

Determinants of Tax Aggressiveness: The Role of CSR, Profitability, and Earnings Management with Corporate Governance Moderation

Annathasia Puji Erasashanti¹, Anisatul Maghfiroh², Ch. Endah Winarti³, Nawang Kalbuana⁴, Fitri Yani Panggabean⁵

¹²³ Perbanas Institute

⁴ Politeknik Penerbangan Indonesia Curug

⁵ Universitas Pembangunan Panca Budi

*Correspondence: erasashanti@perbanas.id

ARTICLE INFO

Research Paper

Article history:

Received: 24 June 2025

Revised: 7 July 2025

Accepted: 17 July 2025

Keywords: *Corporate Social Responsibility; Profitability; Earnings Management; Good Corporate Governance; Tax Aggressiveness*

ABSTRACT

Purpose – This paper seeks to analyze the effect of corporate social responsibility, profitability, and earnings management on tax aggressiveness with good corporate governance as a moderating variable in manufacturing companies listed on the Indonesia Stock Exchange during 2017-2021. **Methodology/approach** – This study uses secondary data obtained through purposive sampling method from annual financial reports of 23 manufacturing companies listed on the Indonesia Stock Exchange during the period 2017 to 2021, resulting in 115 observations with 16 outlier data excluded. The analysis method employed is SPSS-based Moderated Regression Analysis. **Findings** – The research findings indicate that corporate social responsibility and earnings management do not have a significant impact on tax aggressiveness, however profitability proves to have a significant positive impact on tax aggressiveness. Good corporate governance cannot moderate the relationship between corporate social responsibility and earnings management with tax aggressiveness, but good corporate governance serves as a moderator that weakens the positive relationship between profitability and tax aggressiveness. **Novelty/value** – This study contributes to the understanding of tax aggressiveness determinants in the Indonesian manufacturing sector and provides insights into the moderating role of corporate governance in tax planning decisions, which is vital for stakeholders in developing effective corporate tax strategies.

This work is licensed under a Creative Commons Attribution-Non Commercial 4.0 International License.

INTRODUCTION

According to a report by the Ministry of Finance (MoF), Indonesia's tax ratio will reach 9.11% of GDP in 2021. Although Indonesia's tax ratio is higher than in 2020, Indonesia's tax ratio in 2021 is still lower than before the pandemic, as shown in the graph. In 2017, Indonesia's tax ratio was 9.89% of GDP. This figure then rose to 10.24% in 2018, then fell to 9.77% in 2019 and fell again to 8.33% in 2020. In 2020, Indonesia has the lowest tax ratio. The reason is the Covid-19 pandemic which limits people's economic activities. Meanwhile, Indonesia's tax ratio will begin to rise in 2021 as tax performance strengthens and the national economy recovers from the impact of the pandemic. The higher the income that is taxed by a company, the higher the amount of tax that must be paid.

Conversely, if the income is lower, the amount of tax to be paid will also be lower (Bird & Davis-Nozemack, 2018; Erasashanti et al., 2024; Lin et al., 2017). Although tax is a burden that reduces the company's net income, the company views tax as a profit deduction, a condition that encourages many companies to look for ways to reduce tax costs in order to maximize profits. And not infrequently, companies become aggressive in tax strategies. Therefore, in avoiding a high tax burden, companies tend to take tax aggressiveness (Lucut Capras et al., 2024). According to Khan & Nuryanah, corporate tax aggressiveness includes efforts to manipulate taxable income through tax planning (Khan & Nuryanah, 2023), both legal (tax avoidance) and illegal (tax evasion). The company is said to be more aggressive towards taxes can be seen from how much tax savings the company has achieved. This tax aggressiveness is usually done through the tax planning process and aims to avoid fines or sanctions for tax aggressiveness.

The legal basis for CSR is stated in the Regulation of the Minister of Social Affairs of the Republic of Indonesia Number 9 of 2020 which reads that CSR is a form of commitment from business entities to play an active role in sustainable social development, in order to improve the quality of life and the environment that provides benefits, both for the business entity itself, the local community, and the general public. According to (Whait et al., 2018) Corporate Social Responsibility (CSR) is considered to a key factor in achieving the success and survival of the company. The results of this variable show a gap. In research (Hejazi et al., 2015) Corporate Social Responsibility (CSR) has no effect on tax aggressiveness. This means that the higher the company discloses CSR, the lower the company's tax avoidance. Meanwhile, according to (Whait et al., 2018) Corporate Social Responsibility (CSR) has a negative effect on tax aggressiveness. Profitability is the company's ability to generate profits in a certain period. The higher the level of profitability of a company, the greater the profit earned, and will affect the amount of tax burden that must be paid by the company. If the profit generated by the company increases, the tax burden that must be paid by the company will also increase (Pratama & Rizky, 2024). The results of this variable show a gap. In research (Purwantoro et al., 2024) profitability has a negative effect on tax aggressiveness. This is because the higher the profit earned by a company, the lower the company takes aggressive action against taxes. Meanwhile, according to (Yuniastuti, 2024) profitability has a positive effect on tax aggressiveness.

Earnings management is an action taken by managers by considering changing or manipulating financial statements during the financial reporting process and transaction preparation (Bortoluzzo et al., 2016). The results of this variable show a gap. According to research conducted by (Mulyadi & Anwar, 2015) earnings management has no effect on tax aggressiveness. This happens because the level of corporate tax avoidance is not influenced by the extent to which management manipulates earnings. Meanwhile, according to (Pais & Dias, 2022) earnings management has a positive effect on tax aggressiveness.

Based on the research problems in the background that have been explained, the research questions include: (1) Does corporate social responsibility affect tax aggressiveness? (2) Does profitability affect tax aggressiveness? (3) Does earnings management affect tax aggressiveness? (4) Can good corporate governance moderate the effect of corporate social responsibility on tax aggressiveness? (5) Can good corporate governance moderate the effect of profitability on tax aggressiveness? (6) Can good corporate governance moderate the effect of earnings management on tax aggressiveness?

LITERATURE REVIEW

Tax Aggressiveness

Tax aggressiveness is an act of engineering taxable income carried out by companies with tax planning both legally and illegally (Khan & Nuryanah, 2023). This act of tax aggressiveness is carried out with the intention of minimizing the amount of tax burden from the tax costs that have been estimated by the company. The company can be said to be aggressive in tax avoidance when the company always uses

ways to find loopholes from every existing regulation in order to avoid these taxes (Hidayanto et al., 2021; Whait et al., 2018).

Corporate Social Responsibility

CSR is the process of providing and communicating information about economic activities carried out by companies, especially in social and environmental impacts on society at large (Bhattacharyya & Imam, 2024). The form of a company's responsibility to the social environment is expressed by providing CSR as a form of corporate care for the community. One way companies support CSR is by participating in paying taxes. If the company makes tax payments, it reflects that the company cares and is responsible for its tax obligations.

Profitability

Profitability is part of measuring company performance by management in managing company assets by looking at the profits earned. The profit comes from the company's sales and investment (Purwantoro et al., 2024). The company's profitability shows the ratio between profit and assets or equity (Genta Buana, 2025). Profitability is proxied by ROA. ROA shows the extent to which the company is able to generate profits by utilizing its assets to generate profit after tax. Effort to increase the effectiveness and efficiency of the company through the management of all company assets, ROA is very much needed and important for company management (Yuniastuti, 2024).

Earnings Management

Earnings management is an action taken by managers by considering changing or manipulating financial statements during the financial reporting process and preparing transactions (Bortoluzzo et al., 2016). The goal is to mislead stakeholders who depend on the reported accounting numbers. Earnings management is an attempt by company management to influence the information in the financial statements by increasing or decreasing earnings with the aim of manipulating stakeholders who want to know the performance of their company (Kałdoński & Jewartowski, 2020; Mulyadi & Anwar, 2015).

Good Corporate Governance

Good corporate governance is a system to control and provide direction to companies in order to provide more value to stakeholders (Adeyani Tandean, 2016). The existence of this control system is because there are often differences in interests between agents and principals which can cause problems in the future.

Framework of Thought

Based on the theoretical review and the results of previous research, the following is the research framework (Figure 1):

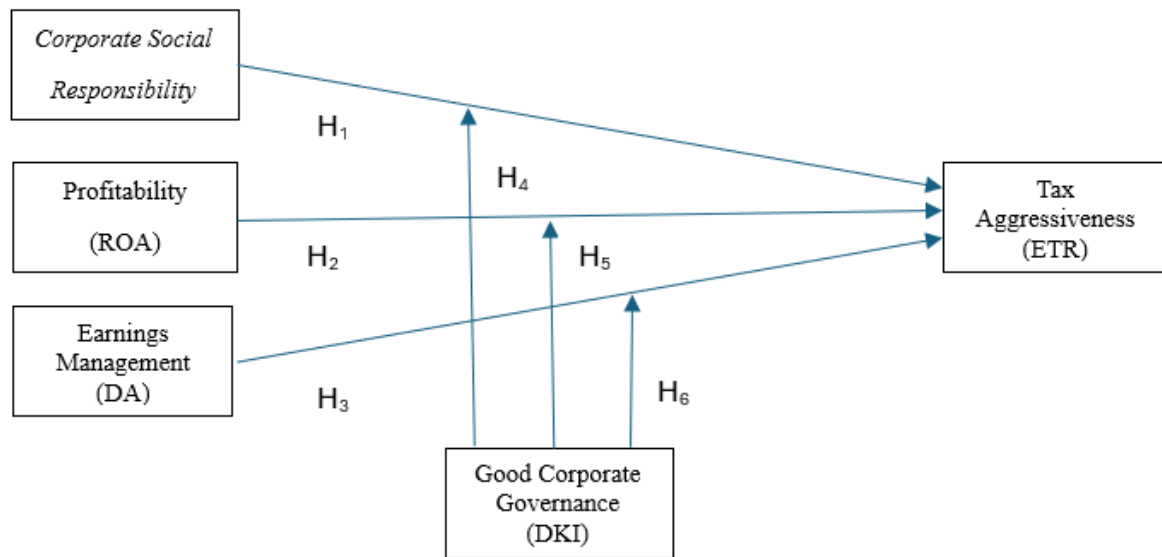


Figure 1. Research Framework

The Effect of Corporate Social Responsibility Disclosure on Tax Aggressiveness

Corporate Social Responsibility (CSR) is a form of corporate responsibility to all stakeholders to all stakeholders. CSR is also a form of corporate concern for the external environment, both in protecting the environment, participating in development, and behaving according to community norms and many more forms of social responsibility behave according to community norms and many other forms of social responsibility (Whait et al., 2018). Companies that pay taxes, it can be said that the company contribute to the development of the country and the welfare of society. However, if company does tax avoidance, then it can be said that the company is not socially responsible socially responsible. Corporate Social Responsibility (CSR) has a positive effect on tax aggressiveness (Lin et al., 2017). While research by Mkadmi provide that Corporate Social Responsibility (CSR) has a negative effect on tax aggressiveness (Mkadmi & Ben Ali, 2024)

H₁: Corporate Social Responsibility (CSR) affects tax aggressiveness.

The Effect of Profitability on Tax Aggressiveness

Profitability is a measure of the company's financial performance in generating profits from managing assets as measured by Return on Asset (Yuniastuti, 2024). If the higher the value of ROA, the greater the profit earned by the company. If the profit generated is higher, the higher the corporate tax burden, so it can be said that profitability affects tax aggressiveness (Purwantoro et al., 2024). In research (Genta Buana, 2025; Purwantoro et al., 2024; Yuniastuti, 2024)states that ROA has effect on tax aggressiveness.

H₂: Profitability affects tax aggressiveness.

The Effect of Earnings Management on Tax Aggressiveness

Earnings management is one of the policies used by management in making the company's financial statements to solely look good from the view of stakeholders, one of which is reducing the tax burden with tax avoidance (Bortoluzzo et al., 2016). According to (Mulyadi & Anwar, 2015) this earnings management occurs when there is information asymmetry between the principal and the agent. Based on research (Kałdoński & Jewartowski, 2020) earnings management has effect on tax aggressiveness.

H₃: Earnings management affects tax aggressiveness.

Good Corporate Governance Moderates the Effect of Corporate Social Responsibility on Tax Aggressiveness

Good Corporate Governance in this study is proxied by the Independent Board of Commissioners. The composition of the board of commissioners will determine company policy in the practice and disclosure of Corporate Social Responsibility. If the number of members of the board of commissioners is increasing, controlling the CEO and monitoring will be easier and more effective (Adeyani Tandean, 2016). Research conducted (Jiang et al., 2023) says good corporate governance strengthens the influence of corporate social responsibility on tax aggressiveness. With this GCG, the company will encourage the disclosure of CSR with the aim of preventing tax aggressiveness. If the CSR carried out by the company is higher, the corporate governance in the company is also getting better so that the tax aggressiveness carried out will be very small.

H₄: Good Corporate Governance Moderates the Effect of Corporate Social Responsibility on Tax Aggressiveness.

Good Corporate Governance Moderates the Effect of Profitability on Tax Aggressiveness

Companies with high profitability can have the opportunity to position themselves in tax planning to reduce the amount of tax liability (Purwantoro et al., 2024). If the more the number of independent commissioners the company has, the tighter the supervision and control related to profitability (profitability) will be. When company management is able to control corporate income and tax payments, when the company's profit is higher, the tax aggressiveness carried out tends to decrease. Based on research (Yuniastuti, 2024) that independent commissioners strengthen the negative effect of profitability on tax aggressiveness.

H₅: Good Corporate Governance Moderates the Effect of Profitability on Tax Aggressiveness.

Good Corporate Governance Moderates the Effect of Earnings Management on Tax Aggressiveness

There is a relationship between corporate governance and tax avoidance and earnings management characterized by agency conflict. Agency conflicts are raised by information asymmetry because it will cause managers to have the opportunity to take advantage of loopholes in committing irregularities by carrying out earnings management. With the supervision and management of a good company or good corporate governance, it can prevent tax avoidance and earnings management (Mulyadi & Anwar, 2015). According to (Indah Hernawati, 2025) the independent board of commissioners and the audit committee moderate the effect of earnings management on tax aggressiveness.

H₆: Good Corporate Governance Moderates the Effect of Earnings Management on Tax Aggressiveness

METHOD

This study examines the effect of corporate social responsibility, profitability, and earnings management on tax aggressiveness with good corporate governance as a moderating variable in a case study of manufacturing companies listed on the IDX in 2017-2021. The type of research used is a type of quantitative method. The population in this study were manufacturing companies listed on the IDX in 2017-2021. The sample in this study used purposive sampling method with a total sample size of 115 after outliers. The type of data in the research to be used is secondary data. Testing the research hypothesis was carried out using Moderated Regression Analysis (MRA). MRA analysis is part of linear multiple regression where the regression equation contains an element of interaction (multiplication of

two or more independent / independent variables with moderating variables). This MRA analysis model can be known by the equation:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_1 * Z + \beta_5 X_2 * Z + \beta_6 X_3 * Z + \epsilon$$

Description:

Y = Tax Aggressiveness

a = Constant

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$ = Regression coefficient

X1 = *Corporate Social Responsibility* (CSR)

X2 = Profitability

X3 = Earnings Management

Z = *Good Corporate Governance* (GCG)

e = Error

RESULT AND DISCUSSION

Descriptive Statistical Analysis

The descriptive statistical test in this study (Table 1) shows the amount of sample data, the lowest value (minimum), the highest value (maximum), the average value (mean), and the standard deviation value of each variable.

Table 1. Descriptive Statistical Test Results

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
CSR	99	.14	.35	.2324	.04336
ROA	99	.00	.21	.0770	.05585
MANLAB	99	-.17	.15	-.0140	.06449
GCG	99	.12	.34	.2355	.04953
ETR	99	.15	.34	.2465	.04371
Valid N (listwise)	99				

Normality Test

The normality test (Figure 2) is used to determine whether the regression model used has a normal distribution or not.

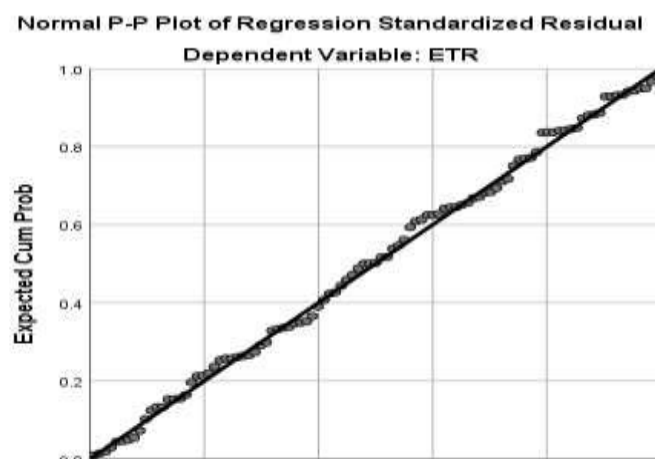


Figure 2. Results of Normal Probability Test Kolmogrov-Smirnov Test Results

Base on Table 2. Kolmogorov-Smirnov test results obtained a significance test result of 0.200 which shows that the significance value is > 0.05 , so the data is normally distributed.

Table 2. Results of Kolmogrov-Smirnov Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		99
Normal Parameters ^{a,b}	Mean	.0000000
	Std. Deviation	.04146707
Most Extreme Differences	Absolute	.053
	Positive	.034
	Negative	-.053
Test Statistic		.053
Asymp. Sig. (2-tailed)		.200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Multicollinearity Test

Multicollinearity test (table 3) aims to test whether in the regression model there is a correlation between independent variables (independent).

Table 3. Multicollinearity Test Results

		Coefficients ^a				Collinearity Statistics	
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
		B	Std. Error	Beta			Tolerance VIF
1	(Constant)	.228	.024		9.642	.000	
	CSR	.098	.279	.097	.353	.725	.125 7.975
	ROA	-.242	.081	-.309	-2.996	.003	.898 1.113
	MANLAB	-.037	.067	-.055	-.557	.579	.990 1.010
	GCG	.060	.248	.068	.242	.810	.121 8.261

a. Dependent Variable: ETR

Based on the test results (table 3), the tolerance results for each variable are obtained with a tolerance value > 0.10 and a Variance Inflation Factor (VIF) with a value < 10. This shows that there is no multicollinearity in the data used.

Heteroscedasticity Test

The heteroscedasticity test (figure 3) aims to test whether in the regression model there is a similarity or inequality of the residual value of one observation to another.

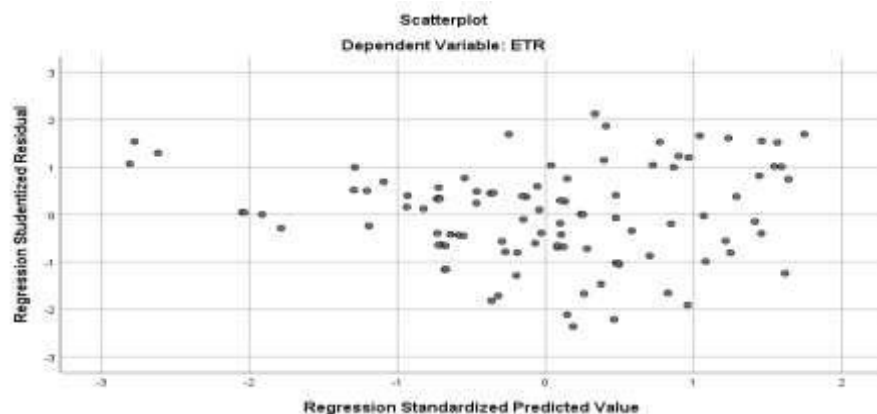


Figure 3. Scatterplot Heteroscedasticity Test Results

Autocorrelation Test

This autocorrelation test aims to determine whether there is a correlation between variables in the regression model in this study. The regression model is said to be good if there is no autocorrelation. To test for autocorrelation using Durbin-Watson as follows.

Table 4. Autocorrelation Test Results

Model Summary ^b					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.341 ^a	.116	.068	.04240	1.918

a. Predictors: (Constant), LAG_Y, MANLAB, GCG, ROA, CSR

b. Dependent Variable: ETR

Based on table 4. the results of the autocorrelation test in the table shows that the Durbin-Watson value is obtained at 1,918. The results show that the sample in this data amounted to 23 companies with a period of 5 years to 115 samples with 16 data outliers to 99 samples and $k = 4$, according to the Durbin-Watson table the value of $dL = 1.5897$ the value of $dU = 1.7575$ and the value of $4 - dU = 2.2425$. From these calculations it can be seen that the Durbin-Watson value is greater than the dU value and the Durbin-Watson value is smaller than the $4 - dU$ value. So according to the basic equation of the autocorrelation test (Durbin-Watson) that $du < dw < 4 - dU$ or $1.7575 < 1.918 < 2.2425$ there is no autocorrelation.

Moderated Regression Analysis (MRA) Test

The Effect of CSR, Profitability, and Earnings Management on Tax Aggressiveness Moderated by Good Corporate Governance (GCG)

Table 5. Test Results of the Effect of CSR on ETR Moderated by GCG

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	.222	.109		.044
	CSR	.235	.551	.233	.671
	GCG	-.132	.482	-.150	.785
	X1_Z	.016	1.767	.009	.993

a. Dependent Variable: ETR

Based on table 5 the results of the MRA test, the interaction variable between CSR and the independent board of commissioners is not significant with a sig value of $0.993 > 0.05$. While the calculated t value is $0.009 < t$ table 1.98552 and a constant value of 0.016. It can be stated that the interaction variable between CSR and GCG (DKI) on tax aggressiveness has no significant effect. This is because the existence of independent commissioners is only to comply with government regulations, while management still controls the company's operational activities and the majority shareholders of the company.

Table 6. Test Results of the Effect of ROA on ETR Moderated by GCG

Coefficients ^a					
Model		Unstandardized Coefficients		Standardized Coefficients	Sig.
		B	Std. Error	Beta	
1	(Constant)	.125	.041		.003
	ROA	.921	.397	1.177	.023
	GCG	.599	.175	.679	.001
	X2_Z	-4.824	1.614	-1.727	.004

a. Dependent Variable: ETR

Based on table 6, the MRA test results show that the interaction variable between ROA and the independent board of commissioners is significant with a sig value of $0.004 < 0.05$, a calculated t-value of $-2.989 < t$ -table 1.98177, and a constant value of -4.824. The research findings indicate that ROA has a significant positive effect on tax aggressiveness, meaning that the higher the company's profitability, the higher the level of tax aggressiveness. However, Good Corporate Governance (GCG) with the independent board of commissioners as a proxy proves to weaken the positive influence of ROA on tax aggressiveness, so that even though companies have high profitability, the tendency to engage in tax aggressiveness will decrease due to stricter supervision and control from the independent board of commissioners.

Table 7. Test Results of the Effect of Earnings Management on ETR Moderated by GCG

		Coefficients ^a		t	Sig.
		Unstandardized Coefficients	Standardized Coefficients		
Model		B	Std. Error	Beta	
1	(Constant)	.233	.024		9.598
	MANLAB	.091	.451	.134	.201
	GCG	.054	.102	.061	.525
	X3 Z	-.506	1.922	-.176	.793

a. Dependent Variable: ETR

Based on table 7 the results of the MRA test, the interaction variable between earnings management and the independent board of commissioners on tax aggressiveness is not significant with a sig value of $0.793 > 0.05$. While the calculated t value is $-0.263 < t$ table 1.98177 and the constant value is -0.506. The interaction variable between earnings management and GCG (DKI) on tax aggressiveness has no significant effect. This happens because the level of corporate tax avoidance is not influenced by the extent to which management manipulates earnings.

F test

The F test is used to determine whether there is an influence between all independent variables on the dependent variable simultaneously. If fcount is greater than ftable or probability < significance value ($\text{Sig} < 0.05$), it indicates that the independent variable simultaneously affects the dependent variable.

Table 8. F Statistical Test Results

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.019	4	.005	2.615	.040 ^b
	Residual	.169	94	.002		
	Total	.187	98			

a. Dependent Variable: ETR

b. Predictors: (Constant), GCG, MANLAB, ROA, CSR

Based on the table above, the Fcount value is 2.615. To find f table can be seen in the statistical distribution table f with a probability of 0.05, with known $df1 = k - 1$ or $5 - 1 = 4$, and $df2 = n - k$ or $99 - 5 = 94$, then f table is obtained 2.46. These results show that $f \text{ count} > f \text{ table}$ ($2.615 > 2.46$). In addition, the significance value is $0.040 < 0.05$. It can be concluded that the independent variables (corporate social responsibility, profitability, and earnings management) simultaneously have a significant effect on the dependent variable (tax aggressiveness).

Test Coefficient of Determination (R2)

The Coefficient of Determination (R2) is a ratio used to measure how far the independent variables can explain the variation of the dependent variable model.

Table 9. Test Results of the Coefficient of Determination (R²)

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.432 ^a	.186	.124	.04092

a. Predictors: (Constant), X3_Z, GCG, CSR, ROA, MANLAB, X2_Z, X1_Z

The results of the analysis of the coefficient of determination calculation model obtained Adjusted R Square of 0.124 or 12.4% (table 9). This means that 12.4% of tax aggressiveness can be explained by the independent variables, namely corporate social responsibility, profitability, and earnings management. while the remaining 87.6% is influenced by other variables not included in this study.

Discussion

The Effect of Corporate Social Responsibility on Tax Aggressiveness

This study shows that the corporate social responsibility variable has no effect on tax aggressiveness, which means that H_1 is rejected. This means that CSR disclosure will not affect tax aggressiveness, because the higher the company discloses CSR, the lower the company's tax avoidance. In addition, companies with high levels of CSR are likely to use it for the benefit of the company rather than for corporate tax aggressiveness. One of the company's interests is to get a good image and attention from the public. The results of this study are in line with (Herianti & Marundha, 2021; Lin et al., 2017) which reveal that CSR has no effect on tax aggressiveness. But contrary to research conducted (Mulyadi & Anwar, 2015) which states that CSR has a significant negative effect on tax aggressiveness.

The Effect of Profitability on Tax Aggressiveness

This study shows that the profitability variable affects tax aggressiveness, which means H_2 is accepted. This is because the higher the profit earned by a company, the lower the company takes aggressive action against taxes. Profitability is a measure of the company's financial performance in generating profits from asset management as measured by Return On Asset (Pratama & Rizky, 2024). If the higher the ROA value, the greater the profit earned by the company. If the profit generated is higher, the higher the corporate tax burden, so it can be said that profitability affects tax aggressiveness. The results of this study are in line with (Genta Buana, 2025; Purwantoro et al., 2024; Yuniastuti, 2024) which reveal that profitability affects tax aggressiveness. However, it is contrary to research conducted by (Apriyanto et al., 2024) which found that profitability has a positive effect on tax aggressiveness.

The Effect of Earnings Management on Tax Aggressiveness

This study shows that earnings management does not have a significant effect on tax aggressiveness, meaning H_3 is rejected. This occurs because the company's tax avoidance level is not influenced by the extent to which management manipulates earnings. In this effort, management reports adjusted earnings according to their objectives, which involves applying accounting options to reduce profits or income decreasing as a form of tax avoidance. The results of this study support the research conducted by (Pais & Dias, 2022) that earnings management does not affect tax aggressiveness. However, it

contradicts the research by (Kałdoński & Jewartowski, 2020) that earnings management has a positive effect on tax aggressiveness.

Good Corporate Governance Moderating the Influence of CSR on Tax Aggressiveness

The results of this study indicate that GCG with the proxy of an independent board of commissioners is unable to moderate (cannot strengthen) the influence of CSR on tax aggressiveness. The results of this study support the research conducted by (Pratama & Rizky, 2024) that independent commissioners are unable to moderate the influence of corporate social responsibility on tax aggressiveness. This is because the presence of independent commissioners is only to comply with government regulations, while management still controls the company's operational activities and the majority shareholders of the company. However, contrary to the research (Yuniastuti, 2024) that corporate governance is capable of moderating corporate social responsibility towards tax aggressiveness.

Good Corporate Governance Moderating the Influence of Profitability on Tax Aggressiveness

The results of this study indicate that GCG with the proxy of an independent board of commissioners is capable of moderating (weakening) the influence of profitability on tax aggressiveness. Companies with high profitability have opportunity to position themselves in tax planning to reduce the amount of tax liability (Pratama & Rizky, 2024). The results of this study are in line with research (Adeyani Tandean, 2016) which states that good corporate governance moderates the influence of profitability on tax aggressiveness. However, it is not in line with the research (Yuniastuti, 2024) that institutional ownership is unable to moderate the effect of profitability on tax avoidance.

Good Corporate Governance Moderating the Influence of Earnings Management on Tax Aggressiveness

The research results show that GCG with the proxy of an independent board of commissioners is unable to moderate (cannot weaken) the influence of earnings management on tax aggressiveness. The weaker the corporate governance, the higher the indication of earnings management practices to avoid taxes. Conversely, if corporate governance improves, the likelihood of earnings management decreases. The relationship between corporate governance and tax avoidance and earnings management is marked by agency conflicts arising from information asymmetry, which provides opportunities for managers to exploit these gaps through manipulative practices, such as earnings management. This result is in line with the research by (Indah Hernawati, 2025) that GCG does not moderate the influence of earnings management on tax aggressiveness. However, it contradicts (Pratama & Rizky, 2024; Yuniastuti, 2024) that GCG is able to moderate the influence of earnings management on tax aggressiveness.

CONCLUSION

This study examined the determinants of tax aggressiveness among manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the period 2017-2021, with particular emphasis on the moderating role of Good Corporate Governance. The empirical findings reveal several important insights regarding corporate tax behavior in the Indonesian manufacturing sector.

The analysis demonstrates that Corporate Social Responsibility initiatives do not significantly influence tax aggressiveness among the sampled firms. This finding suggests that companies' engagement in CSR activities operates independently of their tax planning strategies, indicating that socially responsible behavior does not necessarily translate into more conservative tax practices. Conversely, profitability emerges as a significant determinant of tax aggressiveness, with more profitable firms exhibiting greater tendencies toward aggressive tax planning. This relationship aligns with the theoretical expectation that companies with higher earnings have stronger incentives to minimize their tax burdens to maximize shareholder value.

Interestingly, earnings management practices do not demonstrate a significant impact on tax aggressiveness within the study sample. This result indicates that the manipulation of reported earnings

and tax planning strategies may operate through different corporate mechanisms and decision-making processes, suggesting that these two forms of financial engineering are not necessarily complementary.

The moderating effects of Good Corporate Governance present a nuanced picture of corporate behavior. While GCG fails to moderate the relationship between CSR and tax aggressiveness, or between earnings management and tax aggressiveness, it does significantly moderate the profitability-tax aggressiveness relationship. Specifically, strong governance mechanisms appear to weaken the positive association between profitability and tax aggressiveness, suggesting that well-governed companies are less likely to engage in aggressive tax planning despite having the financial capacity to do so. This finding underscores the importance of governance quality in constraining potentially value-destroying behaviors and aligning management actions with broader stakeholder interests.

These findings contribute to the growing literature on corporate tax behavior in emerging markets and provide valuable insights for policymakers, investors, and corporate managers seeking to understand the complex interplay between corporate governance, financial performance, and tax planning strategies in the Indonesian context.

Limitations

This study has several limitations that should be acknowledged. The proxy used in measuring tax aggressiveness is only one, namely the Effective Tax Ratio, so it can only view a company's tax aggressiveness from one perspective. The research was conducted only on one sector of companies, namely manufacturing companies listed on the Indonesia Stock Exchange (BEI), and the observation period was from 2017 to 2021. This study uses a limited set of independent variables, consisting only of corporate social responsibility, profitability, and earnings management, which can only influence tax aggressiveness by 12.4%, while the remaining 87.6% is influenced by other independent variables not included in this study. Additionally, references regarding good corporate governance as a moderating variable against tax aggressiveness are still limited.

Suggestions for Future Research

The results of this research should be examined more thoroughly so that the references and quality of the research increase, allowing this study to expand and develop into interesting research. It is advisable for future researchers on the tax aggressiveness variable not only to use the Effective Tax Rate (ETR) proxy, but also the Cash Effective Tax Ratio (CETR), Effective Tax Rate from Operating Cash Flow (ETR-OCF), and Cash Effective Tax Rate from Operating Cash Flow (CETR-OCF) in measuring tax aggressiveness. It is expected to develop and add other independent variables to determine whether other variables have an influence on tax aggressiveness.

REFERENCES

- Adeyani Tandean, V. (2016). The Effect of Good Corporate Governance on Tax Avoidance: An Empirical Study on Manufacturing Companies Listed in IDX period 2010-2013. In *Asian Journal of Accounting Research* (Vol. 1). <https://doi.org/10.1108/AJAR-2016-01-01-B004>

- Apriyanto, V., Leon, H., & Haryadi, D. (2024). The Influence of Debt Covenant, Profitability, Bonus Plan, and Exchange Rate on Tax Avoidance with Transfer Pricing as an Intervening Variable in Raw Goods Sector Companies on the Indonesian Stock Exchange. *Jurnal Revenue Jurnal Akuntansi*. <https://doi.org/10.46306/rev.v5i1>
- Bhattacharyya, A., & Imam, T. (2024). Mandated CSR spending and Tax aggressiveness: A machine learning-driven analysis. *Journal of Cleaner Production*, 452. <https://doi.org/10.1016/j.jclepro.2024.142140>
- Bird, R., & Davis-Nozemack, K. (2018). Tax avoidance as a sustainability problem. *Journal of Business Ethics*. <https://doi.org/10.1007/s10551-016-3162-2>
- Bortoluzzo, A. B., Sheng, H. H., & Gomes, A. L. P. (2016). Earning management in Brazilian financial institutions. *Revista de Administração*, 182–197. <https://doi.org/10.5700/rausp1233>
- Erasashanti, A. P., Cahaya, Y. F., Yuniarti, R., Rifaldi, M., & Prasetyo, J. H. (2024). The Role of Taxpayer Awareness in Enhancing Vehicle Tax Compliance in Indonesia: An Attribution Theory Approach. *Journal of Tax Reform*, 10(1), 162–180. <https://doi.org/10.15826/jtr.2024.10.1.163>
- Genta Buana, S. (2025). The Effect of CEO Characteristics and Profitability on Tax Aggressiveness in Companies in the Oil and Gas Sector in Indonesia for the 2021-2023 Period. In *Asian Journal of Engineering, Social and Health* (Vol. 4, Issue 2). <https://ajesh.ph/index.php/gp>
- Hejazi, R., Abouhamzeh, M., & Mohammad, M. M. (2015). Social responsibility and corporate tax compliance (A case study of large taxpayers units). *Iranian Management Accounting Association* https://www.jmaak.ir/article_7763_en.html?lang=fa
- Herianti, E., & Marundha, A. (2021). Journal of Economics, Finance and Management Studies Does Capital Intensity and Corporate Social Responsibility Influence of Tax Aggressiveness? The Role of Corporate Governance as Moderator. *Journal of Economics, Finance and Management Studies*. <https://doi.org/10.47191/jefms/v7-i1-07>
- Hidayanto, N., Erasashanti, A. P., Winarti, C. E., & Wahyuningsih, E. (2021). The Effect of Financial Distress and Accounting Conservatism on Tax Avoidance with Leverage as Moderating Variable. *Russian Journal of Agricultural and Socio-Economic Sciences*, 119(11), 81–86. <https://doi.org/10.18551/rjoas.2021-11.09>
- Indah Hernawati, R. (2025). *Leverage, tax planning, and financial performance drive earnings management: A moderating role of good corporate governance* (Vol. 3).
- Jiang, Q., Chen, Y., & Sun, T. (2023). Government social media and corporate tax avoidance. *China Journal of Accounting Research*, 16(2). <https://doi.org/10.1016/j.cjar.2023.100304>
- Kałdoński, M., & Jewartowski, T. (2020). Do firms using real earnings management care about taxes? Evidence from a high book-tax conformity country. *Finance Research Letters*, 35. <https://doi.org/10.1016/j.frl.2019.101351>
- Khan, M. A., & Nuryanah, S. (2023). Combating tax aggressiveness: Evidence from Indonesia's tax amnesty program. *Cogent Economics and Finance*, 11(2). <https://doi.org/10.1080/23322039.2023.2229177>
- Lin, K. Z., Cheng, S., & Zhang, F. (2017). Corporate social responsibility, institutional environments, and tax avoidance: Evidence from a subnational comparison in China. *The International Journal of Accounting*. <https://www.sciencedirect.com/science/article/pii/S0020706317303734>

- Lucut Capras, I., Achim, M. V., & Mara, E. R. (2024). Is tax avoidance one of the purposes of financial data manipulation? The case of Romania. *Journal of Risk Finance* , 25(4), 588–601. <https://doi.org/10.1108/JRF-11-2023-0273>
- Mkadmi, J. E., & Ben Ali, W. (2024). How does tax avoidance affect corporate social responsibility and financial ratio in emerging economies? *Journal of Economic Criminology*, 5, 100070. <https://doi.org/10.1016/j.jeconc.2024.100070>
- Mulyadi, M. S., & Anwar, Y. (2015). Corporate Governance, Earnings Management and Tax Management. *Procedia - Social and Behavioral Sciences*, 177, 363–366. <https://doi.org/10.1016/j.sbspro.2015.02.361>
- Pais, C., & Dias, C. A. (2022). The implications of book-tax conformity and tax change for the earnings management of Portuguese micro firms. *Journal of International Accounting, Auditing and Taxation*, 46. <https://doi.org/10.1016/j.intaccudtax.2022.100448>
- Pratama, Y. H., & Rizky, A. (2024). The Effect Of Profitability And Liquidity On Tax Aggressiveness With Good Corporate Governance As A Moderation Variable. *Kontigensi: Jurnal Ilmiah Manajemen*, 12(1), 74–87. <https://doi.org/10.56457/jimk.v12i1.498>
- Purwantoro, P., Entot Suhartono, & H. S, D. F. (2024). Optimizing Tax Aggressiveness: Unraveling The Impact Of Liquidity, Profitability, Leverage, Firm Size, Inventory Intensity, and Capital Intensity. *Atestasi: Jurnal Ilmiah Akuntansi*, 7(2), 708–720. <https://doi.org/10.57178/atestasi.v7i2.860>
- Whait, R. B., Christ, K. L., Ortas, E., & Burritt, R. L. (2018). What do we know about tax aggressiveness and corporate social responsibility? An integrative review. *Journal of Cleaner Production*. <https://www.sciencedirect.com/science/article/pii/S0959652618326970>
- Yuniastuti, R. M. (2024). The Dominant Effect of Profitability, Business Risk, Company Size and Leverage on Tax Avoidance with Good Corporate Governance as a Moderator. *MAKSIMUM*, 14(1), 22. <https://doi.org/10.26714/mki.14.1.2024.22-36>