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THE EFFECT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) AND FIRM SIZE ON TAX AVOIDANCE

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Abstract
This research aims to test and analyze the influence of Environmental, Social and Governance (ESG) and Firm Size on Tax Avoidance. The study was conducted by analyzing the financial reports of companies in the LQ45 sector listed on the Indonesia Stock Exchange (BEI) from 2018 to 2022. The sample used in this study was 7 LQ45 sector companies during the period of 2018 to 2022 using purposive sampling technique. The data used in this study is secondary data in the form of financial reports from each company that has been used as a research sample and using a quantitative approach. The variables used in this study are Environmental, Social and Governance (X1) as the first independent variable, Firm Size (X2) as the second independent variable, and Tax Avoidance (Y) as the dependent variable. The research method used is quantitative, with data analysis, descriptive statistics, panel data linear regression and hypothesis testing, where no deviations were found and the results of this study test were normally distributed so that they meet the requirements for testing. Analysis of the research results using Eviews 12 Student Version Lite. The research results show that the best model is the Common Effect Model (CEM). The results of this study show that Environmental, Social and Governance (ESG) partially affects tax avoidance, as well as Firm Size partially affects tax avoidance and simultaneously Environmental, Social and Governance (ESG) and Firm Size on tax avoidance.
Keywords: Environmental, Social, and Governance (ESG), Firm Size, Tax Avoidance

INTRODUCTION

Christili Tanjaya (2022) stated that based on the provisions of Article 1 Paragraph 1 of Law Number 28 of 2007, tax is a mandatory contribution that is forcibly collected from individuals or legal entities. The funds collected from taxes are used to finance various state activities, such as infrastructure development and public services.

Cahyo & Napisah (2023) stated that there is a difference of interest between countries that want maximum and sustainable tax revenue and companies that want to reduce their tax burden in order to increase profits for the welfare of stakeholders. Such a phenomenon causes companies to try to find ways to minimize tax costs that must be paid to the state treasury by carrying out tax avoidance actions which are a depiction of a tax avoidance action from an action that is deliberately planned by the company in order to reduce the tax that the company needs to pay legally.

Table 1 Realization of State Revenue in 2018-2022

Source of Acceptance	2018	2019	2020	2021	2022
Tax Revenue	1.518.790	1.546.142	1.285.136	1.547.841	2.034.552
Non-Tax Revenue	409.320	408.994	343.814	458.493	595.594,5
Grant	15.565	5.497	18.833	5.013	5.696,1
Sum	**1.943.675**	**1.960.634**	**1.647.783**	**2.011.347**	**2.635.843**

Source: BPS

The data in Table 1 shows the dominance of taxes as a source of state revenue in the last five years. However, fluctuations in state revenues, especially a sharp decline in 2020 due to the pandemic, have underscored the vulnerability of the tax system. The pandemic has forced many companies to reduce operational costs, including tax liabilities. The increasingly widespread phenomenon of tax avoidance is one of the factors that hinders the government's efforts to optimize state revenue.

Hikmahtul Nurlaely (2023) Tax evasion is a lawful method for a company to lower its tax liability. Tax avoidance, on the other hand, is a nuanced matter; it is permissible when done with honest intentions but becomes illegal when the company engages in contrived or manipulative transactions.

Harnesk & Myhrberg (2019) stated that ETR can be an indicator of the level of tax aggressiveness if the value is close to zero. The lower the ETR value of a company, the higher the tax avoidance rate. Some companies avoid taxes in a variety of ways, such as reducing taxable income or keeping their financial accounting profits at a low level, resulting in lower ETR values. Therefore, ETR can be used as a tool to measure the rate of tax avoidance. Entities with low ETRs may use multiple tax deductions or take advantage of legal loopholes to reduce brand tax liabilities related to tax avoidance in Indonesia.

Rosyidah et al. (2022) stated that there is a phenomenon of companies that commit tax evasion, namely in the case involving PT Adaro Energy Tbk, This company paid lower taxes than required in Indonesia, amounting to US$125 million, or approximately Rp.1.75 trillion. The tax evasion was accomplished through transfer pricing, where PT Adaro Energy Tbk sold coal to Coaltrade Services International at a reduced price, resulting in lower tax revenue for Indonesia.

Harnesk & Myhrberg (2019) stated that the issue of sustainability is a controversial topic that has gained worldwide recognition. Sustainability has become a shared issue that affects individuals, governments, and companies in responding to challenges such as climate change, inadequate working conditions, increasingly scarce resources, and so on. This has led investors to pay special attention to their preferences regarding investments, prioritizing companies that not only focus on financial performance, but also on the company's positive impact on the environment and the surrounding community. In addition, companies must also consider ways to maintain and protect the environment to keep it sustainable. By realizing that environmental issues are a concern for investors in companies, it can be concluded that good financial performance is not the only indicator that reflects the success of the company in running its business.

Bostani (2023) stated that in developing countries, especially Indonesia, environmental damage is a serious concern because one of the causes is the unsustainable exploitation of natural resources for great economic benefits. Data from the Central Statistics Agency (BPS) in 2022 shows a decrease in forest and water area by 175,452.77 hectares between 2017 and 2020, reflecting the continued decline in natural resources from year to year. This makes investors and the public increasingly monitor the company's activities related to its operations.

Mesh (2022) stated that Environmental, Social, Governance (ESG) is a concept similar to Corporate Social Responsibility (CSR), which is focused on how companies carry out their responsibilities to the environment and the welfare of the community. The importance of ESG in a company's disclosure is to maximize profits by reducing costs and reducing future risks. However, some companies may also leverage ESG to reduce the tax burden by including sustainability-related costs in reducing taxable income, in accordance with the laws that allow it.

Hikmahtul Nurlaely (2023) argues that the theory of legitimacy addresses broader responsibilities for managers, which is not only about generating maximum profits for shareholders, but also considers the interests of society at large. The theory of legitimacy states that the actions of a company must conform to the norms, values, beliefs, and definitions accepted in society. Companies that can maintain their legitimacy in the eyes of the public can build strong relationships in the social and political environment, so that they can operate in the long term without relying on financial performance. One of the ways companies gain public legitimacy is by complying with their tax obligations (Harnesk & Myhrberg, 2019). If a company is considered compliant in paying taxes, the company's image will increase, and its legitimacy will also increase.

Maas (2022) stated that Environmental, Social, Governance (ESG) is a concept similar to Corporate Social Responsibility (CSR), which focuses on how companies carry out their responsibilities towards the environment and the welfare of the community. ESG measures a company's performance in environmental, social, and governance practices, and is a new metric that can be used to evaluate overall CSR performance. ESG integrates a company's performance in these three aspects and is an important indicator used by various stakeholders, including management consulting firms and investors, to assess the feasibility and social impact of a company. The importance of ESG in a company's disclosure is to maximize profits by reducing costs and reducing future risks. However, some companies may also leverage ESG to reduce the tax burden by including sustainability-related costs in reducing taxable income, in accordance with the laws that allow it. This is in line with the agency's theory that there is a conflict of interest between managers and investors, where managers may look for ways to reduce taxes for the benefit of the company.

this study employs the ESG performance assessment index from Bloomberg's ESG data to evaluate a company's sustainability performance. According to Marliyana & Wulandari (2021) Bloomberg's ESG Index encompasses three pillars: ESG Environmental Score, ESG Social Score, and ESG Governance Score. This index is designed to transparently and objectively measure a company's performance in terms of environmental, social, and corporate governance factors. While it references the GRI (Global Reporting Initiative) standards, the ESG Index is distinct from the GRI. The ESG Index is created from an investor's perspective and includes over 120 separate Key Performance Indicators (KPIs).

Sulaeman (2021) It has been noted that several factors influence the extent to which a company pays taxes, including the company's size. The size of a company affects its revenue, which in turn impacts the amount of assets it possesses. Large asset ownership can lead to higher costs that influence pre-tax profits, and substantial revenues can be used to cover a company's debts, thereby reducing profits and affecting tax payments. Large companies are more likely to consider risks in their tax management and tend to generate more stable profits than smaller companies. Additionally, the size of a company reflects the quantity and quality of its Human Resources (HR). Larger companies typically have more and better-qualified HR, resulting in broader knowledge of tax regulations.

The study aims to contribute empirical evidence and investigate the relationship between a company's ESG performance and its size in relation to tax avoidance. Previous research conducted by Agustini et al. (2023) and Anggraini & Wahyudi (2022) shows that ESG has a negative effect or no significant impact on tax avoidance. Similarly, research conducted by Maas (2022) which indicates that ESG performance has a negative relationship with tax avoidance. In contrast, research conducted by Lee et al. (2021) found that ESG affects tax avoidance positively, and this is supported by research conducted by Harnesk & Myhrberg (2019) found that only the E-Score, or Environmental Score, provided empirical evidence of a positive relationship between the environmental score and tax avoidance. This means that the higher a company's environmental score, the lower the rate of tax avoidance it will have.

Meanwhile, research on company size and tax avoidance shows that company size has a significant positive influence on tax avoidance, as demonstrated by Sulaeman (2021) In line with research conducted by Indriyanti and Dalimunthe (2023) that the Company Size has an influence on tax avoidance. This is contrary to research conducted by Djohar & Rifkhan (2019) Contrary to expectations, company size did not significantly influence tax avoidance behaviors. This unexpected finding can be attributed to larger corporations often employing tax specialists who possess a deeper understanding of tax regulations.

he findings of this study motivate further exploration of the relationship between company size and tax avoidance in diverse contexts, particularly within Indonesia.

Additionally, the influence of Environmental, Social, and Governance (ESG) performance on tax avoidance warrants further investigation, given the scarcity of research in this area, especially when compared to studies focused on developed economies. Due to the breadth of ESG factors, this research opted for a comprehensive ESG score as a proxy.

This study uses 7 samples of LQ45 Index sector companies listed on the Indonesia Stock Exchange for the 2018-2022 period and obtained ESG scores from Bloomberge during the 2018-2022 period so that it is expected to be able to provide a representative overview of the influence of Environmental, Social and Governance (ESG) and Company Size on Tax Avoidance.

This study aims to examine several factors that may have an impact on tax avoidance, including: 1) the impact of Environmental, Social, Governance (ESG); 2) the impact of the Company's Size; and 3) the impact of Environmental, Social, Governance (ESG) and Company Size simultaneously;

This research is expected to be useful for the academic field, namely being able to provide empirical evidence regarding the influence of Environmental, Social, Governance (ESG) and company size on tax avoidance by providing insight and additional knowledge as well as reference for further writing on the topic of ESG, Company Size and tax avoidance. This research can also be used as a consideration for the government to increase awareness of sustainability responsibility, especially in the aspects of Environmental, Social, Governance (ESG) with the aim of encouraging compliance of companies in Indonesia in carrying out sustainability practices and companies should be careful in determining policies, especially regarding taxes so that they are not classified as tax avoidance because they have a very wide impact, not only company performance but public trust.

LITERATURE REVIEW

Theory of Legitimacy

Legitimacy theory is a theory that discusses the relationship between companies and society. Harnesk & Myhrberg (2019) states that this theory describes legitimacy as a condition in which the actions of an organization are considered to be in accordance with the norms, beliefs, and systems accepted by society. In practice, the company seeks to gain legitimacy from the community to maintain the continuity of its business. Legitimacy allows the company to receive support from various related parties in carrying out its operations in a sustainable manner. To gain legitimacy, companies need to establish a social contract with the community and demonstrate actions that are deemed appropriate according to societal norms. By maintaining good relationships with the community, companies can more easily maintain the principles of 'going concern' Even though the financial condition is unfavorable.

According to Harnesk & Myhrberg (2019) sustainable activities (ESG) carried out by companies can be considered as risk mitigation measures. Positive relationships with the community can also help companies maintain their business continuity in the future. According to Arif et al. (2020) in (Bostani, 2023) argue that in developing a legitimacy theory perspective, company managers can create ESG sustainability reports (Environmental, Social, Governance) as a way to gain public support for the company's business activities. Lains and Richardson (2013) in (Harnesk & Myhrberg, 2019) stated that the theory of legitimacy supports corporate social responsibility by using CSR information as part of the interaction between the company and society. CSR activities have the potential to influence the public's view of the company. However, if the company's actions are not in line with existing social norms, this can create a misalignment of legitimacy and disrupt the company's reputation in the area in which it operates. One example is aggressive tactics in tax planning, which aim to avoid tax obligations and are not accepted as morally legitimate measures. Such actions can harm a company's reputation and operational performance, and are not in line with ESG principles.

Agency Theory

Khomsiyah et al., (2021) in agency theory, an agency relationship is described as a contract between an economic resource provider, often referred to as a principal, and a manager, who acts as an agent. The principal is the party that provides economic resources, such as capital or trust, to the agent to be managed and controlled. Meanwhile, an agent is the party responsible for the use and management of resources provided by the principal. agency, the main focus is on the relationship between the principal (capital owner) and the agent (manager). The main problem in agency relationships is that the interests of the principal and the agent may not always align. The principal wants the agent to manage the company in a way that benefits the principal, while the agent may have the motivation to pursue his own personal interests. Therefore, agency theory considers how to overcome this conflict of interest and encourages agents to act in accordance with the interests of the principal, for example through incentives or oversight mechanisms.

Khomsiyah et al. (2021) revealed that conflicts between shareholders and management occur due to fundamental differences in interests. In the context of tax avoidance, management tends to have its own interests to manipulate the company's profits with the aim of reducing the tax burden that the company must bear. This manipulation is carried out because there is an information asymmetry between management, which is the decision-maker, and shareholders, who use financial statements to make investment decisions. Such tax avoidance measures are contrary to the wishes of shareholders, who do not want legal risks with the government that could interfere with the company's future viability.

In the context of this study, shareholders act as principals who demand that management not take tax evasion actions. They also demand companies to improve social and environmental responsibility and corporate governance through improving the quality of ESG (Environmental, Social, and Governance) reporting to face the threat of global climate change. However, from the perspective of management as an agent, they have to bear the additional burden of meeting ESG-related investor preferences. With these demands, companies are faced with a double burden, namely tax payments and sustainable ESG reporting. As a result, differences in interests between shareholders and management cause conflicts of interest that need to be overcome in order for the sustainability of the company to be guaranteed.

Tax Avoidance

tax avoidance is a legal or legally permissible action for taxpayers to reduce the tax burden of a company by taking advantage of weaknesses in the applicable law (Hikmahul Nurlaely, 2023). The benefits of tax avoidance measures carried out by the company include savings in tax costs, which in turn increases the profits or profits received by the owner or company. The tax savings obtained can be used for various other purposes, such as funding company investments that can increase profits in the future.

Environmental, Social and Governance (ESG)

ESG is a non-financial indicator that includes environmental, social, and corporate governance indicators which is a comprehensive framework so that it can integrate environmental, social, and governance aspects in company operations. This approach not only focuses on financial performance alone, but also considers the broader impact on society and the environment. Issues such as climate change, human rights, and corporate transparency are major concerns in the implementation of ESG (Hikmahul Nurlaely, 2023).

Company Size

The size of the company is one of the characteristics that affects the amount of income tax payable. The size of the company directly reflects how much operational activities are carried out. Generally, the larger the size of the company, the more activities carried out by the company (Djohar & Rifkhan, 2019).

The size of companies can be classified into three categories, namely large, medium, and small companies. One of the indicators that can be used to classify a company is total assets and profits obtained based on total assets, log size, and so on (Khomsiyah et al., 2021).

The Influence of Environmental, Social and Governance (ESG) on Tax Avoidance

Based on the concept of economics, the company will always try to maximize profits and manage expenses to minimize expenses. One of the main concerns is taxes, which are considered not to contribute to the increase in corporate income. Therefore, companies often seek to minimize their tax burden to maximize profits, which often leads to tax avoidance measures. Tax avoidance measures can be explained through the agency theory put forward by Maas (2022). This theory explains that stakeholders (principals) such as shareholders expect the company to maximize profits so that the rate of return is high. Meanwhile, other stakeholders such as the government demand that companies carry out their tax payment obligations to the maximum, in line with the high pre-tax profits achieved by companies. Contrary to agency theory, although managers try to maximize the company's profits to get bonuses, they also consider how to maintain their position by improving the company's image in the eyes of the public. One way to achieve this is by carrying out sustainability activities and publishing sustainability reports.

Research conducted by Maas (2022) found a negative relationship between ESG performance and tax avoidance, suggesting that companies with high ESG performance are less likely to engage in tax avoidance. These results are in line with research conducted by Anggraini & Wahyudi (2022) which also shows that good ESG performance can reduce tax avoidance measures.

H1: Environmental, Social and Governance (ESG) affects Tax Avoidance

The Effect of Company Size on Tax Avoidance

Rosyidah et al. (2022) It states that the size of a company reflects the size or smallness of a company, which can be measured through total assets or assets, stock market value, number of sales, and average sales. This study measures the size of a company using the natural log (LN) of total assets.

Dharma & Afrilia (2024) stated that in general, large companies have human resources who understand taxation well, so that they are able to optimize the management of their tax burden by taking advantage of the loopholes in tax regulations. On the other hand, small companies tend to have human resources who do not understand taxation, so they are not able to manage their tax burden optimally.

The size of the company is an indicator of the stability and ability of the company to carry out its economic activities. The larger the size of the company, the more it becomes the center of attention from the government, and tends to make company managers choose to act compliance or tax avoidance in taxation. This is in line with Indriyanti & Dalimunthe's research (2023), Pertiwi & Purwasih (2023) and Sulaeman (2021) showed the results that the size of the company had an influence on tax avoidance.

H2: Company Size Affects Tax Avoidance

The Influence of Environmental, Social, Governance (ESG) and Company Size on Tax Avoidance

Maas (2022) It has been stated that companies with strong sustainability performance should not overlook their responsibilities to the broader community, including their corporate tax obligations. This implies that as a company's ESG performance improves, the likelihood of the company engaging in tax aggressive practices decreases, due to its increased sense of social responsibility. Companies with high ESG performance are less likely to resort to tax avoidance and tend to reduce such practices.

Goddess (2020) stated that the larger the size of a company, the more likely it is to carry out tax avoidance actions by taking advantage of its advantages, such as large assets and quality human resources, to avoid large expenses due to high tax burdens. This aims to maximize the Company's performance.

This is in line with research conducted by Harnesk & Myhrberg (2019) which shows that ESG has a simultaneous effect on Tax Avoidance, so go home with research conducted by Djohar & Rifkhan (2019) which shows the results that the size of the company has a simultaneous effect on tax avoidance.

H3: Environmental, Social, Governance (ESG) and Company Size simultaneously affect Tax Avoidance.

METHODS

Population and Sample

The research method used in this study is a quantitative method. Sugiyono (2019) stated that quantitative research is research based on the philosophy of positivism and is used as a scientific method because it meets scientific criteria such as concrete/empirical, objective, measurable, rational, and systematic. This research is applied to a specific population or sample, using research instruments for data collection, and the data analysis is quantitative or statistical, with the aim of testing the hypothesis that has been established. This study also uses the level of associative explanatory, namely to identify the influence of independent variables on dependent variables both partially and simultaneously. The basic analysis that can be used to analyze causality associative relationships is regression analysis affects bound variables or vice versa.

The approach used in this study is a deductive approach. This approach means that research begins with an existing theory, then research is conducted to prove the theory. In this study, the significance level or error rate used was 5% or 0.05, with a confidence level or confidence interval of 95%. The data used in this study is secondary data, which is obtained from internal data in the form of direct reports from information about a company that is submitted openly. The data used in this study are secondary data, obtained from other sources. In this case, the data is obtained from the website of each company as well as from the website of the Indonesia Stock Exchange, www.idx.co.id. The method used in this study is in line with the research conducted by Agustini et al. (2023), Hikmahtul Nurlaely (2023), Anggraini & Wahyudi (2022), (Pertiwi & Purwasih (2023), Indriyanti and Dalimunthe (2023), Sulaeman (2021), Christili Tanjaya (2022)and Djohar & Rifkhan (2019).

In this study, sampling was carried out by purposive sampling with the following criteria: (1) Companies that are listed on the LQ45 stock market index that are active and listed on the Indonesia Stock Exchange (IDX) consecutively during the 2018-2022 period, if the company is not listed during that period, cannot be included in the sample criteria; (2) LQ45 sector companies listed on the Indonesia Stock Exchange (IDX) that report and issue a complete annual report during the 2018-2022 period, if there are companies that do not report or do not have complete financial statements during that period, they cannot be included in the sample criteria; (3) LQ45 sector companies listed on the Indonesia Stock Exchange (IDX) that received ESG scores from Bloomberge during the 2018-2022 period, if there are companies that do not get ESG scores from Bloomberge during that period, they cannot be included in the sample criteria. (4) LQ45 sector companies listed on the Indonesia Stock Exchange (IDX) that use rupiah currency in their financial statements, if there are companies that do not use rupiah currency in their financial statements, they cannot be included in the sample criteria. (5) LQ45 sector companies listed on the Indonesia Stock Exchange (IDX) that did not suffer losses in pre-tax profit during the 2018-2022 period, if there are companies that suffer losses in their financial statements, then they cannot be included in the sample criteria. This is because companies that suffer losses in the pre-tax profit post will get incentives in the form of not being taxed in the relevant period, which will cause the research results to be biased.

Table 2 displays the results of sample selection carried out using the purposive sampling technique and certain criteria that have been set:

Table 2 Selection of Research Samples

Sample Criteria	Sum
Companies listed on the LQ45 stock market index that are active and listed on the Indonesia Stock Exchange (IDX) consecutively during the 2018-2022 period	20
LQ45 sector companies listed on the Indonesia Stock Exchange (IDX) that report and issue a complete annual report for the period 2018-2022	20
LQ45 sector companies listed on the Indonesia Stock Exchange (IDX) that received ESG scores from Bloomberge during the 2018-2022 period	-8
LQ45 sector companies listed on the Indonesia Stock Exchange (IDX) that use rupiah currency in their financial statements	-2
LQ45 sector companies listed on the Indonesia Stock Exchange (IDX) that did not suffer losses on profit before tax during the 2018-2022 period	-3
Company data that can be used in research	7
Number of Years of Research	5
Total Samples	35

Source: Data processed

Hikmahtul Nurlaely (2023) stated that Tax Avoidance is a dependent variable in this study. Tax avoidance measurements can use Effective Tax Rate (ETR), which is the income tax burden divided by profit before tax.

$$ETR = \frac{\text{Income Tax Burden}}{\text{Profit Before Tax}}$$

Next Environmental, Social and Governance (ESG) and Company Size are independent variables in this study. ESG in this study uses an ESG score proxy published by Bloomberge In line with research conducted by Marliyana & Wulandari (2021) and Ismail & Laksito (2020).

Company Size uses proxies as does Rosyidah (2022) and Indriyanti and Dalimunthe (2023)

$$\text{Firm Size} = (\text{Ln x Total Asset})$$

Multiple linear regression analysis for panel data was used to test the hypothesis in this study. The model of this research is as follows:

$$\text{TAVOIDit} \quad = \boldsymbol{\alpha} + \boldsymbol{\beta 1}\text{ESGit} + \beta 2\text{SIZEit} + \varepsilon\text{it}$$

Information:

TAVOIDit : Company Tax Avoidance in year t
ESGit : Environmental, Social and Governance Score Company in Year T
SIZEit : Company size i in year t

RESULTS AND DISCUSSION

The descriptive statistics of the variables used in this study are found in Table 3 as follows:

Table 3 Descriptive Statistics

Description	Mean	Median	Maximum	Drink	Obs
ESG	4.713.943	4.763.000	2.349.000	8.682.349	35

SIZE	3.337.640	3.362.784	3.081.144	1.523.993	35
ETR	1.352.543	1.340.692	1.267.987	0.057346	35

Source: Data processed

Furthermore, the summary of the results of the hypothesis test using the Common effect model is as follows:

Variable	Coefficient	Std. Error	t-Statistic	Prob	
C	2.154.064	0.152584	14,1173	0.0000	***
ESG	-2.84E-05	8.06E-06	-3.521067	0.0013	***
SIZE	-0.020007	0.004591	-4.357499	0.0001	***
R2	0.533635				
ADJUSTED R2	0.504487				
F-Statistic	1.830.791				
Prob (F-Statistic)	0.000005				

Source: processed data

Description: ***) has an effect on the significance level of 5%.

The Influence of Environmental, Social and Governance (ESG) on Tax Avoidance

The results of the hypothesis test show that Environmental, Social and Governance (ESG) has a negative effect on tax evasion. This study confirms the results of tests conducted by Lee et al. (2021) and Anggraini & Wahyudi (2022) that the performance Environmental, Social and Governance (ESG) affects Tax Avoidance, this is in accordance with the theory of legitimacy that the application of Environmental, Social and Governance good by the Company can reduce tax avoidance behavior.

This is due to pressure from societal norms and expectations, government regulations, and ESG investor demands that encourage companies to behave more ethically and transparently. In addition, good ESG practices build trust and a positive reputation in the eyes of stakeholders, maintain a good public image, and provide long-term benefits such as increased profitability, company value, and competitive advantage in the market, as well as in accordance with agency theory where the practice of implementing Environmental, Social and Governance good helps reduce the risk of agents taking actions that are not in the principal's interest, such as excessive tax avoidance and companies with high ESG scores can gain access to cheaper and easier capital from ESG-focused investors. This can help companies reduce capital costs and increase profitability

The Effect of Company Size on Tax Avoidance

The results of the hypothesis test show that the Company Size has a negative effect on Tax Avoidance. The results of this study are in line with the research conducted by Pertiwi & Purwasih (2023) and ndriyanti and Dalimunthe (2023) which states that the size of the company affects tax avoidance.

The size of the company can affect tax avoidance because large companies are generally closely supervised by the Directorate General of Taxes, the Government and the Public compared to small companies and also large companies that focus more on the image of the community and the company's reputation, so that tax avoidance can damage stakeholder trust and interfere with the smooth operation of the company so that it is more compliant with norms and expectations The community is included in terms of tax payments, so that it is more compliant with the norms and expectations of the community, including in terms of tax payments.

The Influence of Environmental, Social and Governance (ESG) and Company Size on Tax Avoidance

The results of the hypothesis test show that ESG and Company Size have a positive effect simultaneously on tax avoidance. The results of this test are in line with the theory of legitimacy where the company's operations must be supported by sustainable activities (ESG) for the sustainability of the company so that there is no mismatch between the company's actions and the social values of the community, one of which is tax avoidance, where this tax avoidance is not in accordance with Environmental, Social and Governance (ESG). So companies that have implemented and reported Environmental, Social and Governance (ESG) Performance on a regular basis will carry out their company's operations well and not jeopardize their company's status by not avoiding taxes.

In addition, large corporations have strong access in terms of legal and tax experts, as well as the financial ability to bear legal costs and negotiate tax fees, thus being able to leverage operations in different countries and complex business entity structures to minimize tax liabilities. So that it provides greater opportunities and resources to carry out tax evasion. However, large companies focus more on the image of the community and the company's reputation, so that tax avoidance can damage stakeholder trust and interfere with the smooth operation of the company so that it is more compliant with the norms and expectations of the community, including in terms of tax payments.

The results of this study are in line with the research conducted by Lee et al. (2021) that Environmental, Social and Governance (ESG) performance affects Tax Avoidance and is also in line with research conducted by Pertiwi & Purwasih (2023) states that the size of the company affects tax avoidance

CLOSING

Conclusion

Companies that implement sustainability or have high Environmental, Social and Governance (ESG) scores tend not to avoid taxes, because the company has paid attention to environmental, social and corporate governance sustainability that is good and in accordance with societal norms apart from taking maximum advantage of its operational activities with the aim of making the company's operational activities sustainable as well.

In addition, large companies focus more on the image of the community and the company's reputation, so that tax avoidance can damage stakeholder trust and interfere with the smooth operation of the company so that it is more compliant with the norms and expectations of the community, including in terms of tax payments. This study proves that Environmental, Social and Governance (ESG) and Company Size have an effect on Tax Avoidance.

Suggestion

This research only uses LQ45 sector company data, it is hoped that in the next research it is expected to be able to research other sectors both in mining companies, Property and Real Estate Company Companies, Finance, Bank Sub-Sector, Automotive Sub-sector Companies and so on.

Subsequent studies can use a longer research period to get better results. Research The next research is expected to add variables such as Growth Opportunity, Corporate Tax, Thin Capitalization as factors that affect Tax Avoidance Based on the results of the research, it is suggested that increasing or decreasing tax avoidance can increase or decrease the value of ESG and Company Size.

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