing that profitability does not act as a boundary condition in the CSR–tax avoidance relationship, encouraging future research to test other moderating variables such as corporate governance or leverage (Huseynov & Klamm, 2012). Ultimately, the finding underscores that CSR disclosure consistently reduces tax avoidance, independent of profitability levels, strengthening its role as a legitimacy-enhancing practice.

5. CONCLUSION

Based on the results of the hypothesis testing, several conclusions can be drawn: CSR influences tax avoidance. In contrast, ROA does not moderate the effect of CSR on tax avoidance. Limitations of this study include the inability to read some annual reports published by companies and incomplete data. Furthermore, the study subjects were limited to manufacturing companies listed on the Indonesia Stock Exchange, resulting in a small sample size.

5.1. Implications

The findings of this study imply that CSR disclosure plays a significant role in reducing tax avoidance, regardless of profitability levels. This suggests that CSR reporting can be used as a governance mechanism to promote ethical corporate behavior and strengthen legitimacy. For policymakers, the results highlight the importance of encouraging CSR transparency as part of regulatory frameworks to complement tax enforcement. For managers, the implication is that CSR initiatives should be integrated into long-term strategies, not merely tied to financial performance. The study also shows that ethical responsibility embedded in CSR can influence financial practices, reinforcing the idea that social legitimacy is as important as profitability. Academically, the research contributes to the literature by demonstrating how non-financial disclosures affect financial behavior. Overall, the implications emphasize that CSR disclosure is a powerful tool for shaping responsible tax practices and enhancing corporate accountability.

5.2. Limitations

Despite its contributions, the study has several limitations that must be acknowledged. The sample is restricted to manufacturing companies listed on the Indonesia Stock Exchange, which may limit the generalizability of the findings to other sectors or countries. The measurement of CSR disclosure using GRI G4 guidelines may not fully capture the qualitative aspects of CSR practices. Similarly, tax avoidance measured by ETR provides a broad proxy but may overlook more nuanced strategies employed by firms. Profitability was only examined through ROA, which may not reflect other dimensions of financial performance such as leverage or liquidity. The study also covers a specific time frame, meaning the results may not account for changes in regulations or economic conditions. These limitations suggest caution in interpreting the findings as universally applicable. Nevertheless, they provide a foundation for further exploration in broader contexts.

Future research should expand the scope by including firms from different industries and countries to enhance generalizability. Researchers could also employ alternative measures of CSR disclosure, such as sustainability indices or qualitative content analysis, to capture a more comprehensive picture. Tax avoidance could be examined using multiple proxies, including book-tax differences or specific tax planning strategies, to provide deeper insights. Profitability might be tested alongside other moderating variables such as corporate governance, ownership structure, or leverage to identify additional boundary conditions. Longitudinal studies could be conducted to observe how the relationship evolves over time under changing regulatory environments. Moreover, mixed-method approaches combining quantitative and qualitative data could enrich the analysis by capturing managerial perspectives. These suggestions aim to strengthen the robustness of future studies and provide more nuanced understanding of the CSR–tax avoidance relationship.

The study highlights that CSR disclosure consistently reduces tax avoidance, underscoring its role as a governance mechanism that strengthens legitimacy and accountability. This implies that policymakers can encourage CSR transparency as a complementary tool to tax enforcement, while managers should embed CSR initiatives into long-term strategies rather than linking them solely to profitability. However, the research is limited by its focus on manufacturing firms in Indonesia, reliance on GRI G4 and ETR as proxies, and the use of ROA as the only measure of profitability, which may restrict generalizability. Future studies should broaden the scope across industries and countries, employ multiple measures of CSR and tax avoidance, and explore other moderating variables such as governance or leverage. By addressing these limitations, subsequent research can provide deeper insights into how CSR disclosure influences corporate tax behavior across diverse contexts.

Generative AI Statement

The author declared that Generative AI was used in the creation of this manuscript. The author affirms that, while generative AI (ChatGPT, GPT-5) was used to support the drafting process, all intellectual contributions, data interpretation, and final revisions were undertaken by the author. Responsibility for the accuracy, originality, and integrity of the content rests solely with the author.

Abbreviations

CSR – Corporate Social Responsibility
IDX – Indonesian Stock Exchange.

ETR – Earning Tax Rate
ROA – Return on Assets
GRI – Global Reporting Initiative
BLUE – Best Linear Unbiased Estimator
MRA – Moderated Regression Analysis

Authors' Contribution

All authors equally contributes to the research and writing the manuscript, with MM as the supervisor during this study.

Conflict of Interest

The authors declare no conflicting interest in this study.

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Availability of data and materials

All data are secondary data and available in IDX or companies' website.

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