



DIRECTOR WITH FOREIGN EXPERIENCE, CSR, PROFITABILITY, LEVERAGE ON TAX AVOIDANCE: FIRM SIZE AS MODERATE

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Abstract

This study investigates the influence of several key variables namely director with foreign experience, Corporate Social Responsibility (CSR), profitability, and leverage on tax avoidance, firm size positioned as a moderating factor. The research is centered on manufacturing firms within the basic and chemical industry sectors, specifically those engaged in the pulp and paper segment, and listed on the Indonesia Stock Exchange (IDX) between 2014 until 2023. Profitability is gauged by ROE, leverage is quantified using DER, and the degree of tax avoidance is measured through the ETR. This study applies a verificative research approach, focusing on a target population of nine manufacturing companies. Through the implementation of an unbalanced panel sampling technique, 80 firm-year observations were ultimately selected as the research sample. Secondary data were sourced from the IDX platform and official company websites, encompassing published financial statements and annual reports over the defined research period. Data analysis was carried out using panel data regression techniques with the assistance of E-Views version 13 software. The empirical outcomes highlight that directors with overseas exposure, active CSR engagement, and higher profitability are associated with lower levels of tax avoidance behavior. Conversely, companies with greater leverage tend to exhibit more aggressive tax minimization strategies. Firm size significantly moderates these relationships: it amplifies the negative impact of foreign directorships, CSR initiatives, and profitability on tax avoidance, while reinforcing the positive influence of leverage on such behavior. These findings indicate that internal factors drive firms' tax strategies, with firm size either amplifying or reducing their impact.

Keywords: Company Size, Corporate Social Responsibility, Director with Foreign Experience, Tax Avoidance

INTRODUCTION

The underground economy has become a significant concern across various nations, including Indonesia. In the Indonesian context, it is estimated to account for approximately 15–20% of the national Gross Domestic Product (GDP). This sector includes range of informal economic activities, covering both legitimate tax planning practices and illicit tax evasion. In response, the Indonesian government has implemented initiatives to detect and map these activities to enhance national revenue generation. Nevertheless, fluctuations in tax revenue performance have persisted over time.

Table 1. National Revenue Targets and Actual Revenue Realization

Year	Targets (In Trillions of Rp)	Actual Revenue (In Trillions of Rp)	Percentage
2016	1.539.000	1.283.000	83,4%
2017	1.238.000	1.147.000	89,40%
2018	1.424.000	1.315.510	92,24%
2019	1.557.560	1.332.060	84,44%
2020	1.197.820	1.072.100	99,89%
2021	1.229.600	1.232.870	100,19%
2022	1.784.000	2.034.500	115,6%
2023	1.988.900	1.932.400	97,2%

Source: Annual Reports of the Directorate General of Taxes, 2016–2023

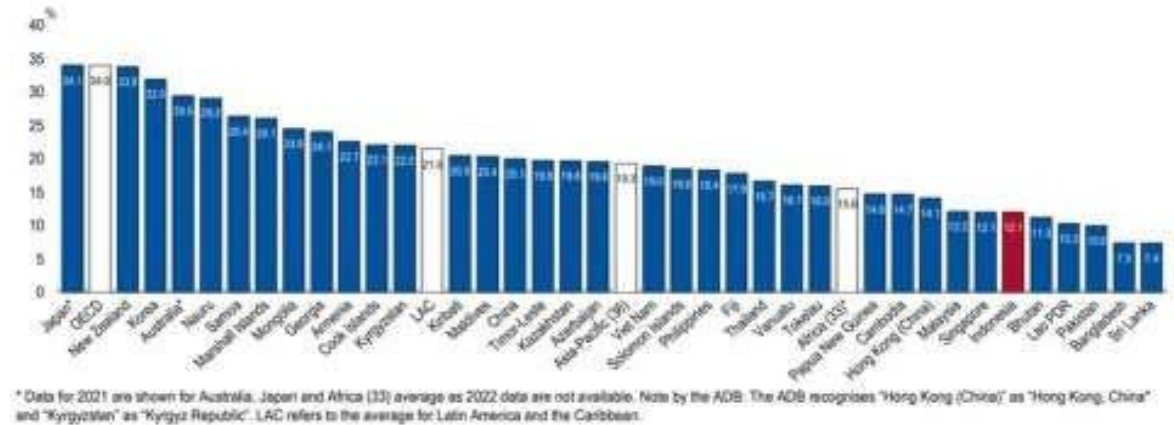
In the 2024 fiscal year, Indonesia's tax revenue amounted to IDR 1,932.4 trillion, achieving 97.2% of the State Budget (APBN) target of IDR 1,988.9 trillion.

The tax ratio defined as the proportion of total tax revenue to Gross Domestic Product (GDP) is widely regarded as a general indicator of a nation's taxation landscape. Indonesia's



current tax ratio remains below the minimum benchmark of 15% recommended by the International Monetary Fund (IMF), standing at 12.1%. This figure also falls short of the Asia-Pacific regional average of 19.3%, as illustrated in the figure below.

Figure 1. Tax Ratio Achievement of Asia-Pacific Countries



Capaian tax ratio negara-negara Asia Pasifik, data oleh OECD.

Source: OECD

The escalating occurrence of tax avoidance practices constitutes a significant factor underlying Indonesia's low tax ratio (Yanti D, 2022). Corporations tend to engage in tax planning strategies aimed at reducing their tax liabilities, employing both legal and illegal methods that exploit regulatory loopholes and financial arrangements. These tax avoidance activities are typically undertaken to minimize tax payments, thereby enabling firms to maximize their profits (Dyrenge *et al.*, 2022).

Tax avoidance remains persistent issue in Indonesia and has been further facilitated by advancements in information technology during the digital era (Tambunan, 2023). It continues to pose a significant challenge for the Indonesian government. According to the 2020 report by the Tax Justice Network, Indonesia ranked fourth in Asia following China, India, and Japan in terms of tax revenue losses attributed to tax avoidance (Tax Justice Network, 2020).

As reported by the Tax Justice Network, Indonesia incurs an estimated annual tax revenue loss of approximately USD 4.86 billion, equivalent to IDR 69.1 trillion, due to tax avoidance practices. This amount corresponds to 4.93% of the country's total tax revenue and represents 42.29% of the national health expenditure.

Several corporate sectors in Indonesia continue to engage in tax avoidance practices, including manufacturing firms within the basic and chemical industries. A major pulp and paper company, has been suspected of employing profit-shifting strategies, potentially resulting in tax losses amounting to approximately IDR 1.9 trillion.

The report of "Macau Money Machine: Allegations of Profit Shifting and Tax Leakages in Indonesian Pulp Exports", published in November 2020, identified that PT Toba Pulp Lestari was involved in the misclassification of pulp types in its export activities (Laia Kennial, 2020). The practices allegedly undertaken by PT Toba Pulp Lestari were aimed at maximizing profits by reducing the tax burden associated with its industrial forest plantation operations in North Sumatra. The company is suspected of engaging in profit-shifting activities during the period from 2007 to 2016.

The directorate general of taxes indicators of tax avoidance behavior can be identified not solely through the computation of the Effective Tax Rate (ETR), but also by analyzing a company's financial ratios. This broader approach enables a deeper understanding of how firms



manage their tax obligations beyond surface level tax metrics (Tanjaya & Nazir, 2021). The key indicators for detecting tax avoidance behavior include a company's financial metrics, such as profitability ratios, leverage, and firm size. Beyond these quantitative measures, qualitative elements such as the influence of board directors and the scope of CSR disclosure may also play a significant role.

An important determinant of tax avoidance behavior is the strategic role played by corporate directors. As key decision-makers in tax-related matters, directors significantly influence whether a firm adopts tax avoidance strategies. Wen *et al* (2020) observe that firms with a lower propensity for tax avoidance often appoint directors who possess international experience.

One notable determinant that may influence a company's likelihood of participating in tax avoidance practices is its commitment to Corporate Social Responsibility (CSR). As firms increasingly embrace socially responsible values and integrate ethical considerations into their strategic decisions, their approach to fulfilling tax obligations can also shift accordingly. Despite being a mandatory component of corporate governance structures, CSR is frequently viewed by firms as an additional financial obligation. However, the adoption of CSR initiatives may serve to offset the negative implications commonly linked to tax avoidance practices (Susanto & Veronica, 2022).

Several other factors may influence tax avoidance, one of which is profitability (Junaldi & Baringin, 2022). Profitability reflects a company's ability to produce income over a defined accounting period (Nurtanto & Wulandari, 2024).

Leverage is acknowledged as a determinant that affects a firm's likelihood of engaging in tax avoidance behavior. The study by Islam Noor (2019) debt instruments employed through leverage policies are among the most utilized tools by corporations in executing tax avoidance strategies.

Within the framework of this study, firm size functions as a moderating variable. Firm size refers to a scale by which companies are classified as either large or small enterprises, the larger firms typically exhibit more extensive operational activities (Kusuma *et al.*, 2020).

LITERATUR REVIEW

Agency Theory

Agency theory serves as a conceptual lens for analyzing the relationship between principals commonly the shareholders or owners and agents, such as corporate managers or executive leaders, who are delegated with the duty of executing tasks on the principals' behalf. Within this governance structure, agents are empowered to make strategic and operational decisions that are presumed to align with the overarching goals and best interests of those they are appointed to represent (Jensen & Meckling, 1976; Purba Br Rahima, 2023).

Legitimacy Theory

Legitimacy theory underpins the conceptual basis for CSR. The theory is founded on the concept of a social contract between corporations and the societies in which they conduct their operations and draw upon economic resources. It underscores the evolving relationship between businesses and the wider community, emphasizing the importance of aligning corporate activities with societal norms to preserve organizational legitimacy (Titisari, 2020).

Upper Echelon Theory

Upper Echelon Theory asserts that the composition of top management teams shaped by differences in educational background, professional experience, and cultural environment results in variations in individual attributes, belief systems, and cognitive perspectives. These individual attributes directly influence strategic decision-making processes and, consequently, impact overall organizational performance (Liu, 2023).



Tax Avoidance

Tax avoidance encompasses legally permissible efforts by taxpayers to reduce or eliminate their tax liabilities through the strategic exploitation of ambiguities or shortcomings within existing tax frameworks. Unlike tax evasion, which involves clear violations of statutory provisions, tax avoidance operates within legal boundaries (Pohan, 2018). Such strategies enable individuals or entities to minimize payable taxes and engage in transactions that may not trigger tax obligations (Abdul *et al.*, 2023). This method often involves maximizing legal provisions such as exemptions, deductions, and the identification of unregulated areas within the tax system. As highlighted by Suandy Erly (2016) tax avoidance is typically characterized by engineered schemes, legal loophole utilization, and a degree of confidentiality. The Effective Tax Rate (ETR) is frequently used as a proxy to measure tax avoidance, where lower ETR values may point to the employment of such practices

$$ETR = \frac{\text{Tax Expense}}{\text{Pretax Income}}$$

Director with Foreign Experience on Tax Avoidance

A director with foreign experience is characterized by having pursued professional employment or advanced education abroad before returning to their country of origin (Wen *et al.*, 2020). The knowledge acquired by corporate directors influences various aspects of corporate governance, including tax planning practices (Tao *et al.*, 2022). Directors with experience in developed countries often exhibit a strong orientation toward maximizing shareholder value, which may lead to a more aggressive stance on tax avoidance strategies Wen *et al.* (2020).

$$DFE_i = \frac{\sum X_{yi}}{N_i}$$

Upper Echelon Theory supports this notion by asserting that top management is shaped by diverse backgrounds, resulting in varying managerial characteristics and strategic behaviors. The study of Wen *et al.* (2020) and Asih & Setiawan (2022) the results demonstrate a meaningful and statistically significant negative correlation between the existence of directors with global exposure and the extent of corporate tax avoidance. This suggests that individuals on the board with international backgrounds may play a pivotal role in discouraging firms from engaging in aggressive tax minimization practices.

H1: Director with foreign experience has a negative effect on tax avoidance

Corporate social responsibility (CSR) on Tax Avoidance

Corporate Social Responsibility represents an intentional and integrated approach whereby companies align their business practices with ethical standards, emphasizing integrity in operations and accountability to stakeholders. It involves a proactive effort to support long-term economic development while ensuring environmental stewardship and social equity (Radhi *et al.*, 2023). The CSR framework is typically structured around the "Triple Bottom Line" (3BL) model, which integrates three fundamental dimensions: economic viability, environmental stewardship, and social (Islam & Indrawati, 2019).

$$CSDI_i = \frac{\sum X_{yi}}{n_i}$$

Perspective of legitimacy theory, organizations are obliged to generate societal value to uphold equitable and mutually reinforcing relationships with the communities in which they conduct business. In this context, CSR functions as an instrumental approach for firms to validate their presence and demonstrate adherence to social norms and expectations. Increased transparency in CSR practices is frequently linked to diminished participation in tax avoidance, as entities with heightened sensitivity to reputational risk are more likely to adopt prudent tax behaviors to sustain stakeholder confidence and maintain institutional credibility. The literature



of Ristanti (2022), Safitri & Winendar (2024) and Maharani & Lely (2021) demonstrates a negative relationship between CSR on tax avoidance.

H2: Corporate Social Responsibility has a negative effect on tax avoidance.

Profitability on Tax Avoidance

Profitability represents a financial metric that evaluates a firm's capacity to produce income relative to its revenues, total asset base, and shareholders' equity (Darmawan, 2020). It is broadly recognized as a fundamental metric for evaluating a firm's financial stability and operational performance. One widely recognized indicator for evaluating a company's profitability is Return on Assets (ROA), which illustrates the efficiency with which a firm leverages its asset base to produce net income. This ratio serves as a crucial benchmark for assessing how well management transforms investments in assets into financial returns, providing insight into the operational effectiveness and overall financial health of the organization.

$$ROA = \frac{\text{Net Profit}}{\text{Total Asset}} \times 100\%$$

The framework of agency theory, profitability is associated with the dynamics between principals (such as shareholders) and agents (such as corporate managers), whereby agents are motivated to enhance firm earnings to maximize the returns of the principals. Elevated profitability ratios are commonly interpreted as indicators of favorable future performance (Sari *et al.*, 2023). Companies that consistently achieve high profit margins are generally seen as demonstrating sound strategic planning and possessing the capacity to meet their tax responsibilities effectively. The literatur of Maharani & Lely (2021), Mayndarto (2022), Sembiring & Sa'adah (2021) and Hitijahubessy *et al* (2022) the results suggest that higher levels of profitability are associated with a decreased propensity for firms to engage in tax avoidance behaviors.

H3 : Profitability has a negative effect on tax avoidance.

Leverage on Tax Avoidance

Leverage refers to a financial ratio that quantifies the extent to which a company's assets are funded through debt instruments (Kasmir, 2019). This ratio is instrumental in evaluating an organization's capacity to manage debt-financed assets, including both current and non-current liabilities. A widely adopted metric to measure leverage is the Debt-to-Equity Ratio (DER), which compares the firm's total debt to its shareholders' equity.

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Agency theory related to leverage suggests that agents (management) seek to increase their compensation, while principals (capital owners) aim to maximize profits and minimize tax expenses. In pursuit of these objectives, companies tend to reduce their tax burden through interest expenses, which serve as tax-deductible items, thereby enhancing their net profits. Higher levels of financial leverage can prompt companies to pursue more assertive tax avoidance approaches, driven by the necessity to fulfill substantial debt obligations. As the pressure to maintain adequate liquidity intensifies, firms may be compelled to reduce their tax burden strategically to safeguard cash reserves and ensure timely servicing of debt instruments. Such behavior reflects the financial strain that indebted companies often face, where minimizing outflows through tax planning becomes a mechanism to stabilize operations and meet fiscal responsibilities. In this context, leveraging tax strategies emerges as a tactical response to the challenges imposed by increased borrowing. The literatur of Rahmadani *et al* (2020), Suyanto & Kurniawati (2022), and Islam & Indrawati (2019) found the positive effect of leverage on tax avoidance.



H4 : Leverage has a positive effect on tax avoidance.

Director with Foreign Experience on Tax Avoidance with Firm Size as a Moderator

Large firm size becomes a consideration for directors with international experience in engaging in aggressive tax avoidance. However, returning expatriate directors tend to possess stronger reputations and demonstrate greater adherence to legal compliance; therefore, they are more likely to monitor management activities to mitigate tax avoidance practices (Wen *et al.*, 2020). Therefore, directors with international experience may contribute to reducing tax avoidance within a firm. As firm size increases, directors are more likely to reconsider engaging in such practices. This suggests that firm size strengthen or moderate the negative influence of internationally experienced directors on tax avoidance behavior.

H5 : Firm size can moderate a negative effect of director with foreign experience on tax avoidance.

Corporate Social Responsibility (CSR) on Tax Avoidance with Firm Size as a Moderator

Corporations are expected to deliver value to society and foster positive relationships with the community. Legitimacy theory frames CSR as a manifestation of a corporate's social accountability. As firm size increases, the extent of CSR disclosure also tends to rise, given that larger firms possess greater resources and capacity to engage in such initiatives. Accordingly, firms that report their CSR initiatives tend to exhibit lower levels of engagement in tax avoidance practices. The research of Erawati & Afat (2023) found that firm size strengthen or moderate the negative CSR on tax avoidance.

H6 : Firm size can moderate the negative influence of corporate social responsibility on tax avoidance.

Profitability on Tax Avoidance with Firm Size as a Moderator

Large-scale firms tend to generate profits more easily compared to smaller enterprises. According to agency theory, shareholders expect high returns, prompting managers to optimize profitability to the greatest extent possible. An increase in earnings tends to elevate tax obligations, prompting highly profitable firms to refrain from tax avoidance. Additionally, larger corporations often experience intensified scrutiny from shareholders, which further disincentivizes such behavior. Literatur of Suyanto & Kurniawati (2022) and Calvin Leo (2024) show firm size may strengthen or moderate the negative influence of profitability on tax avoidance.

H7 : Firm size can modeerate negative influence of profitability on tax avoidance.

Leverage on Tax Avoidance with Firm Size as a Moderator

Agency theory highlights leverage as a reflection of the contractual dynamics between principals such as creditors and agents, specifically the firm's management, wherein debt agreements delineate the respective duties and expectations of both sides. As companies grow in scale, they tend to assume greater levels of debt financing to support expansion and operational needs, thereby increasing their leverage. This rise in financial obligations translates into higher interest expenses, which are deductible from pre-tax income. Consequently, taxable income is reduced, resulting in a lower overall corporate tax burden. Under these fiscal circumstances, heavily leveraged firms may be more inclined to implement tax avoidance mechanisms, viewing them as strategic tools to conserve financial resources and fulfill ongoing debt commitments. Thus, leverage not only represents a financial instrument but also functions as a potential driver of tax-minimizing behavior. Literatur of Suyanto & Kurniawati (2022) and Calvin Leo (2024) this suggests that firm size may amplify or moderate the positive effect of leverage on tax avoidance.

H7 : Firm size strengthens the positive influence of leverage on tax avoidance.



METHODS

This research employs a quantitative-verify method aimed at empirically testing the proposed hypotheses using numerical data. The study relies exclusively on secondary sources, specifically drawing upon a collection of audited financial statements and comprehensive annual reports. These documents were retrieved from the official platform of the Indonesia Stock Exchange (IDX) at www.idx.co.id, as well as directly from the individual corporate websites of the companies under analysis. The use of these established sources ensures the credibility and reliability of the financial information analyzed throughout the research. The sample selection employs an unbalanced panel design, involving nine companies and totaling 80 financial statements and annual reports from the paper and pulp manufacturing sector listed on the IDX) period 2014–2023. Data processing was conducted using EViews 13 and Microsoft Excel. The component analyzed in the study include tax avoidance (dependent variable), international experience of directors, CSR, profitability, leverage (independent variables), firm size (moderating variable). Panel data regression was used for the analysis, with model specification tests applied to each model.

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Table 2. Result of Descriptive Statistical Analysis

	ETR	DFE	CSR	ROA	DER	SIZE
Mean	0.161918	0.454325	0.405521	0.032218	1.331902	29.24815
Median	0.224168	0.400000	0.354167	0.041589	1.187240	28.91161
Maximum	0.840534	1.000000	0.975000	0.130697	5.240419	32.67003
Minimum	-0.395327	0.000000	0.150000	-0.117825	0.424461	26.60048
Std. Dev.	0.210681	0.319150	0.233789	0.050566	0.748410	1.790158
Observations	80	80	80	80	80	80

Source: Eview version 13 output, Data processed (2025)

Table 2 reveals significant disparities in corporate tax avoidance levels, with figures ranging from a peak of 0.840534 to a trough of -0.395327. The average value stands at 0.161918, accompanied by a standard deviation of 0.210681, indicating notable fluctuations across the sample. The lowest tax avoidance score was recorded by PT Indah Kiat Pulp & Paper Tbk in 2016, implying that the company bore a disproportionately high tax burden relative to its earnings before tax. In contrast, the highest score also attributed to PT Pabrik Kertas Tjiwi Kimia Tbk, but in 2014 reflects a substantially negative effective tax rate. This anomaly suggests that the firm engaged in aggressive tax planning during that period, with actual tax payments falling far below reported pretax profits. These extremes underscore the diverse fiscal behaviors present among firms within the sample.

International experience among directors displays moderate variability, with a maximum value of 1.000000, a minimum of 0.000000, an average of 0.454325, and a standard deviation of 0.319150. The highest values were observed in PT Alkindo Naratama Tbk (2014–2023), PT Kedawung Setia Industrial Tbk (2014–2015), and PT Suparma Tbk (2021–2023). In contrast, PT Toba Pulp Lestari Tbk consistently lacked directors with international experience during the 2014–2023 period, as did PT Kertas Basuki Rachmat Indonesia in 2016–2017.

Corporate Social Responsibility (CSR) demonstrates moderate variability, with a minimum value of 0.150000, a maximum value of 0.975000, a mean of 0.405521, and a standard deviation of 0.233789. The lowest level of CSR disclosure was recorded by PT Kedawung Setia Industrial Tbk during the period 2014–2019, whereas the highest was observed in PT Toba Pulp Lestari Tbk in 2022–2023.



Profitability also displays moderate variation, indicating that while differences exist across firms, the disparity between profitable and unprofitable firms is not extreme. The minimum value of profitability was -0.117825, the maximum was 0.130697, the average stood at 0.032218, and the standard deviation was 0.050566. The lowest profitability was noted in PT Kedawung Setia Industrial Tbk in 2018, whereas the highest occurred in PT Pabrik Kertas Tjiwi Kimia Tbk in 2022.

Leverage exhibits significant variation, with a minimum value of 0.424461 observed in PT Suparma Tbk, indicating a relatively low leverage level and a tendency to rely more heavily on equity financing than debt. Conversely, the maximum leverage value of 5.240419 was recorded by PT Kertas Basuki Rachmat Indonesia Tbk in 2018. The mean leverage was 1.331902, with a standard deviation of 0.748410.

Panel Data Capital Test
Chow Test

Table 3. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	0,784380	(8,66)	0,6180
Cross-section Chi-square	7,265932	8	0,5082

Source: Eview version 13 output, Data processed (2025)

Based on the results presented in Table 3, the cross-section chi-square probability value is recorded at 0.5082, surpassing the critical significance threshold of 0.05. Consequently, the Chow test does not provide sufficient evidence to reject the null hypothesis, indicating that the pooled regression model aligns well with the characteristics of the dataset.

This outcome signifies that the fixed effect model does not demonstrate a better fit, thus supporting the use of the common effect or pooled model in the subsequent analysis. However, to validate this choice and ensure model robustness, it remains crucial to conduct the Hausman test. The Hausman test will help determine whether the pooled regression should be retained or if the random effect model offers a more appropriate estimation strategy for the given panel data. This additional diagnostic step ensures that the final model selection is both statistically justified and well-suited to the structure of the data.

Hausman Test

Table 4. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4,379017	5	0,4962318

Source: Eview version 13 output, Data processed (2025)

As presented in Table 4, the random cross section chi-square test produces a probability value of 0.4962, which exceeds the conventional significance threshold of 0.05. Accordingly, the Hausman test does not provide grounds to reject the null hypothesis, suggesting insufficient statistical evidence in favor of the fixed effect model.

This result reinforces the appropriateness of employing the random effect model for the ensuing analysis. The statistical outcome implies that unobserved heterogeneity across entities is uncorrelated with the explanatory variables, making the random effect specification a more efficient and reliable estimator in this context. Hence, the selection of this model ensures both accuracy and consistency in interpreting the panel data structure.



Lagrange Multiplier Test

Table 5. Lagrange Multiplier Test

Null (no rand. effect) Alternative	Cross-section One-sided	Period One-sided	Both
Breusch-Pagan	0,548343 -0,4590	4,094180 -0,0430	4,642522 -0,0312

Source: Eview version 13 output, Data processed (2025)

In Table 5, the cross-section chi-square value associated with the random effect model is reported at 0.4590, exceeding the standard significance level of 0.05. As a result, the Lagrange Multiplier (LM) test fails to reject the null hypothesis, indicating insufficient evidence to justify the application of the random effect model in this context.

Given this finding, the analysis favors the use of the common effect model as the more statistically appropriate specification. When considered in conjunction with the outcomes from the Chow and Hausman tests, which also support the common effect framework, the overall model selection process reinforces the conclusion that the pooled regression model is best suited for capturing the relationships within the panel data set examined in this study.

Classical Assumption Test

Classical assumption test is a series of procedures conducted to ensure the consistency of a regression equation, thereby minimizing bias and enhancing the reliability of the regression analysis results. In this research, the model for regression analysis is Common Effect Model (CEM). Accordingly, the researcher will perform two types of diagnostic tests as part of the classical assumption testing: the multicollinearity test and the heteroskedasticity test.

Multicollinearity Test

The multicollinearity test is to evaluate the presence of intercorrelations among independent variables. This research utilizes the Variance Inflation Factor (VIF) approach, operationalized through the EViews statistical software. The VIF method offers a more accurate measure for detecting multicollinearity issues within the regression framework.

Table 6. Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	8,562327	655,8546	
X1	0,230778	5,426759	1,778014
X2	0,406444	6,800033	1,680351
X3	8,600267	2,347160	1,663376
X4	0,034111	6,080262	1,445199
Z	0,009970	655,7295	2,416819

Source: Eview version 13 output, Data processed (2025)

Table 6 demonstrates that all Centered VIF values are below the critical value of 10, confirming the absence of multicollinearity among the independent variables. This result satisfies the classical linear regression assumption regarding variable independence.

Heteroscedasticity Test

To evaluate the consistency of variance in the residuals across the regression framework, it is necessary to conduct a heteroskedasticity test. Heteroskedasticity may occur when a notable association exists between independent and dependent variables. This study utilizes the Glejser method to identify potential heteroskedasticity by regressing the absolute residual values from the initial model on the independent variables.



Table 7. Heteroscedasticity Test

F-statistic	0,717379	Prob. F(5,74)	0,612423
Obs*R-squared	3,699912	Prob. Chi-Square(5)	0,593377
Scaled explained SS	8,156101	Prob. Chi-Square(5)	0,147840

Source: Eview version 13 output, Data processed (2025)

Table 7 the probability value of 0.593377 exceeds the 0.05 significance threshold, indicating the absence of heteroskedasticity among the variables analyzed. This finding satisfies one of the fundamental assumptions of classical linear regression, supporting the conclusion that the model adheres to the assumption of homoskedasticity, wherein the variance of the residuals remains constant.

Hypothesis

Determination Coefficient Test (R Square)

Table 8. R-Squared Test Results

Model	R Square	Adjusted R Square	S.E. of regression
Tax Avoidance (Y)	0.473492	0.450506	0.174097

Source: Eview version 13 output, Data processed (2025)

Table 8 the R-squared value obtained from the multiple linear regression model is 0.473492, indicating that 47.35% of the variability in tax avoidance can be explained collectively by director with foreign experience, CSR, profitability, leverage, and firm size. The remaining 52.65% of the variation is attributed to other variables not encompassed within the framework of this study.

Individual Parameter Significance Test (t-Test)

The probability values are halved and subsequently compared with the significance level of 0.05, while the calculated t-values are evaluated against the critical values in the t-distribution table, with $\alpha = 5\%$ and degrees of freedom (df) = $n-k-1$. The t-test is conducted at a 5% significance level ($\alpha = 0.05$).

Table 9. Model t-Test Results

Variable	Std. Error	t-Statistic	Prob.
C	0,488665	5,575978	0,0000
X1 Director with Foreign Experience	0,064913	-2,551391	0,0129
X2 Corporate Social Responsibility	0,109488	-3,154841	0,0024
X3 Profitability	0,515235	-3,007807	0,0036
X4 Leverage	0,032226	2,546136	0,0131
Z Firm Size	0,017202	5,116050	0,0000

Source: Eview version 13 output, Data processed (2025)

Model Regression

Equation Model 1

$$ETR = 2,724 - 0,165 - 0,345 - 1,549 + 0,082 + 2,147 + \epsilon$$

Equation Model 2

$$ETR = 2,938876 - 0,151123 X1 - 0,258254 X2 - 1,328874 X3 + 0,164451 X4 + 0,695343 Z - 0,076275 X1*Z - 0,045665 X2*Z - 0,188068 X3*Z + 0,084217 X4*Z + \epsilon$$

Description:

- ETR : Tax Avoidance
- $\beta_1-\beta_4$: Refression Coefficient
- X1 : Director with Foreign Expreience



X2	: Corporate Social Responsibility
X3	: Profitability
X4	: Leverage
Z	: Firm Size
i	: Observation
t	: Time
ε	: Errors

The Effect of Director with Foreign Experience on Tax Avoidance

The t-test analysis yields a p-value of 0.0129 for variable X1, which falls below the predetermined significance level of 0.05. Additionally, the corresponding t-statistic of 2.551391 surpasses the critical t-value of 1.992543, providing statistical grounds to reject the null hypothesis H_0 and accept the alternative hypothesis H_{a1} . The negative sign of the coefficient associated with X1 suggests that the international experience of directors significantly curtails tax avoidance behavior. This empirical evidence reinforces the view that directors with global exposure contribute to more conservative and transparent fiscal practices within the organization. Their diverse backgrounds may introduce higher ethical standards and stricter compliance norms, thereby discouraging aggressive tax strategies. According to the upper echelons theory, directors hold decision-making authority, including in matters related to taxation. International experience shapes directors' perspectives on tax compliance. Directors who have studied or worked abroad tend to possess broader insights and bring with them unique skills and knowledge not commonly found in domestic contexts. Their cognitive frameworks, viewpoints, and managerial behaviors are shaped by this exposure. Foreign education emphasizes financial efficiency and aggressive business strategies. These results align with the empirical evidence reported in earlier studies Wen *et al* (2020) and Asih & Setiawan (2022) which suggest that directors with foreign experience is found to have a negative influence on tax avoidance.

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

The t-test results reveal that the probability value for X2 is 0.0024 (< 0.05), with a t-statistic of 3.154541, exceeding the critical value of 1.992543. The coefficient for variable X2 is negative, leading to the rejection of H_0 and acceptance of H_{a1} . Thus, CSR has a statistically significant negative effect on tax avoidance. In line with legitimacy theory, firms are encouraged to disclose social responsibility activities to obtain societal approval. CSR disclosure is not undertaken as a mechanism for tax avoidance, but rather as a strategy to alleviate public concern regarding corporate activities. Firms that implement CSR effectively are less likely to engage in tax avoidance, as they view tax payments as a contribution to societal welfare. These findings are consistent with Ristanti (2022), Safitri & Winendar (2024) and Maharani & Lely (2021) Corporate Social Responsibility is found to have a negative influence on tax avoidance.

The Effect of Profitability on Tax Avoidance

The results of the t-test for hypothesis testing show that the probability value for X3 is 0.0036 (< 0.05), and the t-statistic is 3.007807, exceeding the critical t-value of 1.992543. The coefficient for variable X3 is negative, resulting in the rejection of H_0 and acceptance of H_{a1} . This indicates that profitability has a statistically significant negative effect on tax avoidance. Agency theory posits that firms with higher profitability inherently generate increased earnings, which leads to higher tax obligations. While management may have discretion over whether to engage in tax avoidance strategies, excessive avoidance is often viewed unfavorably by stakeholders. Firms with strong earnings are perceived as having effective financial management and are more likely to fulfill their tax responsibilities responsibly. These findings are consistent with Maharani & Lely (2021), Mayndarto (2022), Sembiring & Sa'adah, (2021),



Saputra & Mujiyati (2024) and Hitijahubessy *et al* (2022) profitability is found to have a negative influence on tax avoidance.

The Effect of Leverage on Tax Avoidance

The results of the t-test indicate that the probability value for X4 is 0.0131 (< 0.05), with a t-statistic of 2.546136, which exceeds the critical value of 1.992543. The coefficient for variable X4 is positive, leading to the rejection of H_0 and acceptance of H_{a1} . This suggests that leverage has a statistically significant positive effect on tax avoidance. Agency theory suggests that management may utilize leverage as a strategic tool to maximize firm value, which may give rise to conflicts of interest between principals and regulatory authorities. An increase in debt financing allows firms to benefit from tax deductions on interest expenses. The resulting high interest costs reduce taxable income, which in turn decreases the overall tax burden. Consequently, firms may exploit debt to minimize tax payments, potentially leading to tax avoidance behavior. These findings are consistent with the existing literature Rahmadani *et al* (2020), Suyanto & Kurniawati (2022), and Islam & Indrawati, 2019) leverage is found to have a positive influence on tax avoidance.

The Effect of Firm Size in Moderating Director with Foreign Experience on Tax Avoidance

The results of the Moderated Regression Analysis (MRA) show that the probability value for the interaction term $X1*Z$ is 0.0158 (< 0.05), with a t-statistic of 2.477397, exceeding the critical value of 1.994437. This indicates that firm size significantly moderates the negative influence of directors with international experience on tax avoidance. The presence of internationally experienced directors, when moderated by firm size, leads to a reduced tendency toward tax avoidance. The findings suggest that larger firms are more likely to appoint directors with international experience than smaller firms. Such directors are often regarded as strategic assets for the company, contributing to enhanced human capital and broader organizational benefits. Therefore, directors with foreign experience in larger firms are less likely to engage in tax avoidance practices.

The Effect of Firm Size in Moderating Corporate Social Responsibility (CSR) on Tax Avoidance

The results of the Moderated Regression Analysis (MRA) indicate that the probability value for the interaction term $X2*Z$ is 0.0360 (< 0.05), with a t-statistic of 2.141837, exceeding the critical t-value of 1.994437. This suggests that firm size significantly moderates the negative influence of CSR on tax avoidance. While CSR does influence tax avoidance, its effect varies depending on firm size. Larger firms typically possess more resources to implement comprehensive CSR programs, which can enhance their corporate image. In contrast, smaller firms tend to prioritize compliance with tax regulations to safeguard profitability. These findings are consistent with previous studies Ulinuha & Nurdin (2024) which found the negative relationship between CSR and tax avoidance is moderated by firm size.

The Effect of Firm Size in Moderating Profitability on Tax Avoidance

The results of the Moderated Regression Analysis (MRA) reveal that the probability value for the interaction term $X3*Z$ is 0.0018 (< 0.05), with a t-statistic of 3.261064, exceeding the critical t-value of 1.994437. This indicates that firm size significantly moderates the negative influence of profitability on tax avoidance. Large firms typically exhibit high profitability; however, they are also subject to stricter oversight by regulators and stakeholders, which may constrain their ability to engage in tax avoidance practices unlike smaller firms. Moreover, highly profitable large firms are generally better positioned to fulfill their tax obligations compared to their smaller counterparts. Literatur of Suyanto & Kurniawati (2022) and Calvin Leo (2024) found that firm size does significantly strengthen the negative profitability on tax avoidance.



The Effect of Firm Size in Moderating Leverage on Tax Avoidance

The results of the Moderated Regression Analysis (MRA) demonstrate that the probability value for the interaction term X4Z is 0.0222, which falls below the 0.05 significance threshold, accompanied by a t-statistic of 2.342671 that surpasses the critical value of 1.994437. This finding indicates that firm size serves as a significant moderating variable in the negative association between leverage and tax avoidance. Larger firms typically operate with higher leverage ratios, resulting in considerable interest expenses that reduce taxable income. This decrease in pre-tax earnings lessens the tax burden, thereby potentially encouraging more aggressive tax avoidance practices among firms of greater scale. In contrast, smaller firms often face limitations in implementing such financial strategies due to their narrower operational scope. These findings are consistent with prior research Suyanto & Kurniawati (2022) and Ulinuha & Nurdin (2024).

CONCLUSION

This research reveals that directors with international experience, corporate social responsibility (CSR) initiatives, and profitability exert a negative influence on tax avoidance practices. Conversely, leverage demonstrates a positive impact on the propensity for tax avoidance. Furthermore, firm size acts as a moderating variable that reinforces the negative relationship between foreign-experienced directors, CSR efforts, and profitability with tax avoidance. In addition, firm size also strengthens the positive effect of leverage on the level of tax avoidance undertaken.

Suggestion

For the next research are advised to incorporate additional variables that may influence tax avoidance, such as earnings management, management incentives, and other relevant factors. Furthermore, subsequent studies may consider employing research subjects from different industrial sectors listed on the IDX and utilize more recent observation periods. This approach is expected to provide a more comprehensive and up-to-date depiction of corporate conditions relevant to the topic of tax avoidance.

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