EDUCORETAX
Volume 5 No.10, 2025

THE INFLUENCE OF MANAGERIAL ABILITY AND PROFITABILITY ON TAX AVOIDANCE WITH ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) MODERATION

Hendra Prasetya Ardianto [1], Subagio [2]

[1] iamhendraprasetya07@gmail.com, **Politeknik Keuangan Negara STAN**
[2] subagio@pknstan.ac.id, **Politeknik Keuangan Negara STAN**

Abstract
This study is motivated by Indonesia's low tax ratio, which is driven by a significant tax gap. Corporate tax avoidance is a primary contributor to this gap. Furthermore, the inconsistency of findings in previous research regarding the factors that influence tax avoidance reinforces the urgency of this study. This research aims to analyze the influence of managerial ability and profitability on tax avoidance, examining the moderating role of Environmental, Social, and Governance (ESG) performance. This study employs a quantitative approach using panel data from 27 non-financial public companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2023 period. The sample was selected using a purposive sampling method. Tax avoidance is measured using the Book-Tax Difference (BTD) proxy, managerial ability by Data Envelopment Analysis (DEA), profitability by Return on Assets (ROA), and ESG scores obtained from Refinitiv. Data analysis was performed using Moderated Regression Analysis (MRA) with random effects model. The findings indicate that (1) managerial ability has a negative effect on tax avoidance, suggesting that more capable managers tend to refrain from tax avoidance practices. (2) Profitability has a positive effect on tax avoidance, showing that the incentive to protect high profits encourages tax avoidance. (3) ESG weakens the negative influence of managerial ability on tax avoidance, implying that high ESG performance may serve as a "reputational cushion" that allows managers to take on tax avoidance risks. (4) ESG fails to moderate the effect of profitability on tax avoidance, indicating a hierarchy of incentives in tax avoidance decision-making.
Keywords: ESG; Managerial Ability; Profitability; Tax Avoidance

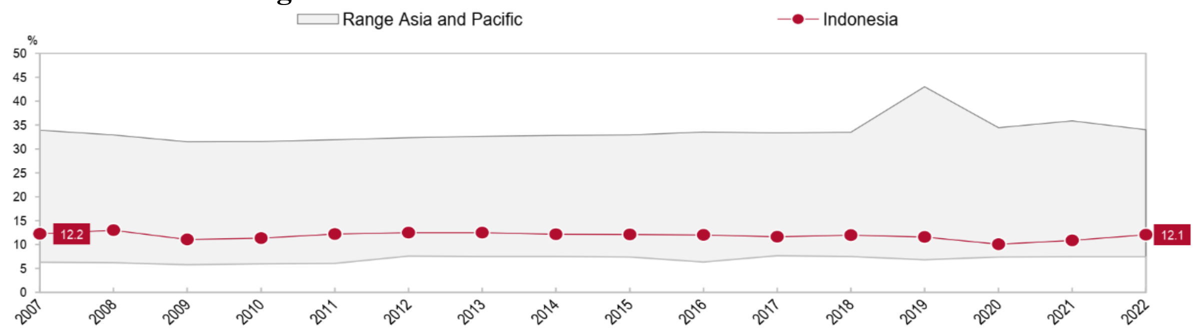
INTRODUCTION

Taxes play a fundamental role in sustaining fiscal continuity and national development agendas in Indonesia. As the state's primary source of revenue, tax receipts consistently dominate the posture of the State Revenue and Expenditure Budget, contributing an average of 67.2% of total state revenue during the 2019 to 2023 period (Candra, 2023). These funds function as the driving force for strategic development programs, the provision of essential public services such as education and health, and as instruments for income redistribution through subsidies and social assistance. This central role confirms that the health of the tax system not only reflects the state's fiscal capacity but correlates directly with the state's ability to realize national welfare goals.

Behind the crucial role of taxes as the backbone of state revenue, the effectiveness of Indonesia's tax system faces serious structural challenges. This is reflected in Indonesia's low and stagnant tax ratio. For over a decade, from 2007 to 2023, Indonesia's tax ratio has stagnated in the range of 10% to 12% (OECD, 2024), as can be seen in **Figure 1**. This figure lags far behind the average tax ratio of ASEAN countries, which reaches 16% to 18%, Asia-Pacific countries (20%), and OECD countries (34%) (Nugroho, 2024). This phenomenon not only indicates chronic stagnation but also points to a worrying downward trend in recent years. Data shows a decline from 10.4% in 2022 to 10.21% in 2023, and further to 10.08% in 2024. This dynamic creates an urgency to identify and understand the driving factors behind the inefficiency of tax revenue to minimize state financial losses.

One of the main causes of the low tax ratio is a significant tax gap, particularly in the Corporate Income Tax sector. A World Bank report estimates that the average Corporate Income Tax gap in Indonesia during the 2016-2021 period reached 2.8% of Gross Domestic Product (GDP), equivalent to a potential state revenue loss of IDR 160 trillion per year (Nasly, 2025). These macroeconomic findings are reinforced by micro-level evidence, where a World Bank survey indicated that approximately 26% of companies in Indonesia openly admitted to not fully complying with their tax obligations (Wildan, 2024). Corporate tax avoidance practices are identified as a major contributor to this gap, with estimated state losses reaching approximately IDR 69 trillion annually (Putra & Rahayu, 2023; Wildan, 2023). The convergence of macroeconomic data, admissions of behavior at the firm level, and estimates of financial loss confirms that corporate tax avoidance is not an isolated incident, but a systemic behavioral pattern requiring deep analysis of driving factors at the internal corporate level.

Figure 1. Indonesia's Tax-to-GDP Ratio Over Time



Source: OECD (2024)

Tax avoidance practices are not passive results of external conditions but are part of internal corporate policies formulated through a series of managerial decisions (Park et al., 2016). In this context, two internal factors become highly relevant. First, managerial ability is a crucial determinant because complex and effective tax planning strategies demand a deep understanding of regulations, financial structures, and business operations—all functions of a manager's capability (Prakosa & Sari, 2019). Second, corporate profitability acts as a primary driver. High profitability directly creates a large potential tax burden, thereby generating strong financial incentives for managers to engage in tax avoidance activities to protect the generated profits (Lani & Nyoman, 2025). Thus, this research framework is built upon an analysis of the fundamental interaction between capability (managerial ability to design strategies) and incentives (profitability's drive to act), which together shape corporate tax decisions.

The academic justification for this study is strengthened by the existence of an empirical gap. Previous studies have shown inconsistent and often contradictory results regarding the influence of managerial ability and profitability on tax avoidance. Regarding managerial ability, some studies finds that more capable managers engage in more aggressive tax avoidance (Khoirunnisa' & Suwardi, 2024; Koester et al., 2017; Saragih & Ali, 2023; Syarli, 2022). Conversely, other studies find the opposite, where high managerial ability is associated with lower levels of tax avoidance (Akbari et al., 2018; Park et al., 2016; Prakosa & Sari, 2019; Seifzadeh, 2022). A similar pattern of inconsistency is found in the profitability, some studies find a positive influence of profitability on tax avoidance (Lani & Nyoman, 2025; Mahdiana & Amin, 2020; Pitaloka & Aryani Merkusiawati, 2019; Prasetya & Muid, 2022). On the other hand, some studies found a negative influence of profitability on tax avoidance (Bawazier, 2022; Putri & Nurdin, 2023; Rahmawati & Nani, 2021; Zhu et al., 2019). These inconsistencies are not a weakness of the literature, but an important finding indicating that the relationship between these variables may be influenced by contextual or moderating factors not yet identified in previous models.

The inconsistency of these findings may indicate the existence of other factors that moderate the relationship between internal corporate determinants and tax avoidance practices. To address this gap, this study proposes Environmental, Social, and Governance (ESG) as a moderating variable. However, the role of ESG in the context of taxation remains a subject of fundamental theoretical debate. On one hand, high ESG performance should encourage greater tax compliance, as tax payment is considered an essential part of corporate social responsibility towards primary stakeholders, namely the government and society (Elgharbawy & Aladwey, 2025; Monica & Ajimat, 2024; Syahputri, 2025; Yoon et al., 2021). On the other hand, superior ESG performance can also be used opportunistically as a "reputational buffer". In this view, the positive image built through ESG provides protection that allows companies to take greater risks in less transparent areas, such as aggressive tax avoidance (Abdelfattah & Aboud, 2020; Almutairi & Abdelazim, 2024; Mukhtaruddin et al., 2024; Pandapotan, 2023). Thus, this study is designed to directly test these two competing theoretical views, whether ESG functions as an authentic reflection of corporate ethics or as a strategic tool for reputation management.

This study differs from previous studies. First, it examines the influence of managerial capability and profitability on tax avoidance within a single integrated research model, allowing for analysis of the interaction between capabilities and incentives. Second, it uses the Book-Tax Difference (BTD) proxy to measure tax avoidance, a more comprehensive proxy and relatively rarely used in Indonesian research. Third, it uses ESG as a moderating variable. This approach allows the study to examine the influence of ESG by placing it in a dynamic context where it interacts with financial pressures (profitability) and strategic capabilities (managerial capability), thus providing an assessment of the role of ESG in corporate tax decision-making.

The subjects of this study are non-financial public companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. The financial sector was excluded due to fundamental differences in regulation, financial structure, and business models compared to the non-financial sector. Financial companies possess unique characteristics regarding revenue, assets, and liabilities, rendering the measurement of managerial ability incomparable when juxtaposed with non-financial companies. Therefore, to ensure the validity of cross-company comparisons, the financial sector was not included in the research sample.

The selection of public companies as subjects was based on data availability and reliability considerations, given their obligation to publish audited financial statements (Otoritas Jasa Keuangan, 2022). Furthermore, public companies are subject to stricter governance standards, making them highly relevant for research related to transparency and ESG. The 2019–2023 timeframe was selected as it encompasses significant economic dynamics, ranging from pre-pandemic conditions (2019) and the shocks caused by COVID-19 (2020–2021) to the recovery phase (2022–2023). This period provides an ideal "natural laboratory" to test the research hypotheses amidst fluctuations in corporate performance and changing market conditions.

Based on the observed phenomena, urgency, and research gaps, the primary research problem is formulated as follows: "What factors influence corporate income tax avoidance in non-financial public companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023?". Consistent with this question, the objective of this study is to empirically examine the influence of managerial ability and profitability on tax avoidance, as well as to analyze the moderating role of ESG performance within these relationships.

LITERATURE REVIEW

Agency Theory

Agency theory, introduced by Jensen & Meckling (1976), discusses the contractual relationship between company owners (principals) and managers (agents). This theory is grounded in the separation of ownership and control, wherein the principal delegates authority to the agent to manage the company (Prakosa & Sari, 2019). However, this separation creates potential conflicts of interest (agency problems), as managers may act to maximize their personal welfare, which does not always align with the principal's goal of maximizing firm value. This issue is exacerbated by information asymmetry, where managers possess more complete information regarding company operations than the principals.

In the context of tax avoidance, agency theory provides two main explanations. First, managers, acting as agents, are motivated to increase shareholder (principal) wealth by reducing tax burdens, which may ultimately benefit them personally, for instance, through performance-based managerial incentives (Prakosa & Sari, 2019). However, this practice can pose risks to the company that may impact shareholders, such as sanctions from tax authorities or deteriorating corporate reputation (Monica & Ajimat, 2024). Simply put, managers have an incentive to engage in tax avoidance if the benefits outweigh the associated costs and risks. However, when the costs of tax avoidance exceed the benefits, shareholders will not desire such practices. Thus, agency theory explains that tax avoidance can represent a form of conflict of interest between agents and principals.

Upper Echelons Theory

Upper echelons theory, proposed by Hambrick & Mason (1984), asserts that the strategic decisions and performance of an organization are reflections of the characteristics, values, and experiences of its top managers (Saragih & Ali, 2023). This theory shifts the analytical focus from pure economic rationality to the cognitive and personal factors of decision-makers. Strategic decisions, including those regarding taxation, are not merely responses to market conditions but are also influenced by the demographic (age, education, functional experience) and psychological (risk preferences, values) backgrounds of top executives (Bekos & Chari, 2025; Hambrick, 2018).

This theory is relevant for explaining how managerial ability influences tax avoidance strategies. For instance, a manager with a strong educational background in finance or accounting typically possesses a better understanding of the complexities of tax regulations and is more inclined to adopt aggressive tax avoidance strategies (Basson & Spuy, 2025). Conversely, managers with high ethical and sustainability values tend to be more cautious in making decisions that could damage the company's long-term reputation, such as tax avoidance (Francis et al., 2022).

Stakeholder Theory and Stakeholder Salience Theory

Stakeholder theory, developed by Freeman (1984), challenges the traditional shareholder-centric view by stating that companies are accountable to a wide range of stakeholders, including employees, customers, suppliers, communities, and the government (Chen et al., 2023; Mitchell et al., 1997). To achieve long-term success, companies must balance the interests of all these parties. In this context, social responsibility disclosures, such as the Environmental, Social, and Governance (ESG) framework, become relevant as a means of communication and a reflection of the company's commitment to broader stakeholders (McWilliams et al., 2001).

In relation to tax avoidance, views regarding firm orientation toward stakeholders present varied and contradictory arguments. On one hand, a stronger stakeholder orientation encourages companies to refrain from engaging in tax avoidance (Chen et al., 2023). This is grounded in the view that the government and society are significant stakeholders. On the other hand, stakeholder salience theory, developed by Mitchell et al. 1997, explains that managers doesn’t treat all stakeholders equally. Instead, they prioritize stakeholders based on three attributes: power, legitimacy, and urgency (Chen et al., 2023). In the context of taxation, the government is a legitimate and powerful stakeholder. However, if demands from other stakeholders (such as shareholders) are deemed more urgent, managers may choose to minimize tax payments to allocate resources to groups considered more salient.

Legitimacy Theory

Legitimacy theory, developed by Dowling & Prefer (1975), argues that the sustainability of a company depends on its ability to operate in accordance with the norms and values of the society in which it exists. There is an implicit "social contract" between the company and society, as well as other stakeholders, regarding how a company should conduct its operations (Deegan, 2019). If a company is perceived to violate this contract, its legitimacy will be threatened, creating a condition known as a "legitimacy gap," which can jeopardize its reputation and business sustainability (Deegan, 2019).

In relation to tax avoidance, legitimacy theory offers the perspective that tax liability reduction strategies that are too aggressive and unethical can be viewed as actions contrary to the principles of corporate social responsibility and public expectations (Amarna et al., 2025). Taxes represent a form of corporate contribution to the state and society; thus, aggressive tax avoidance practices can generate negative perceptions of the company, which may cause serious reputational damage in the eyes of the public. Aggressive tax avoidance is not merely a legal compliance issue but also a direct threat to the corporate social contract, potentially leading to the loss of the "social license to operate"—a concept closely related to legitimacy that refers to community acceptance by critical stakeholders (Gehman et al., 2017). Based on this theory, companies seeking to maintain legitimacy and public support must be more cautious in designing their tax strategies.

The Influence of Managerial Ability on Tax Avoidance

Based on upper echelons theory and agency theory, superior managerial ability can drive more aggressive tax avoidance practices. Technically capable managers possess a deep understanding of regulations and financial structures, enabling them to identify and exploit legal loopholes more effectively (Basson & Spuy, 2025). This drive is reinforced by agency incentives to maximize shareholder wealth by reducing tax burdens, which can ultimately increase after-tax profits and managers' performance-based compensation (Prakosa & Sari, 2019). A number of empirical studies, such as those conducted by Khoirunnisa' & Suwardi (2024), Koester et al. (2017), Syarli (2022) and Saragih et al. (2021), support this view by finding a positive influence of managerial ability on tax avoidance.

Conversely, a counter-argument grounded in legitimacy theory and a broader interpretation of Upper Echelons Theory suggests that high-ability managers tend to refrain from tax avoidance practices. From this perspective, truly capable managers do not solely focus on short-term profits but also possess superior risk management capabilities and a long-term strategic view (Park et al., 2016). They understand that aggressive tax avoidance entails significant non-tax costs, including reputational damage and increased regulatory scrutiny, which can threaten the company's legitimacy and value in the long term (Francis et al., 2022). This view is supported by several empirical findings, such as Park et al. (2016), Akbari et al. (2018), Seifzadeh (2022), and Prakosa & Sari (2019). Given the existence of these two conflicting theoretical arguments, the hypothesis is formulated as follows:

H1: Managerial ability influences tax avoidance.

The Influence of Profitability on Tax Avoidance

Based on agency theory, high profitability can serve as a strong driver for companies to engage in more aggressive tax avoidance. Large pre-tax profits have direct implications for a high potential tax burden, thereby creating a strong financial incentive for managers to minimize this cash outflow to maximize shareholder wealth and their own compensation (Lani & Nyoman, 2025). Furthermore, highly profitable companies generally possess greater financial resources to invest in sophisticated tax planning schemes (Rakhmayani et al., 2025). This view is supported by some empirical evidence Lani & Nyoman (2025), Tanjaya & Nazir

(2021), and Prasetya & Muid (2022), who consistently found a positive influence of profitability on tax avoidance.

However, a strong counter-argument arises through the lens of legitimacy theory, which predicts a negative influence. Companies with very high profitability tend to be more "visible" in the eyes of the public and regulators, thereby increasing the risk of strict scrutiny and potential "political costs" if perceived as not paying taxes fairly (Graham et al., 2012; Zevenbergen & Pierk, 2018). Thus, to maintain social legitimacy and avoid reputational damage, these companies may adopt more conservative tax strategies (Zevenbergen & Pierk, 2018). This perspective aligns with empirical findings from Rahmawati & Nani (2021), Zhu et al. (2019), Anggriantari & Purwantini (2020), and Bawazier (2022), which found that high profitability actually suppresses the level of tax avoidance. The inconsistency of these findings underlies the formulation of the following hypothesis:

H2: Profitability influences tax avoidance.

ESG Moderation on the Influence of Managerial Ability on Tax Avoidance

Based on views rooted in stakeholder theory, ESG can function as a "substantive control" that weakens the drive to engage in tax avoidance. Companies with strong ESG commitments view tax payments as a fundamental part of their social responsibility to broader stakeholders, including the government and society (Syahputri, 2025). This view is consistent with findings from Yoon et al. (2021), Lanis & Richardson (2012), and López-González et al. (2019), which demonstrate a negative influence of ESG on tax avoidance.

Conversely, based on the framework of legitimacy theory used symbolically and Stakeholder Salience Theory, companies may use ESG as a "reputational buffer" that actually strengthens the tendency of capable managers to engage in tax avoidance (Amarna et al., 2025). In this view, companies strategically use ESG performance to build a positive image, which can protect them from strict scrutiny in less transparent areas such as taxation. Capable managers can leverage this positive image to engage in more aggressive tax avoidance, calculating that strong ESG credentials will mitigate potential reputational damage. This perspective is supported by several studies, such as Almutairi & Abdelazim (2024), Ariff et al. (2024), and Yusnidar et al. (2024), which found a positive influence of ESG on tax avoidance. Thus, to test this dual role of ESG, the hypothesis is formulated as follows:

H3: ESG moderates the influence of managerial ability on tax avoidance.

ESG Moderation on the Influence of Profitability on Tax Avoidance

Based on stakeholder theory, highly profitable companies with strong ESG commitments feel a greater sense of social responsibility (Syahputri, 2025). Such companies view tax payments as a form of business contribution to broader stakeholders, such as the government and society. Furthermore, from the perspective of Legitimacy Theory, companies with high profitability tend to face a higher risk of reputational damage if they engage in tax avoidance perceived as aggressive and unethical. Consequently, high ESG performance and commitment can strengthen the negative influence or weaken the positive influence of profitability on tax avoidance. This view is consistent with findings by Yoon et al. (2021), Lanis & Richardson (2012), and López-González et al. (2019), who found a negative influence of ESG on tax avoidance.

On the other hand, based on the framework of legitimacy theory used symbolically, highly profitable companies may also use good ESG performance as a strategy to divert public and regulatory attention from their aggressive tax practices (Amarna et al., 2025). By cultivating an image as a "good corporate citizen" through ESG, companies can more freely protect their high profits from tax burdens without facing significant reputational risks. In this instance, ESG does not function as an ethical constraint but rather as a risk management tool enabling more intensive tax avoidance practices. This perspective is supported by several studies, such as

Almutairi & Abdelazim (2024), Ariff et al. (2024), and Yusnidar et al. (2024). Thus, to test this dual role of ESG, the hypothesis is formulated as follows:
H4: ESG moderates the influence of profitability on tax avoidance.

METHODS

Samples and Data Sources

The research population encompasses all non-financial public companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. The sample selection process employed the purposive sampling method, utilizing several specific criteria to determine the research sample. The sequential selection criteria are as follows: 1) non-financial public companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period; 2) companies possessing ESG scores in the Refinitiv database; 3) companies with positive pre-tax income; and 4) companies with complete data required for the measurement of research variables.

This study utilizes secondary data. Financial statement data were obtained from the Refinitiv database, the IDX website, and the respective websites of the sample companies. Meanwhile, ESG performance score data were sourced directly from the Refinitiv database.

Research Model

This study employs panel data regression analysis using the Moderated Regression Analysis (MRA) approach. MRA was specifically selected to examine whether the relationship between the independent and dependent variables is conditionally influenced by the moderating variable. Consequently, this study formulates two hierarchical regression models.
The first regression model is uitilized to test H_1 and H_2, specified as follows:

$$TAXAVOID_{it} = \beta_0 + \beta_1 MA_{it} + \beta_2 ROA_{it} + \beta_3 LEV_{it} + \beta_4 CAPIN_{it} + \beta_5 SIZE_{it} + \varepsilon_{it} \quad (1)$$

The second regression model is utilized to test H_3 and H_4, specified as follows:

$$TAXAVOID_{it} = \beta_0 + \beta_1 MA_{it} + \beta_2 ROA_{it} + \beta_3 ESG_{it} + \beta_4 (MA_{it} * ESG_{it}) + \beta_5 (ROA_{it} * ESG_{it}) + \beta_6 LEV_{it} + \beta_7 CAPIN_{it} + \beta_8 SIZE_{it} + \varepsilon_{it} \quad (2)$$

Operational Definition and Variables Measurement

Tax Avoidance

Tax avoidance (the dependent variable) is defined as any activity encompassing all transactions that reduce a company's tax liability (Dyreng et al., 2008). This broad definition is adopted because empirical research is often unable to distinguish between legal and illegal tax avoidance activities. This variable is measured using the Desai-Dharmapala Book-Tax Difference (D_D BTD) proxy, developed by Desai & Dharmapala (2006).

The selection of the D_D BTD proxy is based on its advantage in isolating discretionary tax planning activities. Simpler proxies, such as the Effective Tax Rate (ETR), can be influenced by numerous factors unrelated to tax avoidance strategies, such as tax credits or the utilization of tax loss carryforwards from previous years. Conversely, D_D BTD is specifically designed to "separate" the difference between accounting income and taxable income from components arising due to normal accrual accounting practices. The remaining value (residual), theoretically represents a purer proxy for tax avoidance activities. D_D BTD is calculated as the residual value derived from the following regression equation:

$$BTD_t / ASSET_{t-1} = \alpha_0 + \alpha_1 TA_t / ASSET_{t-1} + \varepsilon$$

Variable definitions: BTD = pre-tax income – estimated taxable income; Estimated taxable income = current tax expense / corporate tax rate; TA (total accrual) = net income – operating cash flow; ASSET = total assests of the previous year; ε = residual (tax avoidance proxy).

Managerial Ability

Managerial ability (the independent variable) is defined as the capability of a manager to enhance firm value by efficiently utilizing limited resources across business operations (Demerjian et al., 2012). In this study, managerial ability is measured using the method developed by Demerjian et al. (2012), specifically Data Envelopment Analysis (DEA). The measurement of this variable adopts a two-stage methodology. The first step involves calculating firm efficiency scores using Data Envelopment Analysis (DEA), which determines the efficiency frontier by accounting for the combination of resources of each firm within the same industry. The most efficient firms are assigned a score of 1, thereby serving as the efficiency frontier. Each firm's efficiency score is then divided by the score of the firm with the highest efficiency (the frontier). Consequently, frontier firms possess a score of 1, while other firms receive values of less than 1 on an ordinal scale. The further a firm's efficiency score is from the efficiency frontier, the lower its efficiency. The equation for calculating DEA is presented below.

$$Max\ \theta = \frac{SALES}{COGS + SGNA + PPE + INTAN}$$

Variable definitions: SALES = sales; COGS = cost of goods sold; SGNA = selling, administrative, and general expenses; PPE = fixed assests; INTAN = intagible assests.

Efficiency measured by DEA has limitations because the measurement is influenced by firm-specific factors unrelated to managerial ability. For instance, a manager of a large firm with average ability may negotiate with suppliers from a stronger position compared to a highly capable manager in a small firm. Consequently, firm-specific factors associated with managerial ability must be eliminated from the total firm efficiency measurement using Tobit regression. The residual value from this Tobit regression is then utilized as the proxy for managerial ability.

$$FIRMEFFICIENCY = \beta_0 + \beta_1\ SIZE_{it} + \beta_2\ MS_{it} + \beta_3\ AGE_{it} + \beta_4\ FCF_{it} + \beta_5\ BUSEG_{it} + \varepsilon_{it}$$

Variable definitios: FIRMEFFICIENCY = firm efficiency score (DEA); SIZE = natural log of total assets; MS = firm revenue / total industry revenue; FCF = dummy variabel, scored 1 if free cash flow > 0, scored 0 if free cash flow > 0; AGE = natural log of the number of years the company has been listed + 1; BUSEG = number of business segment.

Profitability

Profitability (the independent variable) is defined as a company's ability to generate profit from all its operational activities and resources during a specific period (Pitaloka & Merkusiawati, 2019). In this study, profitability is measured using the Return on Assets (ROA) proxy (Putri & Nurdin 2023; Sandrina & Elly Halimatusadiah, 2022; Stevanni & Herijawati, 2024). ROA was selected due to its ability to measure management efficiency in generating net income from total assets, independent of the company's funding structure (debt or equity). The ROA value is calculated using the following formula:

$$ROA = \text{Net Income After Tax} / \text{Total Assets}$$

Environmental Social and Governance

The moderating variable employed in this study is Environmental, Social, and Governance (ESG). This variable represents a company's performance and commitment to sustainable business practices (Kim & Li, 2021). This variable is measured using ESG scores obtained from the Refinitiv database. These scores range from 0 to 100, where a higher score indicates superior ESG performance (Wordsmith, 2024).

Leverage

Leverage is included as a control variable because higher debt levels result in greater interest expenses, which are deductible from taxable income and directly create a tax shield (Robin et al., 2021).. Leverage is measured using the following formula:

LEV = Total Debt / Total Equity

Capital Intensity

Capital intensity is included as a control variable because companies with high capital intensity tend to incur larger depreciation expenses, which are deductible from the company's taxable income, thereby reducing the tax liability (Dwiyanti & Jati, 2019; Hendayana et al., 2024). Capital intensity is measured using the following formula:

CAPIN = Total Fixed Assets / Total Assets

Firm Size

Firm size is included as a control variable because it controls for two opposing effects. Large companies may face stricter political and public scrutiny, which can discourage tax avoidance. However, they also possess greater resources to engage in superior tax planning. Firm size is measured using the following formula:

SIZE = ln (Total Assets)

RESULTS AND DISCUSSION

Sampling Results

Table 1. Sampling Results

Sample Selection Criteria	Total
Research Population	
• Non-financial public coompanies on the IDX	852
Elimination Criteria	
• Companies without ESG score in the refinitiv database	(782)
• Companies with negative pre-tax income	(19)
• Companies with incomplete data relevant to research objectives	(23)
Outlier data	(1)
Total elimination	(825)
Number of sample observations	27
Research years	5
Total observations (firm-years)	135

Source: Author's Processing (2025)

This study employed a purposive sampling method with the following criteria: 1) Non financial public companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period; 2) Companies possessing an ESG score; 3) Companies with positive pre-tax income to avoid bias in corporate tax burden calculations; 4) Companies with complete data required for the measurement of research variables. The sampling results are presented in **Table 1.**

Descriptive Statistics

Descriptive statistical analysis provides a general overview of the characteristics and data distribution of the variables used in the study. **Table 2** presents a statistical summary for 135 firm-year observations.

Table 2. Descriptive Statistics Results

Variabel	Mean	Median	Std. Dev	Minimum	Maxsimum
BTD	-0,00000003	0,0019	0,0288	-0,0829	0,1253
MA	0,00000048	-0,0023	0,1576	-0,4260	0,2962
ROA	0,0911	0,0722	0,0682	0,0013	0,3608
ESG	50,59	51,84	18,85	16,04	88,88
LEV	0,6497	0,3681	0,8465	0,00003	4,5979
CAPIN	0,4288	0,4054	0,1984	0,1137	0,8861
SIZE	31,48	31,31	0,9511	29,52	33,73
n			135		

Source: Author's Processing (2025)

Overall, the mean value of the tax avoidance proxy (BTD) is close to zero (-0,00000003). However, the median value is positive (0,0019). This difference indicates that more than half of the observations in the sample reported commercial income higher than fiscal income, which is an indication of tax avoidance activity. The managerial ability (MA) variable also shows a mean value close to zero (0,00000048) with a negative median (-0,0023), implying that more than 50% of the managers in the sample have efficiency levels slightly below the industry average. ESG scores exhibit a very wide spread, ranging from 16.04 to 88.88 with a high standard deviation (18,85). This reflects significant differences in ESG performance levels among the sample companies. Furthermore, profitability (ROA) also has a significant range, from 0,13% to 36,08%, indicating substantial differences in financial performance.

Regression Model Selection

The data used in this study is panel data, selecting the most appropriate estimation model among the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) is a crucial step to ensure valid analysis results. The results of the regression model selection are presented in **Table 3**.

Table 3. Regression Model Selection Results Using Hausman and LM Tests

Model	Null Hyphothesis	Test	Probability	Result
1	CEM	LM	0,0000	REM
2	CEM	LM	0,0000	REM
1	REM	Hausman	0,5346	REM
2	REM	Hausman	0,3677	REM

Source: Author's Processing (2025)

The LM Test is used to choose between REM and CEM. The null hypothesis (H_0) of this test states that there are no significant random effects, meaning CEM is more suitable. The test results show a probability value (p-value) of 0,0000 for both research models, which is significantly lower than the significance level of α = 0,05. Thus, H_0 is rejected, and it can be concluded that REM is better than CEM.

Subsequently, the Hausman test was conducted to choose between REM and FEM. The null hypothesis of this test is that there is no correlation between unobserved individual effects and the independent variables in the model, implying that REM is a consistent and efficient estimator. The test results indicate a probability value (p-value) of 0,5346 for Model 1 and 0,3677 for Model 2. The probability values for both models are greater than α = 0,05, so H_0 fails to be rejected. This indicates that REM is better than FEM. Based on the LM and Hausman test results, which consistently point to the selection of REM, the Chow test can be disregarded.

Classical Assumtion Tests

Classical assumption tests aim to ensure that the regression model produces estimates that are unbiased, consistent, and efficient (Best Linear Unbiased Estimator – BLUE). Although REM, which is estimated using Generalized Least Squares (GLS), is inherently more robust against certain assumption violations, classical assumption tests were still conducted to comprehensively verify the model's statistical validity.

Table 4. Normality Test Results Using Skewness and Kurtosis Test

Model	Test	Null Hyphotesis	Probability	Result
1	Normality	Residuals are normally distributed	0,0034	Residuals are not normally distributed
2	Normality		0,0047	

Source: Author's Processing (2025)

Based on **Table 4**, the probability values from the skewness and kurtosis test are 0,0034 < 0,05 for Model 1 and 0,0047 < 0,05 for Model 2; thus, H_0 is rejected. This indicates that the residuals of both models are not normally distributed. However, this violation of assumptions does not threaten the validity of the inference results in the context of this study. Based on the

Central Limit Theorem (CLT) approach, for a sufficiently large sample size, the sampling distribution of the regression coefficients will approximate normality regardless of the distribution of the residuals. Gujarati (2004) explains that a sample size is considered sufficiently large when it numbers 100 or more. With a total of 135 observations, the sample in this study is considered to meet the normality assumption based on the CLT approach.

Table 5. Heteroskedasticity Test Results Using Breusch-Pagan Test

Model	Test	Null Hyphotesis	Probability	Result
1	Heterokedasticity	Data is homoskedastic	0,7860	Data is homoskedastic
2	Heterokedasticity		0,0822	

Source: Author's Processing (2025)

The heteroskedasticity test using the Breusch-Pagan Test, as shown in **Table 5**, yielded probability values greater than the significance level of 0,05 (0,7860 for Model 1 and 0,0822 for Model 2). This indicates that there are no heteroskedasticity issues in both models. Thus, the variance of the residuals in both models is homoskedastic.

Table 6. Autocorrelation Test Results Using Wooldridge Test

Model	Test	Null Hyphotesis	Probability	Hasil
1	Autocorrelation	Non-autocorrelation	0,2619	Non-autocorrelation
2	Autocorrelation		0,4800	

Source: Author's Processing (2025)

As shown in **Table 6**, the autocorrelation test using the Wooldridge test yields probability values greater than the significance level of 0,05 (0,2619 for Model 1 and 0,4800 for Model 2). These results indicate the absence of serial correlation in both models.

Table 7. Multicollinearity Test Results Using Variance Inflation Factor

Variabel	Model 1		Model 2	
	VIF	1/VIF	VIF	1/VIF
MA	1,61	0,6213	1,64	0,6093
ROA	1,24	0,8086	2,65	0,3780
LEV	1,42	0,7058	1,70	0,5895
CAPIN	1,42	0,7037	1,49	0,6694
SIZE	1,12	0,8938	1,19	0,8431
ESG			1,28	0,7836
MAESG			1,20	0,8305
ROAESG			2,39	0,4185
Mean VIF	1,36		1,69	

Source: Author's Processing (2025)

The multicollinearity test conducted using the Variance Inflation Factor (VIF), as presented in **Table 7**, demonstrates that all independent variables in both Model 1 and Model 2 possess VIF values well below the threshold of 10 (the highest VIF value is 2,65), confirming the absence of serious linear correlation among the explanatory variables. This indicates no high linear correlation between independent variables; thus, it can be concluded that Model 1 and Model 2 in this study are free from multicollinearity issues.

Coefficient of Determination

R-squared measures the proportion of the total variation in the dependent variable that can be explained by the independent variables in the regression model (Gujarati, 2004). R-squared values range from 0 to 1. As the coefficient of determination approaches 1, the model becomes better at explaining the variation in the dependent variable.

Table 8. Coefficient of Determination Test Results

Description	Model 1	Model 2
R-squared	0,1903	0,2442

Source: Author's Processing (2025)

Based on **Table 8**, Model 1 has an R-squared value of 19,03%. This value means that the independent and control variables collectively explain approximately 19,03% of the total variation in the tax avoidance variable, while the remaining 80,97% is explained by factors outside the model. Model 2 has an R-squared of 24,42%. This value implies that the independent, moderating, interaction, and control variables in Model 2 collectively explain 24,42% of the total variation in the dependent variable, while the remaining 75,58% is explained by external factors.

Simultaneous Significance Test (F-Test)

The F-test is a statistical test used to assess the overall feasibility or validity of the regression model (Sugiyono, 2013). This test aims to determine whether the independent variables used in the regression model simultaneously influence the dependent variable (Sihombing, 2022).

Table 9. F-Test Results

Model	F-statistic	Conclusion
Model 1	0,0003	Simultaneously significant
Model 2	0,0002	Simultaneously significant

Source: Author's Processing (2025)

Based on **Table 9**, the F-statistic test results show that the F-statistic value for Model 1 is 0,0003 and for Model 2 is 0,0002. The F-statistic values for both models are smaller than the significance level of 0,05. Therefore, it can be concluded that the independent variables in Model 1 and Model 2 simultaneously affect the dependent variable. Thus, both models are considered fit for further interpretation and hypothesis testing.

Partial Significance Test (t-test)

The partial significance test, or t-test, is used to test the partial influence of each independent variable on the dependent variable, assuming other independent variables in the model remain constant (ceteris paribus) (Sihombing, 2022).

Table 10. T-test Results

Model	Variable	Random Effect Model			Hypothesis
		Estimate	Coefficient	Probability	
Model 1	MA	+/-	-0,0627	0,004**	H1 accepted
Model 1	ROA	+/-	0,1568	0,000**	H2 accepted
Model 2	MAESG	+/-	0,0059	0,042*	H3 accepted
Model 2	ROAESG	+/-	-0,0044	0,073	H4 rejected

Keterangan:
* Significant at α = 5%
** Significant at α = 1%

Source: Author's Processing (2025)

Based on **Table 10**, the results show that managerial ability (MA) has a coefficient value of -0,067, with a p-value of 0,004, which is significant at alpha 1%; thus, H_0 is rejected. Therefore, it can be concluded that managerial ability influences tax avoidance. Furthermore, the profitability variable (ROA) has a coefficient value of 0,1568, with a p-value of 0,000, significant at alpha 1%; thus, H_0 is rejected. Consequently, it can be concluded that profitability influences tax avoidance.

Next, the interaction variable (MAESG) has a positive coefficient of 0,0059, with a p-value of 0,042, significant at alpha 5%. The positive interaction coefficient (0,0059) for the MAESG variable has the opposite sign to the main coefficient of the managerial ability (MA) variable, which is negative (-0,0093). This indicates a weakening moderation effect. Thus, H_0 is rejected, leading to the conclusion that ESG is proven to moderate the influence of managerial ability on tax avoidance. Finally, the interaction variable between ROA and ESG (ROAESG) has a negative coefficient of -0,0044, with a p-value of 0,073. The p-value (0,073) is greater than the significance level of 0,05 (5%), so there is insufficient evidence to reject H_0. Thus, it can be concluded that ESG does not moderate the influence of profitability on tax avoidance.

The Influence of Managerial Ability on Tax Avoidance

The results of the first hypothesis testing indicate that managerial ability (MA) has a significant negative effect on tax avoidance. Based on **Table 10**, the regression coefficient for the MA variable is -0,0627 with a p-value of 0,004, which is significant at the α=1% level. This finding indicates that as a manager's capability increases, the company's tendency to engage in aggressive tax avoidance practices actually decreases. This finding is also in line with a number of studies such as Akbari et al. (2018), Francis et al. (2022), Park et al. (2016), Prakosa & Sari (2019), dan Vito et al. (2022), which consistently found that managers with higher ability are associated with lower levels of tax avoidance or tax aggressiveness.

This finding directly challenges the view that more capable managers will inherently use their superior expertise to exploit every regulatory loophole to minimize tax burdens. Conversely, these results suggest that the role of high-ability managers in the taxation domain is more accurately viewed as that of a "superior risk manager" rather than merely a "tax minimizer". This interpretation can be explained through a synthesis of the upper echelon theory and legitimacy theory frameworks. Based on upper echelons theory, a manager's ability encompasses not only technical skills but also reflects cognitive complexity, experience, and long-term strategic orientation (Francis et al., 2022). More capable managers tend to possess a more holistic understanding of the business environment and realize that firm value is not solely created through short-term financial efficiency such as tax avoidance (Seifzadeh, 2022).

In the context of legitimacy theory, this theory explains that companies operate under an implicit "social contract" with stakeholders and the wider community. Aggressive tax avoidance practices, although potentially legal, are often perceived as socially irresponsible actions and can create a "legitimacy gap". High-ability managers, with their long-term orientation, understand that legitimacy is a crucial intangible resource for corporate sustainability (Deegan, 2019). They perform careful calculations regarding the "non-tax costs" associated with tax avoidance. These costs include potential reputational damage, increased scrutiny from tax authorities, litigation risks, and potential future sanctions, which can ultimately significantly erode firm value. Therefore, a manager's decision to avoid high-risk tax avoidance practices is not based solely on ethical considerations, but is a rational strategic decision to maintain the company's legitimacy and value in the long term.

The Influence of Profitability on Tax Avoidance

The results of the second hypothesis testing show that the profitability variable (ROA) has a significant positive effect on corporate income tax avoidance. **Table 10** shows that the ROA variable has a regression coefficient of 0,1568 with a p-value of 0,000, which is significant at the α=1% level. This finding indicates that companies with high profitability possess a greater drive and capability to engage in tax avoidance. This finding is also consistent with several studies such as Lani & Nyoman (2025), Prasetya & Muid (2022), Sherly (2022), Sumaryati & Prawitasari (2022), Tanjaya & Nazir (2021), which consistently state that companies with high profitability are associated with higher levels of tax avoidance.

The primary explanation for this finding is strongly rooted in the agency theory framework. This theory highlights the potential conflict of interest between managers (agents) and shareholders (principals), where managers have strong incentives to maximize after-tax profits to increase shareholder wealth, which in turn often has a direct impact on their performance-based compensation (Lani & Nyoman, 2025; Putri et al., 2025). High pre-tax profits represent a significant amount of funds potentially transferred to the government in the form of taxes (Putri & Nurdin, 2023; Zanra, 2022). From an agency theory perspective, managers are motivated to minimize this leakage of funds and retain them for the benefit of shareholders. Thus, high profitability directly creates a strong impetus for managers to engage in more aggressive tax planning.

This finding can also be analyzed through the lens of stakeholder salience theory. According to this theory, managers will prioritize stakeholders based on the attributes of power, legitimacy, and urgency. In highly profitable companies, shareholder claims for wealth maximization often become the most salient (Chen et al., 2023). The government, as a stakeholder, may have its claims viewed as less urgent compared to the demands of shareholders, customers, or even employees. Therefore, managers may strategically reduce resource allocation to the government (through tax payments) to free up capital that can be allocated to more crucial stakeholders.

ESG Moderation on the Influence of Managerial Ability on Tax Avoidance

The results of the third hypothesis test in this study indicate that the interaction variable between managerial ability and ESG (MAESG) has a positive and significant coefficient, with a value of 0.0059 and a p-value of 0.042 (significant at α=5%). This finding indicates that ESG performance weakens the negative influence of managerial ability on tax avoidance. In other words, for a highly capable manager, possessing a high ESG score actually predisposes the company to engage in greater tax avoidance. This finding aligns with research conducted by Abdelfattah & Aboud (2020), Almutairi & Abdelazim (2024), Ariff et al. (2024), Mukhtaruddin et al. (2024), dan Pandapotan (2023), which found that companies with high ESG scores are associated with higher levels of tax avoidance.

The findings of this study can be explained through the frameworks of legitimacy theory and stakeholder salience theory. From the perspective of legitimacy theory, companies invest in ESG to build and maintain strong legitimacy and reputation (Almutairi & Abdelazim, 2024; Pandapotan, 2023). This investment creates a "reputational buffer." A highly capable manager, acting as a strategic agent according to upper echelons theory, may view this reputational buffer as a form of "insurance". This insurance can lower risk perceptions, divert stakeholder focus from management's opportunistic behavior, and demonstrate to stakeholders that the company fulfills the social contract or public (Abdelfattah & Aboud, 2020; Ariff et al., 2024). The increased trust and the shift in public attention toward high ESG performance can be leveraged by managers to engage in more aggressive tax avoidance practices (Sismanyudi & Firmansyah, 2022).

From the perspective of stakeholder salience theory, high ESG performance indicates that the company is proficient in managing demands from various non-financial stakeholders (customers, society, and the environment). However, on the other hand, managers must still meet strong financial demands from shareholders (agency theory). In this context, managers may view tax avoidance as a means to generate additional resources, which can then be allocated to more salient stakeholders, such as shareholders (Chen et al., 2023).

ESG Moderation on the Influence of Profitability on Tax Avoidance

The results of the fourth hypothesis test in this study show that the interaction variable between profitability and ESG (ROAESG) has a coefficient of -0,0044, with a p-value of 0,073, which is greater than the significance level (α=5%). This finding indicates that ESG performance does not moderate or alter the tendency of highly profitable companies to engage in corporate income tax avoidance. In other words, profitable companies will still tend to engage in tax avoidance, regardless of how high their ESG scores are. This finding is consistent with the research of Vito et al. (2022), which found that CSR/ESG failed to moderate other strong relationships, such as the relationship between earnings management and tax aggressiveness.

The findings of this study can be explained through the framework of the dominance of financial incentives over normative constraints. These findings illustrate a direct clash between the pressures explained by agency theory against pressures from stakeholder theory or legitimacy theory. In this instance, the incentive for highly profitable companies to reduce their tax burden is direct, strong, and easily measurable in terms of shareholder value and managerial compensation (Li, 2022; Wenwu et al., 2023). On the other hand, pressure from ESG commitments is often softer, normative in nature, and not directly tied to short-term financial results (Almutairi & Abdelazim, 2024). When these two forces collide directly, strong and more measurable financial incentives (high profitability) can become more dominant than the normative pressures of ESG. Managers, acting as agents for shareholders, ultimately prioritize the concrete goal of tax minimization to increase corporate profits over the more abstract goal of maximizing ESG performance.

The findings of this study imply the existence of a "hierarchy of incentives" in corporate tax avoidance decision-making. The goal of profit maximization, including by suppressing costs through tax avoidance, remains at the top of the hierarchy, especially for highly profitable companies. This concept aligns with the main reason companies engage in tax avoidance: taxes are considered a reduction of the company's net income (Aji & Wulandari, 2022). ESG considerations are indeed important, but ESG performance is a secondary goal that will not be allowed to hinder the company's primary financial mission: profit maximization. This explains why ESG can moderate the relationship between managerial ability and tax avoidance (a decision related to risk management) but cannot moderate the relationship between profitability and tax avoidance (a decision rooted in profit maximization).

CONCLUSION

This study aims to analyze the influence of managerial ability and profitability on tax avoidance by examining the moderating role of Environmental, Social, and Governance (ESG) performance in non-financial public companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. Based on panel data regression analysis of 135 observations (27 companies over 5 years), the following conclusions are drawn:

1. This finding indicates that more capable managers tend to adopt a conservative stance toward risk and refrain from aggressive tax avoidance practices to safeguard the company's reputation and long-term sustainability
2. Profitability has a significant positive influence on tax avoidance. This finding suggests that the incentive to protect high profits serves as a primary driver for companies to engage in tax minimization strategies. This aligns with agency theory, wherein managers act to maximize shareholder wealth by minimizing tax burdens.
3. ESG performance significantly weakens the negative influence of managerial ability on tax avoidance. This finding implies that high ESG performance can be strategically utilized as a "reputational buffer." This condition grants capable managers a "license" to take higher tax avoidance risks, operating under the assumption that the company's positive image is shielded by favorable ESG scores.
4. ESG performance does not moderate the positive influence of profitability on tax avoidance. This finding indicates the existence of a "hierarchy of incentives" in corporate tax avoidance decision-making. Direct and measurable financial incentives (profitability) to reduce tax burdens on high profits prove to be more dominant. These incentives cannot be mitigated by pressures from ESG commitments, which are often normative in nature and not directly impact to short-term financial returns.

Suggestions

The results of this study offer several practical implications for regulators and investors, while also highlighting limitations that may serve as an agenda for future research. For tax authorities (DJP), the findings suggest that the combination of high profitability and high ESG scores may serve as a risk indicator warranting enhanced scrutiny. Furthermore, there is a need for strengthened regulations regarding standardized and verified ESG reporting by the Financial Services Authority (OJK) to prevent its manipulation as a reputation management tool. For investors, this study underscores the importance of critical analysis in investment decision-making, as high ESG scores do not automatically reflect good tax compliance and can be a signal of complex corporate strategies.

Penelitian ini memiliki beberapa keterbatasan. Pertama, sampel yang terbatas pada 27 perusahaan yang memiliki data ESG dari Refinitiv mengurangi generalisasi temuan pada seluruh perusahaan publik di Indonesia (lebih kepada perusahaan yang memiliki skor ESG), terutama perusahaan yang lebih kecil atau kurang terekspos. Kedua, nilai koefisien determinasi (*R*-squared) sebesar 24,42% menunjukkan bahwa sebagian besar variasi penghindaran pajak dijelaskan oleh faktor lain di luar model ini. Ketiga, proksi *Book-Tax Difference* (BTD) yang digunakan sebagai proksi penghindaran pajak, tidak dapat membedakan secara definitif antara aktivitas penghindaran pajak yang legal dan ilegal.

This study has several limitations. First, the sample being limited to 27 companies with ESG data from Refinitiv restricts the generalizability of the findings to the broader population of public companies in Indonesia (specifically biasing results toward companies with ESG scores), particularly excluding smaller or less exposed firms. Second, the coefficient of determination (R-squared) of 24.42% indicates that majority of the variation in tax avoidance is explained by factors outside this model. Third, the Book-Tax Difference (BTD) proxy used to measure tax avoidance cannot definitively distinguish between legal and illegal tax avoidance activities.

Based on these limitations, future research is advised to expand the scope of the study to mitigate sample limitations, develop more comprehensive models to address the low R-squared value, and use alternative proxies and mixed-method approaches to gain a deeper understanding.

REFERENCES

Abdelfattah, T., & Aboud, A. (2020). Tax avoidance, corporate governance, and corporate social responsibility: The case of the Egyptian capital market. *Journal of International Accounting, Auditing and Taxation*, *38*, 100304. https://doi.org/10.1016/j.intaccaudtax.2020.100304

Aji, F. P., & Wulandari, S. (2022). Analisis Determinan Penghindaran Pajak Pada Perusahaan Industri Barang Konsumsi. *Owner*, *6*(3), 1591–1604. https://doi.org/10.33395/owner.v6i3.915

Akbari, F., Salehi, M., & Bagherpour Vlashani, M. A. (2018). The effect of managerial ability on tax avoidance by classical and Bayesian econometrics in multilevel models. *International Journal of Emerging Markets*, *13*(6), 1656–1678. https://doi.org/10.1108/IJoEM-09-2017-0367

Almutairi, A. M., & Abdelazim, S. I. (2024). The Impact of CSR on Tax Avoidance: The Moderating Role of Political Connections. *Sustainability*, *17*(1), 195. https://doi.org/10.3390/su17010195

Amarna, K., López-Pérez, M. V., Garde Sánchez, R., & Rodríguez Ariza, L. (2025). ESG Information Disclosure and Its Relationship to Tax Practices: Stakeholder-Friendly or Legitimacy-Seeking? *Sustainable Development*, *33*(3), 3906–3917. https://doi.org/10.1002/sd.3333

Anggriantari, C. D., & Purwantini, A. H. (2020). *Pengaruh Profitabilitas, Capital Intensity, Inventory Intensity, dan Leverage Pada Penghindaran Pajak*.

Ariff, M., Kamarudin, K. A., Musa, A. Z., & Mohamad, N. A. (2024). Financial Constraints, Corporate Tax Avoidance and Environmental, Social and Governance performance.

Corporate Governance: The International Journal of Business in Society, *24*(7), 1525–1546. https://doi.org/10.1108/CG-08-2023-0343

Basson, R., & Spuy, P. Van Der. (2025). Corporate Tax Avoidance and the Upper Echelon Effect: Evidence from Segment Disclosure Choices. *South African Journal of Economic and Management*, *28*(1), 1–17.

Bawazier, M. S. (2022). Pengaruh Profitabilitas, Leverage, Capital Intensity, dan Sales Growth terhadap Tax Avoidance. *Wacana Equiliberium (Jurnal Pemikiran Penelitian Ekonomi)*, *10*(01), 33–40. https://doi.org/10.31102/equilibrium.10.01.33-40

Bekos, G., & Chari, S. (2025). *Upper Echelons Theory*. https://open.ncl.ac.uk

Candra, S. (2023). *Penerimaan Pajak Konsisten Mendominasi Postur Pendapatan RI*. DDTC.

Chen, G., Manakyan Mathers, A., Wang, B., Wang, X., & Mathers, M. (2023). The Impact of Stakeholder Orientation on Tax Avoidance: The Impact of Stakeholder Orientation on Tax Avoidance: Evidence from a Natural Experiment. In *Journal of Corporate Accounting & Finance* (Vol. 34, Issue 2). https://epublications.marquette.edu/fin_fac/155

Deegan, C. M. (2019). Legitimacy theory. *Accounting, Auditing & Accountability Journal*, *ahead-of-print*(ahead-of-print). https://doi.org/10.1108/AAAJ-08-2018-3638

Demerjian, P. R., Lewis, M. F., Lev, B. I., & McVay, S. E. (2012). Managerial Ability and Earnings Quality. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.1650309

Desai, M. A., & Dharmapala, D. (2006). Corporate tax avoidance and high-powered incentives. *Journal of Financial Economics*, *79*(1), 145–179. https://doi.org/10.1016/j.jfineco.2005.02.002

Dwiyanti, I. A. I., & Jati, I. K. (2019). Pengaruh Profitabilitas, Capital Intensity, dan Inventory Intensity pada Penghindaran Pajak. *E-Jurnal Akuntansi*, 2293. https://doi.org/10.24843/EJA.2019.v27.i03.p24

Dyreng, S. D., Hanlon, M., & Maydew, E. L. (2008). Long-Run Corporate Tax Avoidance. *The Accounting Review*, *83*(1), 61–82. https://doi.org/10.2308/accr.2008.83.1.61

Elgharbawy, A., & Aladwey, L. M. A. (2025). ESG performance, board diversity and tax avoidance: empirical evidence from the UK. *Journal of Financial Reporting and Accounting*. https://doi.org/10.1108/JFRA-04-2024-0177

Francis, B. B., Sun, X., Weng, C.-H., & Wu, Q. (2022). Managerial ability and tax aggressiveness. *China Accounting and Finance Review*, *24*(1), 53–75. https://doi.org/10.1108/CAFR-02-2022-0002

Gehman, J., Lefsrud, L. M., & Fast, S. (2017). Social license to operate: Legitimacy by another name? *Canadian Public Administration*, *60*(2), 293–317. https://doi.org/10.1111/capa.12218

Graham, J. R., Hanlon, M., Shevlin, T. J., & Shroff, N. (2012). Incentives for Tax Planning and Avoidance: Evidence from the Field. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.2148407

Gujarati. (2004). *Basic Econometrics* (Fourth Edition). The McGraw-Hill.

Hambrick, D. C. (2018). The Palgrave Encyclopedia of Strategic Management. In *The Palgrave Encyclopedia of Strategic Management*. Palgrave Macmillan UK. https://doi.org/10.1057/978-1-137-00772-8

Hambrick, D. C., & Mason, P. A. (1984). Upper Echelons: The Organization as a Reflection of Its Top Managers. *Academy of Management Review*, *9*(2), 193–206. https://doi.org/10.5465/amr.1984.4277628

Hendayana, Y., Arief, M., Pranowo, A. S., Abdul, R., & Herdiana, E. (2024). Exploring impact of profitability, leverage and capital intensity on avoidance of tax, moderated by size of firm in LQ45 companies. *Cogent Business & Management*, *11*(1). https://doi.org/10.1080/23311975.2024.2371062

Jensen, M. C., & Meckling, W. H. (1976). Theory of The Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, *3*(4), 305–360. https://doi.org/10.1016/0304-405X(76)90026-X

Khoirunnisa', L. O., & Suwardi, E. (2024). Kemampuan Manajerial dan Kompensasi Manajemen terhadap Penghindaran Pajak dengan Kualitas Audit sebagai Moderasi. *ABIS: Accounting and Business Information Systems Journal*, *12*(3), 156. https://doi.org/10.22146/abis.v12i3.93343

Kim, S., & Li, Z. (Frank). (2021). Understanding the Impact of ESG Practices in Corporate Finance. *Sustainability*, *13*(7), 3746. https://doi.org/10.3390/su13073746

Koester, A., Shevlin, T., & Wangerin, D. (2017). The Role of Managerial Ability in Corporate Tax Avoidance. *Management Science*, *63*(10), 3285–3310. https://doi.org/10.1287/mnsc.2016.2510

Lani, E., & Nyoman, A. (2025). Pengaruh Profitabilitas dan Pertumbuhan Penjualan Terhadap Tax Avoidance. *JIMAT (Jurnal Ilmiah Mahasiswa Akuntansi) Universitas Pendidikan Ganesha*, *16*(1), 190–199.

Lanis, R., & Richardson, G. (2012). Corporate Social Responsibility and Tax Aggressiveness: An Empirical Analysis. *Journal of Accounting and Public Policy*, *31*(1), 86–108. https://doi.org/10.1016/j.jaccpubpol.2011.10.006

Li, S. (2022). Research on the impact of equity incentives on corporate tax avoidance. *BCP Business & Management*, *21*, 14–26. https://doi.org/10.54691/bcpbm.v21i.1169

López-González, E., Martínez-Ferrero, J., & García-Meca, E. (2019). Does Corporate Social Responsibility Affect Tax Avoidance: Evidence from Family Firms. *Corporate Social Responsibility and Environmental Management*, *26*(4), 819–831. https://doi.org/10.1002/csr.1723

Mahdiana, M. Q., & Amin, M. N. (2020). Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan, dan Sales Growth Terhadap Tax Avoidance. *Jurnal Akuntansi Trisakti*, *7*(1), 127–138. https://doi.org/10.25105/jat.v7i1.6289

McWilliams, A., Siegel, D. S., & Wright, P. M. (2001). Corporate Social Responsibility: A Theory of The Firm Perspective. *Academy of Management Review*, *26*(1), 117–127.

Mitchell, R. K., Agle, B. R., & Wood, D. J. (1997). Toward a Theory of Stakeholder Identification and Salience: Defining the Principle of who and What Really Counts. *Academy of Management Review*, *22*(4), 853–886. https://doi.org/10.5465/amr.1997.9711022105

Monica, S., & Ajimat, A. (2024). The Effect of Environmental, Social and Governance (ESG) and Firm Size on Tax Avoidance. *Educoretax*, *4*(8), 982–993. https://doi.org/10.54957/educoretax.v4i8.1045

Mukhtaruddin, Susanto, H., Rahmah, S. M., Saftiana, Y., & Kalsum, U. (2024). Tax Avoidance Practices: Effect of Environmental, Social, and Governance, Earning Management, and Company size as Moderating Variable (Study on LQ45 Companies Listed in Indonesia Stock Exchange). *Asian Economic and Financial Review*, *14*(2), 127–142. https://doi.org/10.55493/5002.v14i2.5010

Nasly, S. (2025, March 26). *World Bank Temukan Tax Gap Indonesia Capai 6,4%*. Pajakku.

Nugroho, R. A. (2024, February 6). *Tax Ratio RI Babak Belur Sejak 1980, Eks Dirjen Pajak Ungkap Sebabnya!* CNBC Indonesia.

OECD. (2024). *Revenue Statistics in Asia and the Pacific 2024 - Indonesia*.

Pandapotan, F. (2023). The Influence of Corporate Social Responsibility on Tax Avoidance. *Journal of Applied Business, Taxation and Economics Research*, *2*(3), 258–265. https://doi.org/10.54408/jabter.v2i3.158

Park, J., Ko, C. Y., Jung, H., & Lee, Y.-S. (2016). Managerial Ability and Tax Avoidance: Evidence from Korea. *Asia-Pacific Journal of Accounting & Economics*, *23*(4), 449–477. https://doi.org/10.1080/16081625.2015.1017590

Peraturan Otoritas Jasa Keuangan Nomor 14/POJK.04/2022 Tahun 2022 Tentang Penyampaian Laporan Keuangan Berkala Emiten Atau Perusahaan Publik, Pub. L. No. 14 (2022).

Pitaloka, S., & Aryani Merkusiawati, N. K. L. (2019). Pengaruh Profitabilitas, Leverage, Komite Audit, dan Karakter Eksekutif Terhadap Tax Avoidance. *E-Jurnal Akuntansi*, 1202. https://doi.org/10.24843/EJA.2019.v27.i02.p14

Prakosa, R. A., & Sari, D. (2019). The Effect of Managerial Ability on Corporate Tax Avoidance. *Proceedings of the 3rd Asia-Pacific Research in Social Sciences and Humanities Universitas Indonesia Conference (APRISH 2018)*. https://doi.org/10.2991/aprish-18.2019.42

Prasetya, G., & Muid, D. (2022). Pengaruh Profitabilitas dan Leverage Terhadap Tax Avoidance. *Diponegoro Journal of Accounting*, *11*(1), 1–6. http://ejournal-s1.undip.ac.id/index.php/accounting

Putra, E. D., & Rahayu, N. (2023). Praktik-praktik Tax Avoidance Serta Penerapan Kebijakan Anti-Tax Avoidance di Indonesia. *Jurnal Darma Agung*, *31*(3), 524. https://doi.org/10.46930/ojsuda.v31i3.3499

Putri, A. S., & Nurdin, F. (2023). Pengaruh Profitabilitas dan Nilai Perusahaan terhadap Tax Avoidance. *Jurnal Akuntansi*, *18*(1), 11–19. https://doi.org/10.37058/jak.v18i1.6707

Putri, V. R., Falatifah, M., & Karlinah, Lady. (2025). Pengaruh Profitabilitas, Firm Size dan Sales Growth terhadap Tax Avoidance. *Owner*, *9*(2), 1334–1356. https://doi.org/10.33395/owner.v9i2.2679

Rahmawati, D., & Nani, D. A. (2021). Pengaruh Profitabilitas, Ukuran Perusahaan, dan Tingkat Hutang Terhadap Tax Avoidance. *Jurnal Akuntansi Dan Keuangan*, *26*(1), 1–11. https://doi.org/10.23960/jak.v26i1.246

Rakhmayani, A., Aresteria, M., Sulestiyono, D., & Indriawati, F. (2025). *Aggressive tax planning: The impact of profitability and Environment Social Governance (ESG)* (Vol. 3).

Robin, R., Anggara, J., Tandrean, R., & Afiezan, H. (2021). Pengaruh Ukuran Perusahaan, Profitabilitas, Leverage, dan Pertumbuhan Penjualan terhadap Penghindaran Pajak. *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi (MEA)*, *5*(2), 1232–1246.

Sandrina, M. E., & Elly Halimatusadiah. (2022). Pengaruh Tingkat Profitabilitas dan Tingkat Leverage terhadap Penghindaran Pajak. *Bandung Conference Series: Accountancy*, *2*(1). https://doi.org/10.29313/bcsa.v2i1.1213

Saragih, A. H., & Ali, S. (2023). The Impact of Managerial Ability on Corporate Tax risk and Long-Run Tax Avoidance: Empirical Evidence from a Developing Country. *Corporate Governance: The International Journal of Business in Society*, *23*(5), 1117–1144. https://doi.org/10.1108/CG-08-2022-0346

Saragih, A. H., Raya, M. N., & Hendrawan, A. (2021). The Moderating Role of Firm Size on the Association between Managerial Ability and Tax Avoidance. *Jurnal ASET (Akuntansi Riset)*, *13*(1), 39–49. https://doi.org/10.17509/jaset.v13i1.30783

Seifzadeh, M. (2022). The Effectiveness of Management Ability on Firm Value and Tax Avoidance. *Journal of Risk and Financial Management*, *15*(11), 539. https://doi.org/10.3390/jrfm15110539

Sherly, Y. F. (2022). Pengaruh Profitability, Leverage, Audit Quality, dan Faktor Lalinya Terhadap Tax Avoidance (Vol. 2, Issue 2). http://jurnaltsm.id/index.php/EJATSM

Sihombing, R. P. (2022). *Aplikasi STATA Untuk Statistisi Pemula*. https://www.researchgate.net/publication/358460661

Sismanyudi, D., & Firmansyah, A. (2022). Corporate strategies and tax avoidance: Does corporate social responsibility matter? *Jurnal Ekonomi Dan Bisnis*, *25*(2), 337–364. https://doi.org/10.24914/jeb.v25i2.5413

Stevanni, & Herijawati, E. (2024). Pengaruh Profitability, Tunneling Incentive, Debt Covenant, Exchange Rate, dan Bonus Mechanism Terhadap Transfer Pricing. *ECo-Buss*, *7*(1), 191–205. https://doi.org/10.32877/eb.v7i1.1281

Sugiyono. (2013). *Metode Penelitian Kuantitatif, Kualitatif dan R&D*. ALFABETA, CV.

Sumaryati, A., & Prawitasari, D. (2022). Profitability, Firm Size, and Tax Avoidance. *Journal of Positive School Psychology*, *6*(12), 1320–1326.

Syahputri, A. (2025). The Impact of ESG Performance and Financial Constraint on Tax Avoidance: Evidence from ASEAN 5. *Jurnal Dinamika Akuntansi*, *17*(1), 102–117. https://doi.org/10.15294/jda.v17i1.19610

Syarli, Z. A. (2022). Pengaruh Managerial Ability dan Struktur Good Corporate Governance (GCG) Terhadap Praktik Penghindaran Pajak. *Menara Ilmu*, *16*(1). https://doi.org/10.31869/mi.v16i1.3117

Tanjaya, C., & Nazir, N. (2021). Pengaruh Profitabilotas, Leverage, Pertumbuhan Penjualan, dan Ukuran Perusahaan terhadap Penghindaran Pajak pada Perusahaan Manufaktur Sektor Barang Konsumsi yang Terdaftar di BEI Tahun 2015-2019. *Jurnal Akuntansi Trisakti*, *8*(2), 189–208. https://doi.org/10.25105/jat.v8i2.9260

Vito, B., Firmansyah, A., Qadri, R. A., Dinarjito, A., Arfiansyah, Z., Irawan, F., & Wijaya, S. (2022). Managerial abilities, financial reporting quality, tax aggressiveness: Does corporate social responsibility disclosure matter in an emerging market? *Corporate Governance and Organizational Behavior Review*, *6*(1), 19–41. https://doi.org/10.22495/cgobrv6i1p2

Wenwu, X., Khurram, M. U., Qing, L., & Rafiq, A. (2023). Management equity incentives and corporate tax avoidance: Moderating role of the internal control. *Frontiers in Psychology*, *14*. https://doi.org/10.3389/fpsyg.2023.1096674

Wildan, M. (2023, November 23). *Indonesia Diperkirakan Rugi Rp69 Triliun Akibat Penghindaran Pajak*. DDTC News.

Wildan, M. (2024, December 17). *Survei World Bank Catat 1 dari 4 Perusahaan Indonesia Mengelak Pajak*. DDTC.

Wordsmith. (2024, March 14). *Apa Itu ESG Score? Bagaimana Cara Menghitungnya?*

Yoon, B., Lee, J.-H., & Cho, J.-H. (2021). The Effect of ESG Performance on Tax Avoidance—Evidence from Korea. *Sustainability*, *13*(12), 6729. https://doi.org/10.3390/su13126729

Yusnidar, Chairunnisa, W. Z., & Fuadah, L. L. (2024). Analysis of Environmental, Social, Governance on Tax Avoidance in Companies Listed on the Indonesia Stock Exchange (IDX). *Journal of Economics, Finance And Management Studies*, *07*(11). https://doi.org/10.47191/jefms/v7-i11-27

Zanra, S. W. (2022). Pengaruh Leverage Dan Profitabilitas Terhadap Tax Avoidance Dimoderasi Oleh Corporate Social Responsibility (Studi Empris pada Perusahaan Manufaktur yang terdaftar di LQ45 2017-2020) Article Informations. *Ambitek Jurnal*, *2*(2), 276–289.

Zevenbergen, L. E., & Pierk, J. (2018). *Firm Performance and Tax Avoidance*. Erasmus University Rotterdam.

Zhu, N., Mbroh, N., Monney, A., & Bonsu, M. O.-A. (2019). Corporate Tax Avoidance and Firm Profitability. *European Scientific Journal ESJ*, *15*(7). https://doi.org/10.19044/esj.2019.v15n7p61