



GREENWASHING AND TAX AVOIDANCE: DOES INTELLECTUAL CAPITAL MODERATE THE RELATIONSHIP?

Sailendra¹⁾; Shanti Lysandra²⁾

^{1)*} sailendra@univpancasila.ac.id, Universitas Pancasila

²⁾ shantilyandra@univpancasila.ac.id, Universitas Pancasila

Abstract:

This study aims to analyze the effect of greenwashing on tax avoidance and examine the moderating role of intellectual capital across 68 non-financial companies listed on the Indonesia Stock Exchange that participated in the PROPER program during the 2020–2025 period. Utilizing Partial Least Squares Structural Equation Modeling (PLS-SEM), this research examines 408 firm-year observations. The findings indicate that greenwashing has a positive and significant effect on tax avoidance. This finding suggests that companies engaging in symbolic environmental disclosure tend to be more aggressive in implementing tax avoidance strategies as a form of opportunistic behavior. Meanwhile, intellectual capital has no significant direct effect on tax avoidance. However, the analysis demonstrates that intellectual capital serves as a moderating variable that weakens the positive effect of greenwashing on tax avoidance practices. These findings support Legitimacy Theory, illustrating how companies employ sustainability disclosures to maintain their reputation amid opportunistic tax practices. This study provides important implications for regulators and investors regarding the necessity of strengthening oversight over the consistency between sustainability disclosures, actual environmental performance, and corporate tax compliance.

Keywords: Greenwashing; Intellectual Capital; Tax Avoidance

INTRODUCTION

The increasing urgency of current global sustainability issues has compelled corporations to expand transparency through environmental information disclosure as a form of accountability to stakeholders (Cho et al., 2015; Christensen et al., 2021). However, this reporting trend creates a paradox in which the expansion of information is not always aligned with tangible improvements in environmental performance. Some companies instead fall into the practice of greenwashing, which refers to manipulative attempts to construct an environmentally friendly image by presenting misleading information without the support of substantive implementation (Delmas & Burbano, 2011; Lyon & Montgomery, 2015). This phenomenon not only threatens the credibility of sustainability reports but also has the potential to obscure corporate opportunistic behavior in other domains.

One opportunistic behavior that frequently intersects with sustainability narratives is tax avoidance. Under pressure to maximize firm value, management often exploits regulatory loopholes to minimize tax liabilities (Hanlon & Heitzman, 2010). Although legally permissible, this practice is often viewed as contrary to the spirit of social responsibility (Lanis & Richardson, 2012; Sikka, 2010). Within the framework of Legitimacy Theory, companies engaging in aggressive tax practices tend to utilize greenwashing as a ‘reputational shield’ to divert public attention and maintain social acceptance amid controversial financial practices.

Although accounting literature has extensively explored the link between corporate social responsibility (CSR) and tax behavior, the results remain fragmented and inconsistent (Davis et al., 2016; Huseynov & Klamm, 2012; Lanis & Richardson, 2015). The majority of prior studies still focus on general environmental disclosure, whereas in-depth investigations into the specific implications of greenwashing on tax avoidance remain very limited. Furthermore, existing research models tend to examine this relationship directly without considering internal corporate factors that might mitigate such behavior.

To fill this gap, this study integrates intellectual capital as a strategic resource. Based on the Resource-Based View (RBV) perspective, knowledge-based capabilities form the



foundation of competitive advantage (Barney, 1991; Wernerfelt, 1984). Companies with high intellectual capital are predicted to possess more transparent governance and stronger innovation capacity, making them less inclined toward symbolic practices such as greenwashing or aggressive tax strategies (Lee, 2026). However, the moderating role of intellectual capital in this relationship remains rarely explored empirically.

The Indonesian context is particularly relevant for investigation given the regulatory strengthening of sustainability reporting by Financial Services Authority (OJK) and the presence of Public Disclosure Program for Environmental Compliance (PROPER) as a national instrument to evaluate environmental performance objectively. On the other hand, national revenue collection challenges resulting from tax avoidance remain a central issue, making it essential to examine whether corporate sustainability narratives align with their real contributions through tax compliance.

This study contributes to the literature through three main aspects: (1) shifting the analytical focus from general CSR disclosure to greenwashing practices; (2) positioning intellectual capital as a moderating variable to deepen the understanding of internal corporate mechanisms; and (3) providing recent empirical evidence from non-financial companies listed on the Indonesia Stock Exchange for the 2020–2025 period that consistently participated in PROPER. Accordingly, this study aims to analyze the effect of greenwashing on tax avoidance and test the moderating role of intellectual capital in this relationship. These findings are expected to serve as a crucial reference for regulators in strengthening oversight and for investors in evaluating the credibility of corporate sustainability commitments.

LITERATURE REVIEW

Theoretical Framework

This study adopts an integrative approach by synthesizing three main perspectives: Legitimacy Theory, Signaling Theory, and the Resource-Based View (RBV). Combining these three theories aims to construct a comprehensive conceptual framework for understanding corporate dynamics in responding to external institutional pressures while optimizing internal capabilities in strategic decision-making regarding sustainability and taxation.

Within the perspective of Legitimacy Theory, a company's existence relies heavily on the congruence between its operational activities and the value systems and norms prevailing in society (Deegan, 2002; Suchman, 1995). When a legitimacy gap arises due to poor environmental performance or controversial tax practices, companies tend to utilize sustainability disclosures as a strategic instrument to restore their public image. Under these conditions, greenwashing emerges as a manipulative symbolic action an attempt to project an environmentally friendly image to maintain social support without executing substantive changes in real environmental impacts (Delmas & Burbano, 2011). Such embellished environmental narratives often serve as a smokescreen to divert stakeholder attention from other opportunistic behaviors, such as aggressiveness in tax avoidance (Lanis & Richardson, 2015).

Complementing this perspective, Signaling Theory explains the mechanism of information communication between management and external parties amidst information asymmetry conditions (Spence, 1973). Ideally, sustainability reports serve as a positive signal regarding the firm's quality and future prospects. However, the effectiveness of this signal highly depends on its credibility. Greenwashing practices are essentially the transmission of false or misleading signals; when bombastically disclosed commitments fail to resonate with factual implementation, market trust is eroded. Therefore, consistency between what is communicated and what is executed becomes the primary determinant of whether a disclosure will enhance reputation or backfire on corporate credibility.



Meanwhile, from the firm's internal perspective, the Resource-Based View (RBV) emphasizes that resilient competitive advantage stems from the ownership of valuable, rare, inimitable, and non-substitutable resources (Barney, 1991; Wernerfelt, 1984). In the context of the modern economy, intellectual capital emerges as a strategic asset representing the collectivity of knowledge, human resource competencies, and organizational system capabilities (Pulic, 2000). Companies with strong intellectual capital are assumed to possess more transparent governance mechanisms and superior innovation capacity. With robust internal capabilities, firms tend to be more oriented toward long-term value creation through substantive actions, thereby naturally reducing reliance on symbolic practices such as greenwashing as well as tax avoidance strategies that risk damaging their relational capital.

Overall, the integration of these three theories positions greenwashing as a symbolic strategy to manage external legitimacy, whereas intellectual capital acts as a balancing force from within the organization. This framework enables the study to examine in depth whether the power of knowledge-based resources can mitigate a firm's opportunistic drives in aligning its sustainability narrative with its tax obligations.

Greenwashing and Tax Avoidance

Greenwashing practices are essentially a manifestation of managerial opportunism, wherein companies selectively present misleading environmental information to construct a positive image without equivalent actual performance (Delmas & Burbano, 2011; Lyon & Montgomery, 2015). Drawing on Legitimacy Theory, this action is viewed as a strategic defense mechanism to maintain social acceptance amid potentially controversial operational activities (Deegan, 2002; Suchman, 1995).

The opportunistic orientation underlying this manipulation of environmental information is conjectured to be closely linked to corporate fiscal policy. Companies that tend to make symbolic disclosures often utilize such sustainability narratives as a 'reputational shield' to divert stakeholder attention from aggressive tax planning strategies (Christensen et al., 2021; Lanis & Richardson, 2015). By polishing their image as socially responsible entities, companies attempt to mitigate the risks of political scrutiny and social sanctions arising from tax avoidance practices (López-González et al., 2019). Based on this logic, the first hypothesis is proposed:

H1: Greenwashing has a positive effect on tax avoidance.

Intellectual Capital and Tax Avoidance

As an intangible strategic asset, intellectual capital represents organizational capacity in optimizing knowledge, innovation, and human resource competencies (Bontis, 1998; Pulic, 2000). From the Resource-Based View (RBV) lens, strong intellectual capital ownership encourages companies to adopt more effective governance structures and a long-term value creation orientation, rather than pursuing short-term gains through opportunistic actions (Barney, 1991).

The quality of decision-making supported by robust intellectual resources tends to enhance transparency and regulatory compliance, including in the field of taxation (Hsu & Wang, 2012). Companies with high intellectual capital efficiency are generally more prudent in preserving relational capital and corporate reputation, thereby tending to avoid tax avoidance practices that risk triggering legal uncertainty and public image damage (Lee, 2026; Surroca et al., 2010). Thus, the second hypothesis is formulated as follows:

H2: Intellectual capital has a negative effect on tax avoidance.

The Moderating Role of Intellectual Capital

In addition to serving as a direct determinant, intellectual capital is also positioned as a contingency variable that determines the strength of the relationship between greenwashing and tax policy. Based on the RBV perspective, knowledge-based capabilities enable companies to



develop substantive innovations and stricter internal control systems (Barney, 1991; Hsu & Wang, 2012). These internal advantages will gradually reduce management's reliance on artificial legitimacy strategies such as greenwashing.

Conversely, in organizations with low intellectual capital, limitations in creating competitive value often trigger the use of symbolic practices to mask performance weaknesses, which are subsequently often accompanied by tax aggressiveness (Delgado-Verde et al., 2016; Surroca et al., 2010). In this context, intellectual capital is expected to act as a balancing force capable of weakening the positive effect of greenwashing on tax avoidance, as companies with high-quality human resources and systems will prioritize reporting integrity and factual compliance (Lee, 2026). On the basis of this rationale, the third hypothesis is:

H3: Intellectual capital moderates the relationship between greenwashing and tax avoidance, such that the positive effect of greenwashing becomes weaker in companies with high levels of intellectual capital.

METHODS

Research Design and Sample

This study adopts an explanatory quantitative approach aimed at empirically testing the causal relationships between the hypothesized variables. The research design utilizes balanced panel data spanning the observation period from 2020 to 2025. The use of panel data allows for a deeper longitudinal analysis of corporate behavior while providing more stable estimates regarding the dynamics of the relationship between greenwashing and tax policy under the influence of intellectual capital.

The research population comprises all non-financial companies listed on the Indonesia Stock Exchange (IDX) that are integrated into the Public Disclosure Program for Environmental Compliance (PROPER). The focus on non-financial entities is based on the consideration to maintain sample homogeneity; this is because the financial sector possesses highly specific operational characteristics, reporting standards, and tax regulatory frameworks, which could potentially introduce systematic bias if included in the analysis. The PROPER instrument established by the Ministry of Environment and Forestry was selected as the population criterion because it serves as an objective national benchmark for evaluating corporate environmental performance in Indonesia.

To ensure data quality, sample selection was conducted using a purposive sampling technique with strict inclusion criteria. Selected companies were required to meet the conditions of consistent participation in PROPER during the 2020–2025 period, continuous publication of annual reports and sustainability reports, and presentation of audited financial statements with complete data for all research variables. Based on this selection process, a final sample of 68 companies was obtained, yielding a total of 408 firm-year observations. This sample size is deemed highly adequate and exceeds the minimum threshold required for testing using Partial Least Squares Structural Equation Modeling (PLS-SEM), thereby ensuring statistical power and reliability in structural model estimation (Hair et al., 2017).

Variable Measurement

The operationalization of variables in this study is meticulously structured with reference to established methodologies in accounting and taxation literature to ensure the validity of the findings. The dependent variable, tax avoidance, is proxied by the Book-Tax Difference (BTD). The selection of this proxy is based on the argument that the gap between pre-tax accounting income and taxable income reflects corporate tax planning policy (Desai & Dharmapala, 2006; Hanlon & Heitzman, 2010). Technically, BTD is calculated by subtracting taxable income from pre-tax accounting income, normalized by total assets; a larger BTD value consistently indicates a higher tendency toward tax aggressiveness.



For the primary independent variable, greenwashing is measured using a residual-based approach to capture the discrepancy between environmental rhetoric and corporate performance reality. This procedure begins with content analysis of sustainability reports using Python-based Natural Language Processing (NLP) technology to construct an environmental disclosure index based on GRI standards. The greenwashing value is obtained as the residual value from a regression of the disclosure index on actual environmental performance (Marquis et al., 2016; Testa et al., 2018). A positive residual signifies that the firm's level of environmental disclosure exceeds its factual achievements, explicitly representing greenwashing practices.

Furthermore, intellectual capital is positioned as a moderating variable measured through the Value Added Intellectual Coefficient (VAIC) as developed by (Pulic, 2000). This matrix evaluates organizational efficiency in creating value through the synergy of three components: human capital, structural capital, and capital employed. A high VAIC score reflects superior knowledge-based capabilities, which are believed to mitigate managerial opportunistic behavior (Clarke et al., 2011; Sailendra, 2023b).

To strengthen the model and minimize potential omitted variable bias, this study integrates four strategic control variables. These variables include firm size (SIZE), measured by the natural logarithm of total assets (Lanis & Richardson, 2012; Sailendra et al., 2020); profitability (ROA), representing financial performance (Dyrenge et al., 2008; Sailendra, 2023a); leverage (DAR), to monitor debt structure (Huseynov & Klamm, 2012; Sailendra, 2023b); and firm age (AGE), calculated from the initial public offering (Lee, 2026; Sailendra, 2024). The inclusion of these variables is crucial to ensuring that the relationships among greenwashing, intellectual capital, and tax avoidance can be accurately estimated without distortion from other fundamental corporate characteristics.

Data Collection Procedure

The data utilized in this study are derived entirely from secondary longitudinal data covering the observation period from 2020 to 2025. All core documents, including annual reports, sustainability reports, and audited financial statements, were systematically obtained through the official portal of the Indonesia Stock Exchange (IDX) as well as the respective websites of the sample companies. The data extraction process was conducted through two primary approaches to ensure accuracy and efficiency: financial data were manually extracted from audited financial statements, whereas environmental disclosure data were identified through content analysis techniques.

Specifically for the environmental disclosure variable, this study adopts technological advancements by utilizing Natural Language Processing (NLP) algorithms based on the Python programming language. This scanning instrument was programmed to detect 40 disclosure indicators referencing Global Reporting Initiative (GRI) standards, ensuring that the measured information coverage remains consistent with global reporting practices. The integration of this technology aims to minimize human subjectivity in assessing complex and high-volume report texts.

To maintain reliability and validate the dependability of the automated coding results, a manual verification procedure was conducted on 15% of the total randomly selected sample. The test results demonstrated an agreement rate exceeding the 90% threshold, a figure that confirms the coding process possesses a very high degree of consistency and reliability. Through this rigorous data collection protocol, the validity of the environmental disclosure variable measurement is methodologically defensible, thereby minimizing the risk of measurement error in subsequent structural model analysis.

Data Analysis Technique

Data analysis and hypothesis testing in this study were conducted using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach with the assistance of SmartPLS



4.0 software. The selection of the PLS-SEM method is based on its highly robust capability in estimating parameters in structural models involving interaction or moderating effects without requiring strict multivariate normality assumptions. These characteristics render PLS-SEM highly relevant for accounting and sustainability research utilizing corporate-level secondary data.

The structural model in this study is formulated through the following regression equation:

$$TA = \alpha + \beta_1GW + \beta_2IC + \beta_3(GW \times IC) + \beta_4SIZE + \beta_5ROA + \beta_6DAR + \beta_7AGE + e$$

In this model, the tax avoidance variable (TA) is influenced by greenwashing (GW), intellectual capital (IC), and their interaction as a moderating variable ($GW \times IC$). Additionally, control variables such as firm size (SIZE), profitability (ROA), leverage (DAR), and firm age (AGE) are included to maintain estimation precision.

Given that all variables are measured using single observed indicators, the analysis focuses on evaluating the structural model (inner model). Prior to hypothesis testing, a multicollinearity diagnostic test was performed using the Variance Inflation Factor (VIF) values to ensure the absence of information overlap among independent variables. Subsequent evaluation was conducted on the coefficient of determination (R^2) to measure the model's ability to explain the variation in the dependent variable, as well as the path coefficients to determine the direction and magnitude of effects between variables.

To test the statistical significance of path coefficients, this study implemented a bootstrapping procedure with 5,000 subsamples. In line with the nature of the explicitly formulated hypotheses (directional hypotheses), testing was conducted via a one-tailed test at a 5% significance level ($\alpha = 0.05$). This approach was selected because it provides higher statistical power in detecting causal relationships founded on a solid theoretical basis (Hair et al., 2017).

RESULTS AND DISCUSSION

Descriptive Statistics

Data analysis in this study was conducted on 408 firm-year observations derived from 68 non-financial companies that consistently participated in the PROPER program during the 2020–2025 period. Based on the data summary in Table 2,

Table 2. Descriptive Statistics

Variable	Minimum	Maximum	Mean	Std. Deviation
Tax Avoidance (TA)	-0.412	0.145	-0.010	0.046
Greenwashing (GW)	0.219	3.426	0.931	0.359
Intellectual Capital (IC)	-42.784	47.508	3.635	5.439
Firm Size (SIZE)	26.784	33.015	29.908	1.479
Profitability (ROA)	-0.375	0.558	0.060	0.086
Leverage (DAR)	0.070	2.224	0.403	0.238
Firm Age (AGE)	2.016	45.877	26.414	9.978

Source: SPSS 32 Output, processed by the author.

All variables exhibit sufficient variation, representing the heterogeneity of operational characteristics, financial structures, and reporting practices among the sample companies. This diversity in the data provides a strong foundation for conducting causal relationship analysis between variables in subsequent stages.

The dependent variable, tax avoidance, proxied by the Book-Tax Difference (BTD), has a mean value of -0.010 with a standard deviation of 0.046. This figure reflects differences in the intensity of tax strategies applied by companies during the observation period. Meanwhile, the greenwashing variable recorded a mean value of 0.931 with a standard deviation of 0.359.



This data distribution indicates a varying gap between environmental disclosure rhetoric and actual environmental performance across the sample companies, demonstrating that greenwashing practices are not uniformly conducted by all entities.

Regarding the moderating variable, intellectual capital, proxied by VAIC, shows a mean value of 3.635 and a relatively high standard deviation of 5.439. The large standard deviation indicates a significant disparity in companies' abilities to manage knowledge-based resources to create value. In addition, the control variables comprising firm size, profitability, leverage, and firm age also show stable data distribution, rendering the overall dataset highly suitable for structural model testing.

Structural Model Evaluation

Given that variable operationalization was conducted using single indicators, the evaluation focused on testing the structural model or inner model. The first step involved a multicollinearity test to ensure the validity of path coefficient estimates. Test results showed that all Variance Inflation Factor (VIF) values remained below the 3.30 threshold, confirming the absence of collinearity issues among the independent variables in the model.

Furthermore, the results of the coefficient of determination analysis revealed an R^2 value of 0.178. This finding indicates that the research model, which integrates greenwashing, intellectual capital, and the interaction variable, is capable of explaining 17.8% of the variance in tax avoidance practices. Although this explanatory proportion is categorized as moderate according to the criteria of (Hair et al., 2017), it is deemed adequate considering that tax avoidance is a complex corporate behavior influenced by various external factors, such as governance, regulation, and macroeconomic conditions, that are not entirely captured within this model.

Hypothesis Testing

Testing of structural relationships was conducted via a bootstrapping procedure with 5,000 resamples to ensure estimation stability. Based on the statistical test results in Table 3, greenwashing was found to have a positive and significant effect on tax avoidance ($\beta = 0.100$; $p = 0.034$), thereby accepting H1. This confirms that companies engaging in symbolic environmental disclosure tend to be more aggressive in their tax avoidance strategies. Conversely, intellectual capital was not proven to have a significant direct effect on tax avoidance ($\beta = -0.165$; $p = 0.110$), meaning H2 is not supported in this study.

Table 3. Structural Model Testing Results

Structural Relationship	Path Coefficient (β)	Sample Mean	Standard Deviation	t-statistic	p-value
GW $\rightarrow$ TA	0.100	0.099	0.055	1.823	**0.034
IC $\rightarrow$ TA	-0.165	-0.147	0.134	1.224	0.110
GW $\times$ IC $\rightarrow$ TA	-0.412	-0.361	0.242	1.702	**0.044
SIZE $\rightarrow$ TA	0.015	0.024	0.047	0.325	0.373
ROA $\rightarrow$ TA	0.306	0.317	0.097	3.145	***0.001
DAR $\rightarrow$ TA	-0.042	-0.052	0.052	0.802	0.211
AGE $\rightarrow$ TA	0.014	0.001	0.056	0.243	0.404

*Note: Symbols ***, **, * denote significance levels of 1%, 5%, and 10% respectively.*

Source: SmartPLS 4.0 Output, processed by the author.

Interestingly, the test results for the interaction variable show that the interaction between greenwashing and intellectual capital has a negative and significant effect on tax avoidance ($\beta = -0.412$; $p = 0.044$), thus accepting H3. The negative coefficient of this interaction variable proves the role of intellectual capital as a moderating variable that weakens the positive effect of greenwashing on tax avoidance behavior. This finding indicates that although intellectual capital is not a direct determinant, its presence acts as a contingency factor



(boundary condition) that mitigates the impact of misleading environmental reporting on corporate tax policy.

The Mechanism of Greenwashing as a Legitimacy Instrument in Tax Strategy

The findings of this study confirm that greenwashing has a positive and significant effect on tax avoidance. This result provides empirical validation for Legitimacy Theory, indicating that companies tend to utilize symbolic environmental disclosures as a tool to align corporate image with societal expectations, even when their operational activities do not fully align with those values. In this context, an overly polished sustainability narrative functions as an effective ‘reputational shield’ to dampen public scrutiny and external pressure.

The ‘smokescreen’ effect created through greenwashing practices provides room for management to adopt more aggressive tax strategies in pursuit of short-term economic benefits. This finding demonstrates that greenwashing and tax avoidance are two sides of the same coin of managerial opportunistic behavior aimed at maximizing firm value while simultaneously striving to maintain social acceptance. The consistency of these results with prior literature underscores that the gap between environmental rhetoric and reality correlates strongly with lower financial integrity, particularly regarding tax compliance.

Intellectual Capital: Internal Capabilities in Strategic Decision-Making

Contrary to the initial hypothesis, the analysis indicates that intellectual capital does not exert a direct effect on tax avoidance. This finding suggests that while intellectual capital is a strategic resource underpinning competitive advantage from the Resource-Based View (RBV) perspective, the ownership of these intangible assets does not automatically dictate corporate fiscal policy. Decisions related to tax planning appear to be more strongly influenced by structural and institutional factors, such as corporate governance, regulatory pressures, and specific managerial incentives, rather than merely organizational knowledge capabilities.

This condition implies that intellectual capital efficiency, as measured by VAIC, is primarily focused on operational value creation and internal efficiency. Consequently, the effect of intellectual capital on tax policy is not deterministic; rather, it requires mediating mechanisms or other contingency factors that can direct these resources toward more conservative tax practices.

The Moderating Function of Intellectual Capital as a Control on Opportunistic Behavior

One of the most crucial findings in this study is the empirical evidence supporting the role of intellectual capital as a moderating variable that weakens the positive effect of greenwashing on tax avoidance. Although it lacks a direct effect, intellectual capital acts as a contingency factor (boundary condition) that mitigates the impact of misleading environmental reporting on aggressive tax strategies. Companies with high intellectual capital possess superior information systems and higher-quality decision-making mechanisms, making them more reliant on tangible innovation and operational excellence rather than symbolic practices to gain legitimacy.

This negative interaction indicates that organizational intellectual capabilities can function as an internal control mechanism that reduces the intensity of the relationship between environmental information manipulation and tax aggressiveness. This deepens our understanding of the strategic role of intellectual capital: it is not merely a driver of economic value, but also a resource capable of enhancing organizational integrity in response to external pressures.

Theoretical Synthesis and Practical Implications

Overall, this research model explains 17.8% of the variance in tax avoidance practices. Although this coefficient of determination is categorized as moderate, the figure reflects the complexity of tax avoidance as a multidimensional corporate decision influenced by governance dynamics and macroeconomic conditions. Theoretically, this study reinforces the



relevance of Legitimacy Theory in explaining corporate symbolic behavior while providing a new perspective for RBV by positioning internal resources as a moderating factor in inter-variable relationships.

Practically, these findings serve as a warning for regulators and investors that extensive ESG disclosures do not necessarily reflect good tax compliance. Strengthened coordination between environmental and tax authorities is required to verify the consistency between corporate sustainability claims and their real fiscal contributions through tax payments. For management, integrating strong intellectual capital with transparent governance is key to building a substantive and sustainable reputation.

CONCLUSION

This study provides in-depth insights into how legitimacy strategies and internal capabilities interact to influence the fiscal policies of non-financial companies in Indonesia during the 2020–2025 period. Based on the analysis conducted, this research yields three fundamental conclusions. First, empirical evidence indicates that greenwashing has a positive and significant effect on tax avoidance. This finding confirms that symbolic environmental disclosures are often utilized as strategic instruments to construct a positive image to obscure tax aggressiveness, thereby allowing companies to maintain social legitimacy amidst opportunistic financial practices. Second, intellectual capital is not proven to exert a direct effect on tax behavior, indicating that organizational knowledge capacity does not automatically compel companies to adopt more conservative fiscal policies. However, the third finding underscores the crucial role of intellectual capital as a moderating variable that weakens the positive relationship between greenwashing and tax avoidance. This demonstrates that robust human resource quality and organizational systems are capable of serving as internal control mechanisms that mitigate the impact of misleading environmental reporting on corporate tax strategies.

Theoretically, this study reinforces the relevance of Legitimacy Theory in explaining organizational behavior that employs a sustainability smokescreen to divert public attention from opportunistic actions. Although support for the Resource-Based View (RBV) remains limited due to the absence of a direct effect, the positioning of intellectual capital as a contingency factor (boundary condition) offers a novel perspective: intangible assets play a greater role in determining the strength of relationships between strategic variables rather than acting as independent determinants of tax behavior.

Limitations and Future Research

Despite the contributions provided, this study has several limitations that warrant attention. The research focus being restricted to non-financial sectors on the Indonesia Stock Exchange limits the generalization of the findings to the financial industry or geographical contexts with different regulatory characteristics. Furthermore, the use of a residual approach to measure greenwashing and the VAIC proxy for intellectual capital may not fully capture the complexity of narrative quality in reports or the broader dimensions of relational capital. The moderate coefficient of determination also suggests the existence of other explanatory determinants, such as audit quality and ownership structure, which are not captured in this model.

As a future agenda, subsequent research is recommended to expand sample coverage across industries and countries to enhance the generalization of findings. The application of more advanced analytical techniques, such as machine learning or deeper textual analysis, is expected to evaluate the quality of sustainability disclosures with greater precision. In addition, the development of models incorporating variables such as political connections, corporate risk, or digital transformation as mediating or moderating factors would significantly enrich the



literature regarding the dynamics between corporate sustainability and tax behavior in the future.

REFERENCES:

- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. *Journal of Management*, 17(1), 99–120. <https://doi.org/10.1177/014920639101700108>
- Bontis, N. (1998). Intellectual capital: an exploratory study that develops measures and models. *Management Decision*, 36(2), 63–76. <https://doi.org/10.1108/00251749810204142>
- Cho, C. H., Laine, M., Roberts, R. W., & Rodrigue, M. (2015). Organized hypocrisy, organizational façades, and sustainability reporting. *Accounting, Organizations and Society*, 40, 78–94. <https://doi.org/10.1016/j.aos.2014.12.003>
- Christensen, H. B., Hail, L., & Leuz, C. (2021). Mandatory CSR and sustainability reporting: economic analysis and literature review. *Review of Accounting Studies*, 26(3), 1176–1248. <https://doi.org/10.1007/s11142-021-09609-5>
- Clarke, M., Seng, D., & Whiting, R. H. (2011). Intellectual capital and firm performance in Australia. *Journal of Intellectual Capital*, 12(4), 505–530. <https://doi.org/10.1108/14691931111181706>
- Davis, A. K., Guenther, D. A., Krull, L. K., & Williams, B. M. (2016). Do Socially Responsible Firms Pay More Taxes? *The Accounting Review*, 91(1), 47–68. <https://doi.org/10.2308/accr-51224>
- Deegan, C. (2002). Introduction: The legitimising effect of social and environmental disclosures – a theoretical foundation. *Accounting, Auditing & Accountability Journal*, 15(3), 282–311. <https://doi.org/10.1108/09513570210435852>
- Delgado-Verde, M., Martín-de Castro, G., & Amores-Salvadó, J. (2016). Intellectual capital and radical innovation: Exploring the quadratic effects in technology-based manufacturing firms. *Technovation*, 54, 35–47. <https://doi.org/10.1016/j.technovation.2016.02.002>
- Delmas, M. A., & Burbano, V. C. (2011). The Drivers of Greenwashing. *California Management Review*, 54(1), 64–87. <https://doi.org/10.1525/cmr.2011.54.1.64>
- 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>
- 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>
- Hair, J. F. , Hults, G. T. M. , Ringle, C. M. , & Sarstedt, M. (2017). *A primer on partial least squares structural equation modeling (PLS-SEM)* (2nd ed.). Sage.
- Hanlon, M., & Heitzman, S. (2010). A review of tax research. *Journal of Accounting and Economics*, 50(2–3), 127–178. <https://doi.org/10.1016/j.jacceco.2010.09.002>
- Hsu, L., & Wang, C. (2012). Clarifying the Effect of Intellectual Capital on Performance: The Mediating Role of Dynamic Capability. *British Journal of Management*, 23(2), 179–205. <https://doi.org/10.1111/j.1467-8551.2010.00718.x>
- Huseynov, F., & Klamm, B. K. (2012). Tax avoidance, tax management and corporate social responsibility. *Journal of Corporate Finance*, 18(4), 804–827. <https://doi.org/10.1016/j.jcorpfin.2012.06.005>
- 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>
- Lanis, R., & Richardson, G. (2015). Is Corporate Social Responsibility Performance Associated with Tax Avoidance? *Journal of Business Ethics*, 127(2), 439–457. <https://doi.org/10.1007/s10551-014-2052-8>



- Lee, H.-A. (2026). Does tax avoidance foster or hinder intellectual capital? Empirical evidence from Korean listed firms. *Journal of Intellectual Capital*, 1–22. <https://doi.org/10.1108/JIC-06-2025-0249>
- López-González, E., Martínez-Ferrero, J., & García-Meca, E. (2019). Corporate social responsibility in family firms: A contingency approach. *Journal of Cleaner Production*, 211, 1044–1064. <https://doi.org/10.1016/j.jclepro.2018.11.251>
- Lyon, T. P., & Montgomery, A. W. (2015). The Means and End of Greenwash. *Organization & Environment*, 28(2), 223–249. <https://doi.org/10.1177/1086026615575332>
- Marquis, C., Toffel, M. W., & Zhou, Y. (2016). Scrutiny, Norms, and Selective Disclosure: A Global Study of Greenwashing. *Organization Science*, 27(2), 483–504. <https://doi.org/10.1287/orsc.2015.1039>
- Pulic, A. (2000). VAICTM an accounting tool for IC management. *International Journal of Technology Management*, 20(5/6/7/8), 702. <https://doi.org/10.1504/IJTM.2000.002891>
- Sailendra, S. (2023a). Moderating Effect of Green Image: The Influence of Beta on Stock Return. *Journal of Business Management and Economic Development*, 1(02), 209–220. <https://doi.org/10.59653/jbmed.v1i02.104>
- Sailendra, S. (2023b). The Influence of Green Performance and Intellectual Capital on Tax Avoidance. *Journal of Business Management and Economic Development*, 1(03), 565–576. <https://doi.org/10.59653/jbmed.v1i03.639>
- Sailendra, S. (2024). Determinant of green value on corporate tax avoidance. *Educoretax*, 4(8), 1006–1016. <https://doi.org/10.54957/educoretax.v4i8.1057>
- Sailendra, S., Murwaningsari, E., Mayangsari, S., & Murtanto, M. (2020). The Moderating Effect of Benevolence on the influence of Corporate Governance on Audit Quality. *International Journal of Applied Business and International Management*, 5(1), 1–11. <https://doi.org/10.32535/ijabim.v5i1.762>
- Sikka, P. (2010). Smoke and mirrors: Corporate social responsibility and tax avoidance. *Accounting Forum*, 34(3–4), 153–168. <https://doi.org/10.1016/j.accfor.2010.05.002>
- Spence, M. (1973). Job Market Signaling. *The Quarterly Journal of Economics*, 87(3), 355. <https://doi.org/10.2307/1882010>
- Suchman, M. C. (1995). Managing Legitimacy: Strategic and Institutional Approaches. *Academy of Management Review*, 20(3), 571–610. <https://doi.org/10.5465/amr.1995.9508080331>
- Surroca, J., Tribó, J. A., & Waddock, S. (2010). Corporate responsibility and financial performance: the role of intangible resources. *Strategic Management Journal*, 31(5), 463–490. <https://doi.org/10.1002/smj.820>
- Testa, F., Boiral, O., & Iraldo, F. (2018). Internalization of Environmental Practices and Institutional Complexity: Can Stakeholders Pressures Encourage Greenwashing? *Journal of Business Ethics*, 147(2), 287–307. <https://doi.org/10.1007/s10551-015-2960-2>
- Wernerfelt, B. (1984). A resource-based view of the firm. *Strategic Management Journal*, 5(2), 171–180. <https://doi.org/10.1002/smj.4250050207>