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The Effect of Corporate Social Responsibility (CSR), Profitability, Sales Growth and Leverage, on Tax Avoidance in Manufacturing Companies on the Indonesia Stock Exchange (IDX) 2019-2021 Period

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ABSTRACT

This study aims to determine and analyze the influence of CSR, Profitability, Sales growth and Leverage variables on Tax avoidance in Manufacturing companies on the Indonesia Stock Exchange (IDX). The analytical tool used is multiple linear regression. The results of the study show that the CSR variable has a negative and significant effect on tax avoidance in manufacturing companies on the Indonesia Stock Exchange (IDX). Profitability variable has a negative and significant effect on Tax avoidance in Manufacturing companies on the Indonesia Stock Exchange (IDX). Sales growth variable has no significant effect on Tax avoidance in Manufacturing companies on the Indonesia Stock Exchange (IDX). The Leverage variable has a positive and significant effect on Tax avoidance in Manufacturing companies on the Indonesia Stock Exchange (IDX). CSR, Profitability, Sales growth and Leverage variables simultaneously influence Tax avoidance in Manufacturing companies on the Indonesia Stock Exchange (IDX).

1. INTRODUCTION

1.1. Research Background

Indonesia is a sizable developing nation with a sizable population. In addition, Indonesia has a wealth of natural resources and is situated in a geographically advantageous place where the Indonesian region is a hub for international commerce. Due to the current circumstances, company owners, particularly those from outside of Indonesia, will be drawn to set up shop there. It goes without saying that the establishment of businesses by entrepreneurs in Indonesia can boost state income, particularly in the tax sector.

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On the other side, in order to improve people's welfare, the Indonesian government is also engaged in ongoing, sustainable national development. Individual and corporate tax payments to the state are necessary for the achievement of these objectives. According to Waluyo (2011), one strategy to achieve the nation's or state's independence in development is to look at domestic funding sources, namely tax revenues.

For both individual and business taxpayers who do not receive reciprocity or a direct counter-achievement from the law-based tax collecting process, taxes are coercive required payments. It is anticipated that tax money would be used as a source of funding to address social issues. It is the responsibility of every person to pay taxes in order to address environmental issues from a social and economic standpoint.

One way that the government receives money from the people is through taxes. With this money, the government may implement development initiatives that the populace can use. Due to the fact that taxes represent a transfer of resources from the private sector or business world to the public sector or government, which lowers taxpayers' purchasing power, the majority of corporate taxpayers (companies) still view the obligation to pay taxes as a cost (Santoso & Rahayu, 2013).

Tax avoidance refers to a taxpayer's attempt to lower tax payments paid to the government, particularly by businesses since they do not break tax laws (Hoque, 2017). As tax evasion by businesses would have a negative impact on the State Revenue and Expenditure Budget, tax revenue in Indonesia is intimately tied to the practice of tax avoidance. This loss is evident in the state's annual performance measured as a percentage of the target level, whether tax revenue realization exceeds or falls short of the objective for realizing the state budget. Corporate tax avoidance is viewed as illegal and socially irresponsible (Armstrong et al., 2015). Companies will become more conscious of the significance of CSR as well as the significance of their own contribution to the general public's tax burden.

To ensure the continuation or sustainability of the business, the notion of corporate social responsibility (CSR) is prevalent. According to Lanis & Richardson (2012), social responsibility has a significant role in a company's ability to survive. Companies feel plagued by two distinct burdens as a result of the implementation of CSR requirements for businesses: CSR burdens and tax burdens. The Government Regulation of the Republic of Indonesia Number 93 of 2010 outlines this policy and states that it may encourage businesses to engage in tax evasion strategies in an effort to reduce these two costs.

By comparing the number of CSR items revealed by the firm with the total number of CSR items specified by the Global Reporting Initiative (GRI), which is 91 items, it is possible to assess the company's level of Corporate Social Responsibility (CSR). According to research by Sari and Adwibowo

(2017), CSR affects tax evasion. The level of a company's CSR disclosure correlates with its level of tax avoidance.

According to Harahap (2013), profitability refers to a company's capacity to generate profits using all of its available resources, including its level of sales, capital, cash, number of branches, and personnel. The Return On Assets (ROA) ratio is used to gauge profitability. Return on Assets (ROA) is a metric that may be used to gauge an organization's financial health; the greater the ROA value, the more successfully the organization is doing (Gupta & Newberry, 1997). The effectiveness of management in handling money determines how much profit the organization generates.

When managers (agents) boost firm earnings to enhance their pay, it hurts owners/shareholders (principals) since they have to pay too much in taxes. This is explained by the agency theory. Tax planning will be done to carry out actions that can lower the amount of tax liabilities if the company's profit is larger. In order to avoid having to pay significant sums of tax, the corporation must be more cost-effective if it intends to engage in tax avoidance. The lower the Cash ETR, which indicates that the corporation is taking more aggressive tax avoidance measures, the higher the ROA value of the company. It is reasonable to suppose that businesses with great profitability frequently engage in tax evasion (Harahap, 2013).

Shareholders direct managerial parties to boost firm profitability in order to meet organizational objectives. The value of ROA increases with a company's earnings. The amount of taxes that the corporation must pay goes up as profits rise. Due of this, businesses feel the need to engage in tax evasion in order to reduce the amount of taxes they must pay (Wahyuni & Wahyudi, 2021). Additionally, increasing sales is crucial for marketing firm goods and services. With a high amount of sales, a business will make money. By comparing measures of demand and competitiveness of businesses in an industry, sales growth is used as a proxy for future growth and represents the natural success of prior expenditures made by the company.

According to agency theory, agents have a duty to perform, which includes meeting profit goals that are in line with the terms of their contract with the principal. The rate of tax payments will change as sales growth picks up each year. A company's rapid sales growth will result in significant earnings. The Fiscus will oversee tax collection if there is an extremely large increase in sales growth. As a result, managers will be more watchful in how they handle their taxes (Wahyuni & Wahyudi, 2021). Companies' ETR, which is employed as a measuring ratio for tax evasion, will be impacted by higher sales growth. The ETR of the firm will rise as sales at the company expand more rapidly. An elevated ETR suggests less tax evasion. Therefore, tax evasion will decline as the company's revenues expand.

Leverage is a ratio that evaluates both long-term debt and short-term debt to finance firm assets, according to Kurniasih & Sari (2013). Through debt, the corporation can obtain external funding through this leverage. The more external parties contribute to finance a firm's actions to enhance its operational supervision role, the more debt that company is using. Due to the various treatment it receives in relation to a company's capital structure, a company's funding policy will have an impact on the effective tax rate (Gupta & Newberry, 1997). Funding decisions have an impact on how much a company avoids paying taxes since the effective tax rate also serves as a proxy for gauging tax avoidance.

One of the financing strategies uses debt or Leverage is the amount of debt that businesses utilize to finance themselves. Companies utilize leverage to determine how much of their assets were acquired via the use of loan. Leverage is helpful for assessing secure credit so that businesses may use it for startup capital. A debt-to-equity ratio (DER) is used to calculate leverage. According to agency theory, the principal empowers the agents to decide well for the business (Kasmir, 2014).

Interest costs must be paid by businesses that have debt in their financial structure. The amount of finance from third party debt used by the firm and the associated interest expenses increase in direct proportion to the value of the leverage ratio. A higher cost of borrowing will result in a lower tax burden for the corporation. The ETR value of the firm decreases as the amount of debt increases (Lanis & Richardson, 2012). Debt interest costs result from actions that are financed with borrowed money. Lower tax obligations will result from higher interest expenses. Management parties will be more cautious when engaging in tax evasion practices due to the lower tax burden (Wahyuni & Wahyudi, 2021).

Ministry of Finance APBN KITA The tax collection target was updated twice by the government. The first time was when Presidential Regulation (Perpres) Number 54/2020 was issued on April 3, 2020, increasing the objective to IDR 1,254.11 trillion. By changing the aim for tax income to IDR 1,198.82 trillion, Presidential Decree Number 72/2020, issued on June 24, 2020, altered this goal once again. The State Treasury received recorded tax income of IDR 1,069.98 trillion up till the end of 2020. As was already mentioned, the Covid-19 pandemic's effects and the availability of tax incentives significantly impacted tax collections. The amount of taxes collected decreased by 19.71 percent when compared to the prior year's total. The use of tax incentives alone was responsible for 22.1 percent of this drop in revenue. Given the unusual circumstances, this accomplishment is seen as highly encouraging, with 89.25 percent of the 2020 objective of IDR 1,198.82 trillion realized. In actuality, the 2019 realized achievement, which was 84.48 percent of the goal, was greater (https://www.kemenkeu.go.id).

Even though the Covid-19 pandemic occurred, it did not prevent taxpayer compliance in reporting and paying their tax obligations, as evidenced by the fact that tax realization achievements in 2020 were higher than those in 2019. Even receipts in these two tax groups were able to surpass the target set by PPh Oil and gas (104.14 percent realization) and P3 Sector PBB (155.88 percent realization).

In addition to accounting for the economic pressure that has led to a declining tax base, this adjustment also reflects the role that the tax administration will play in preserving Indonesia's economic stability and guiding the National Economic Recovery, particularly through the provision of tax incentives.

Taxes are a source of state income that will be utilized to pay for general government expenses as well as expenditures for state growth. In contrast, as taxes are seen as a burden that may have an impact on a company's ability to survive, they are one of the considerations taken into account for businesses (Masri & Martani, 2013).

In the income statement of the firm's financial accounts, tax is computed using the net profit of the company. The state's tax revenue will rise when a corporation has a large net profit, and vice versa. Sulisyanto (2008) contends that a company's tax burden will increase in direct proportion to its earnings level. The corporation will experience losses if it overpays taxes. This will conflict with the primary goal of forming a firm, which is to enhance shareholder welfare. Many businesses look for methods to lower the cost of taxes paid as a result of this circumstance.

Tax resistance is a strategy used by businesses to reduce the cost of taxes paid. Company tax resistance can take the shape of either aggressive or passive tax resistance. Between the two types of tax resistance, active tax resistance, which might take the form of tax aggression, dominates the company's approach to avoiding taxes.

In order to maximize corporate earnings, which in this case includes paying taxes, firm management, which normally does not desire decreased purchasing power, will attempt to cut expenses through cost efficiency. Companies that use tax avoidance (tax avoidance) are impacted by company features and corporate social responsibility (Surbakti, 2012). Tax avoidance (tax avoidance) is a method used by the corporation.

Citizens shouldn't engage in tax evasion activities on a regular basis. Companies are tax subjects and must pay taxes in line with the laws that apply to them (Sari & Santosa, 2017). Companies carefully weigh the tax burden they must bear since it might jeopardize their ability to continue operating (Masri & Martani, 2013). Taxpayers view taxes as an expense that can lower their income even though taxes are the government's primary source of cash for funding national development. Due to these disparities in interests, taxpayers are more likely to take unethical or unlawful steps to reduce their tax obligations (Dowling, 2013). Tax avoidance refers to taxpayers' lawful efforts to lower their tax obligations, whereas tax evasion refers to their criminal actions (Maraya & Yendrawati, 2016).

According to Frank and Rego (2009), the concept of tax aggressiveness is an act of manipulating taxable income through tax planning efforts, whether done in a fashion that is considered legitimate (tax avoidance) or criminal (tax evasion). According to Aditama and Purwaningsih (2014), tax avoidance is the legal manipulation of income that is nonetheless compliant with statutory requirements in order to lower the amount of tax due.

Desai & Dharmapala (2006) describe tax sheltering or tax evasion as an endeavor to design transactions with the goal of lowering corporate tax payments. Companies that engage in tax avoidance are not just those that result from taxpayers breaking the law; they may also result from operations whose goal is to save money by taking advantage of the tax system. The corporation will be seen as being more active when it comes to taxes the more loopholes that are employed or the bigger the potential for the company to save money.

As evidenced by the businesses that have received Underpaid Tax Assessment Letters (SKPKB), manufacturing enterprises in Indonesia continue to attempt to evade paying taxes. The Directorate General of Taxes has awarded SKPKB to 70 businesses in Indonesia, many of which are industrial firms. The businesses that obtain the most SKPKBs are:

It was discovered that up to 70 businesses in the manufacturing sector had received Underpaid Tax Assessment Letters (SKPKB) over the 2019–2021 timeframe. A considerable amount of unpaid tax from the corporation to the government is displayed in the unpaid Tax Assessment Letter (SKPKB). Companies that have received an SKPKB and filed an appeal but had it denied are included in the table. When the Directorate General of Taxes issues an SKPKB to a company, it signifies that the taxpayer has tax obligations that have not been met in compliance with the rules in place. In response to a tax audit, which revealed that the Taxpayer had underpaid the amount of tax due, SKPKB was issued. If tax dodging techniques by businesses, which sometimes involve substantial sums of money, go unchecked, the Indonesian economy would be affected.

The Theory of Planned action, which explains how a person's action based on purpose or plan will have an influence on specific things, is the theory employed in this study. Individuals' actions are influenced by three factors: behavioral beliefs, normative views, and control beliefs. Previous studies have examined a number of variables that might affect tax evasion through the use of corporate social responsibility (CSR). As a type of social and environmental responsibility, CSR is an act of kindness performed by businesses (Carroll, 1987).

Corporate Social Responsibility, or CSR as it is more often called, is something that publicly traded companies are expected to consider when doing their business. Law Number 40 of 2007 addressing Limited Liability Companies (PT) is one of the regulations governing Corporate Social Responsibility (CSR) in Indonesia. Social and environmental responsibility is referred to as CSR in this statute. A corporation that conducts its business in the area of and/or connected to natural resources is required by Article 74 of the corporation Law to exercise social and environmental responsibility. Further arrangements regarding social and environmental responsibility with Government Regulation Number 47 of 2012 regarding social and environmental responsibility must be made in accordance with the requirements of Article 74 paragraph 4 of Law Number 40 of 2007 concerning Limited Liability Companies.

According to Chen et al. (2016), when it comes to funding public facilities, businesses that use tax evasion strategies are not viewed as making contributions to the government. Companies that begin to avoid taxes may result in a lack of tax income for the government, which might harm the company's reputation. Companies which cheat the tax system hurt society.

Based on the phenomena that occurred above, this research was conducted to further identify ambiguous and inconsistent understandings regarding the effect of tax avoidance on manufacturing companies in Indonesia. This research also focuses on the relationship between CSR, profitability, sales growth and leverage on tax avoidance which is seen both internally and externally as outlined in the annual report and the Ministry of Finance's website. The main motivation is to investigate whether or not there is content and focus disclosed in the company's annual report and website on tax avoidance through the factors that influence it.

2. RESEARCH METHOD

2.1 Research Object and Research Subject

In addition to Corporate Social Responsibility (CSR), Profitability, Sales Growth, and Leverage, the research's focus includes tax evasion. Manufacturing businesses that have been listed on the Indonesia Stock Exchange are the focus of this study. To learn more about the manufacturing companies and the company's annual financial reports for the 2019–2021 period, visit the official website at www.idx.co.id.

2.2 Research Methods and Approaches

The associative approach of inquiry is employed. Associative study demonstrates how independent factors affect the dependent variable in a causally related way. To ascertain the impact of corporate social responsibility, profitability, sales growth, and leverage on tax evasion, this research uses an associative approach. Research of this kind is quantitative.

2.3 Research Design or Research Design

This study uses a correlational research design, which is an investigation of the nature and strength of relationships between two or more variables without attempting to manipulate any of the variables.

2.4 Data analysis technique

Descriptive Analysis

In order to learn about and be able to describe the properties of the variables investigated in context, descriptive studies are carried out (Sekaran & Bougie, 2016). A descriptive study's goal is to give the researcher a background to characterize pertinent elements of the event under study from the viewpoint of an individual, organization, industry, or other standpoint. (Now, 2016:159). An overview or description of a set of data, as viewed via its average value (mean), standard deviation, variance, maximum, minimum, and total, is meant to be provided through descriptive analysis.

The Multiple Linear Regression Model is the data analysis approach employed in this investigation. To ascertain the impact of the independent factors on the dependent variable and to illustrate the direction of the relationship between these variables, multiple linear regression analysis is utilized. Multiple regression analysis is utilized in this study to examine the relationship between tax evasion and CSR, profitability, and sales growth. The following describes the study's multiple linear regression equation model:

$$Y = a + b1X1 + b2X2 + b3X3 + b4X4 + e$$

Then formed the following equation :

TA = a + b1CSR + b2PR + b3SG + b4LV + e

Information :

TA = Indeks Tax avoidance (Rasio)

a = Konstanta

b = Koefisien regresi model

CSR = CSR (Rasio)

PR = Profitabilitas (%)

SG = Sales growth (%)

LV = Leverage (Kali)

e = Standar eror

The steps to be taken to test the hypothesis using multiple linear regression are as follows:

Table 1
Descriptive Statistics Research
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
TA	204	-16,251	6,935	,12601	1,557077
CSR	204	,022	,670	,17220	,122302
PR	204	-,876	,607	,03674	,130325
SG	204	-,984	,825	,01875	,235741
LV	204	-30,153	114,290	1,81676	8,782833
Valid N (listwise)	204				

Sumber: Processed Data, 2023

Based on table 1, it shows that the amount of data used in this study was 207 taken from the Summary of Annual Performance Reports of companies listed on the IDX for the 2019-2021 period.

For the 2020 period, PT. Surya Toto Indonesia Tbk has the lowest (minimum) Tax Avoidance data at -16.251, while PT. Prasidha Aneka Niaga Tbk has the greatest (maximum) Tax Avoidance data at 6,935. The average amount of tax avoidance is thus 0.1260. While the result is bigger than the Mean value, the standard deviation of 1.55708 denotes a significant data variance. The data's high standard deviation indicates that many manufacturing enterprises have tax avoidance variables with data values above average.

For the 2019 and 2020 periods, PT. Gunawan Dianjaya Steel Tbk has the lowest (minimum) Corporate Social Responsibility (CSR) data at 0.022, while PT. Indah Kiat Pulp & Paper Tbk has the greatest (maximum) CSR data at 0.67. The Corporate Social Responsibility (CSR) score on average is 0.171884. While the value is bigger than the Mean value, the standard deviation of 1.121752 suggests a minor data deviation. The values of many organizations' Corporate Social Responsibility (CSR) variables are below the average, as shown by a minor data deviation.

The PT. Sri Rejeki Isman Tbk's profitability statistics for the 2021 period is the lowest (minimum), at -0.876, while the PT. Tiga Pilar Sejahtera Food Tbk's for the 2019 period is the greatest (maximum), at 0.607. Consequently, the typical profitability is 0.036. While the value is bigger than the Mean value, the standard deviation of 0.1295825 denotes a significant data variance. The size of the data deviation indicates that many organizations' variable profitability data values are above the national average.

For the 2019 period, PT. Panasia Indo Resources Tbk had the lowest (minimum) Sales Growth data of -0.984, while PT. Integra Indocabinet Tbk had the greatest (maximum) Sales Growth data of 0.825. The average sales growth is 0.018618 at that point. While the value is bigger than the Mean value, the standard deviation of 0.2364384 denotes a significant data variance. The data's high standard deviation indicates that many organizations' data values for the Sales Growth variable are above average.

For the 2021 period, the lowest (minimum) data is -30.153, and for the 2020 period, the highest (maximum) data is 114,290, both at PT. Asia Pacific Investama Tbk. After then, the typical leverage is 1.8114001. While the Leverage standard deviation of 8.7187720 deviates significantly from the Mean, indicating a substantial data variance. Leverage data from several businesses that are trading over rate-ratio are shown by the weight of the data.

Multiple Linear Regression Analysis

The application SPSS is used to process the data. The relevance of the model will then be concurrently and partially assessed against the provided outcomes. The unstandardized coefficient value shows the regression coefficient. The information below displays the findings of calculations made using the SPSS version 22 software:

Based on the table above, the regression equation is obtained as follows:

TA = -1,221 – 10,212CSR – 16,335PR – 0,259SG + 0,032LV + e

The regression equation is calculated using the data in the table above and is as follows:

1. The constant figure of -1.221 implies that the average tax avoidance is -1.221 if Corporate Social Responsibility (CSR), Profitability, Sales Growth, and Leverage do not vary. Therefore, if Corporate Social Responsibility (CSR), Profitability, Sales Growth, and Leverage of a manufacturing business do not alter or remain steady, Tax Avoidance will decrease.

2. The regression coefficient for the Corporate Social Responsibility (CSR) variable is -10.212. This suggests that if the other independent variables are held constant, there is a 10.212 reduction in tax avoidance for every rise in corporate social responsibility (CSR) of 1.

3. The regression coefficient for the profitability variable is -16.335. This suggests that for every 1 percent rise in profitability, tax avoidance drops by 16.335 if the other independent variables are held constant.

4. The regression coefficient for the Sales Growth variable is -0.259. This suggests that for every 1 percent rise in Sales Growth, Tax Avoidance lowers by 0.259 if the other five independent variables are held constant.

6. The regression coefficient for the Leverage variable is 0.032. This suggests that for every increase in leverage of 1 time, tax avoidance increases by 0.032, supposing the other independent variables remain constant. This demonstrates that investors cannot use leverage as a benchmark for their investments.

4.3.3 Hypothesis testing

4.3.3.1 F Testing

To ascertain if the independent factors collectively have a substantial impact on the dependent variable, the F test is performed. The following table shows the test findings for the 2019–2021 period for the effects of the Corporate Social Responsibility (CSR) factors, Profitability, Sales Growth, and Leverage have a combined effect on Tax Avoidance in manufacturing businesses listed on the Indonesia Stock Exchange:

Table 2
F Testing
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	434,214	4	108,554	372,728	,000[b]
	Residual	57,957	199	,291		
	Total	492,171	203			

a. Dependent Variable: TA
b. Predictors: (Constant), LV, SG, CSR, PR
Sumber : Processed Data, 2023

According to table 2, the significant value (0.000 0.05) is less than the alpha value. Ho is therefore passed over whereas Ha is welcomed. This indicates that over the 2019–2021 timeframe, tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange is influenced by corporate social responsibility (CSR), profitability, sales growth, and leverage.

4.3.3.2 Test t

The t test is used to determine whether the independent variables partially affect the dependent variable. This test is done by comparing the value of t count and t table. To find the t table value, the formula (n-k-1 or 204-4-1 = 199) is used with a significance level of 0.05. The results obtained are equal to 1.657. Based on table 4.3 it can be seen that the calculated t value of each variable.

a) Effect of Corporate Social Responsibility (CSR) on Tax Avoidance

Based on the aforementioned table, a significant value that is bigger than alpha (0.000 0.05) may be determined. As a result, Ha is accepted while Ho is refused. This implies that Tax Avoidance is negatively and significantly impacted by Corporate Social Responsibility (CSR).

b) Effect of Profitability on Tax Avoidance

Based on the aforementioned data, a much lower value than alpha (0.000 0.05) may be determined. As a result, Ha is accepted while Ho is refused. This implies that Tax Avoidance is negatively and significantly impacted by Profitability.

c) Effect of Sales Growth on Tax Avoidance

It may be attained much higher than alpha (0.110 > 0.05) based on the aforementioned data. Ho is therefore approved but Ha is denied. Thus, there is no discernible relationship between Sales Growth and Tax Avoidance.

d) Effect of Leverage on Tax Avoidance

Based on the aforementioned data, a much lower value than alpha (0.000 0.05) may be determined. As a result, Ha is accepted while Ho is refused. This indicates that Leverage significantly and favorably affects Tax Avoidance.

4.3.3.3 Determinant (R2)

The results of the determination test (R2) can be seen from the value of the coefficient of determination in Table 3 below:

Tabel 3
Hasil Uji Determinasi (R^2)
Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	,939[a]	,882	,880	,53967	,882	372,728	4	199	,000	,683

a. Predictors: (Constant), LV, SG, CSR, PR
b. Dependent Variable: TA
Sumber : Processed Data, 2023

Table 3 above indicates that the R2 (R Square) value is 0.882, or (97.8%). It is clear from this that the factors Corporate Social Responsibility (CSR), Profitability, Sales Growth, and Leverage on Tax Avoidance may account for 88.2% of the variance. While factors outside of this study model, such as other factors, can explain or have an impact on the remaining 11.8%.

4.4 Discussion

For the 2019–2021 period, this study attempts to ascertain the impact of Corporate Social Responsibility (CSR) Variables, Profitability, Sales Growth, and Leverage on Tax Avoidance in manufacturing businesses listed on the Indonesia Stock Exchange.

4.4.1 Effect of Corporate Social Responsibility (CSR) on Tax Avoidance

According to the study's findings, CSR significantly and negatively affects the tax evasion of manufacturing enterprises between 2019 and 2021. The findings of this study support research by Sari & Santosa (2017) that explains how CSR affects tax evasion. The level of a company's CSR disclosure correlates with its level of tax avoidance. Companies with poor CSR have a lower sense of social responsibility, which leads them to be more active in their tax evasion. Businesses that practice social responsibility sustainably are more likely to scale back on tax dodging strategies. These findings, however, contradict studies by Rahma et al. (2022) who claim that corporate social responsibility (CSR) has little to no impact on tax evasion.

Corporate social responsibility (CSR) has an impact on tax evasion since businesses in Indonesia are conscious of their responsibilities to stakeholders. Companies can demonstrate their social responsibility by paying taxes. Additionally, businesses that engage in CSR frequently gain public notice. Companies who practice CSR will thus refrain from taking any acts that could harm their reputation.

4.4.2 Effect of Profitability on Tax Avoidance

According to the study's findings, profitability has a negative and significant impact on the tax evasion of manufacturing enterprises from 2019 to 2021. The findings of this study support previous research by Suardana (2014) and Ariandini & Ramantha (2018) that found that profitability has a detrimental impact on tax evasion. These findings, however, contradict a study by Septiani & Muid (2019) that claims that profitability has little impact on tax evasion. Profitability has a big impact on tax avoidance since a firm that is profitable has strong tax planning and is able to get the best taxes possible. High profitability indicates that a firm has effective tax planning, and it also indicates that the corporation can use its resources to take full advantage of tax benefits. Companies do not need to engage in tax avoidance activities in order to receive the best taxes possible (Badertscher et al., 2013). Companies' ETR, which is employed as a measuring ratio for tax evasion, will change as their profitability rises. The company's ETR will rise as profitability rises inside the organization. An elevated ETR suggests less tax evasion. So tax evasion will decline as firm profitability rises. Companies' ETR, which is employed as a measuring ratio for tax evasion, will change as their profitability rises. The company's ETR will rise as profitability rises inside the organization. An elevated ETR suggests less tax evasion. So tax evasion will decline as firm profitability rises.

Agents will be motivated by agency theory to boost business revenues. According to agency theory, agents will work to minimize their tax burden in order to avoid having their performance bonuses decreased as a result of the burden's impact on corporate earnings. Tax incentives and other tax concessions will benefit businesses who are able to manage their assets effectively, reducing the likelihood that these businesses will be accused of engaging in tax avoidance.

4.4.3 Effect of Sales Growth on Tax Avoidance

Sales growth has no appreciable impact on manufacturing businesses' ability to avoid paying taxes between 2019 and 2021, according to the research's findings. The findings of this study do not support research by Oktamawati (2017) that claimed sales growth has a detrimental impact on tax evasion. However, these findings support study by Aprianto & Dwimulyani (2019), which found that sales increase had little to no impact on tax evasion. A company's tax evasion actions decline as sales increase because businesses with relatively high sales levels have adequate operating resources to maintain their operations.

This outcome contradicts the idea that a company's sales volume determines how quickly its sales will increase. Increased sales will result in higher profits for the business. The amount of tax to be paid will change as profits rise. The corporation will often want to avoid paying taxes since the larger the profit, the more taxes the company must pay. This demonstrates that a company's management will not change its tax evasion strategy based on the extent of its sales increase. Because the corporation will essentially be required to pay taxes whether sales are up or decreasing.

4.4.4 Effect of Leverage on Tax Avoidance

According to the study's findings, leverage has a favorable and considerable impact on manufacturing businesses' ability to avoid paying taxes between 2019 and 2021. The findings of this study support the research statement made by Wahyuni & Wahyudi (Wahyuni & Wahyudi, 2021), which claims that leverage has a substantial impact on tax evasion. Leverage has no discernible impact on tax evasion, according to study by Septiani & Muid (2019), however our findings contradict that finding. The findings of this study then support the hypothesis put out by Kasmir (2018) that an increase in debt will result in increased interest costs that the firm will be required to cover. The interest expenditure component will lower the firm's pre-tax earnings, lowering the amount of taxes the company will be required to pay.

5. CONCLUSIONS AND SUGGESTIONS

5.1 Conclusion

The study's conclusions, which are based on its findings, are as follows:

1. On the Indonesia Stock Exchange (IDX), manufacturing enterprises have a negative and large impact on the CSR variable when it comes to tax evasion. Businesses that practice social responsibility sustainably are more likely to scale back on tax dodging strategies.

2. The element On the Indonesia Stock Exchange (IDX), profitability has a negative and considerable impact on tax evasion in manufacturing enterprises. High profitability indicates that a firm has effective tax planning, and it also indicates that the corporation can use its resources to take full advantage of tax benefits.

3. The variable of sales growth has no appreciable impact on tax evasion in manufacturing businesses listed on the Indonesia Stock Exchange (IDX). Since the corporation will be required to pay taxes regardless of whether its sales are growing or shrinking, there is no correlation between sales growth and tax avoidance.

4. On the Indonesia Stock Exchange (IDX), manufacturing businesses' tax evasion is positively and significantly impacted by the leverage variable. The interest expenditure component will lower the firm's pre-tax earnings, lowering the amount of taxes the company will be required to pay.

5. The elements Tax evasion is influenced concurrently by CSR, profitability, sales growth, and leverage in manufacturing enterprises listed on the Indonesia Stock Exchange (IDX). The tax avoidance strategy that the corporation will employ can be influenced by CSR, profitability, sales growth, and leverage.

5.2 Suggestions

The recommendations from this study can be regarded as follows based on the aforementioned conclusions:

1. The study finds that tax evasion is significantly influenced by CSR, profitability, and leverage. Companies are expected to focus more on the social, economic, and environmental spheres by refraining from tax avoidance strategies, which include enhancing the scope and quality of their CSR initiatives, boosting profits, and reducing the use of debt-related interest expenses as a corporate tax deduction.

2. Tax evasion is not a natural thing, but it is always done, thus it is best for investors to research a company's performance first before making an investment decision while still adhering to tax laws. Tax evasion will have a negative effect on all parties involved, including investors, businesses, and the government.

3. The company's management is expected to pay closer attention to every decision made and risk accepted in relation to the imposition of the tax burden.

Future studies are suggested to pick other factors instead of picking other variables that might be employed in future study since they can have an impact on tax evasion. Future study can employ a larger sample, rather than only a sample of manufacturing enterprises that are listed on the IDX, so that the findings can be broadly generalized. Further study can make use of alternative selections of additional factors. It is recommended that further study be done to increase the observational year so that the outcomes are better.

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