

Research Article

Ethical Taxation Through Governance and CSR: Evidence from Indonesian Firms

Nurul Hatari Awalia^{1*}, Uun Sunarsih²

^{1,2} Master of Accounting, Indonesian College of Economics, Jakarta

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Abstract

This study examines the influence of independent boards of commissioners, boards of directors, audit committees, and Corporate Social Responsibility (CSR) on tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange during 2021–2024. The research addresses inconsistent findings regarding the effectiveness of corporate governance and CSR in reducing tax avoidance. Manufacturing firms were selected due to their complex operations, high tax exposure, and significant contribution to Indonesia's economy. A quantitative associative approach was employed. Using purposive sampling, 53 companies were selected, generating 212 firm-year observations. Secondary data from annual financial and sustainability reports were analyzed using panel regression with EViews. The results show that independent boards of commissioners do not significantly affect tax avoidance, indicating that their monitoring role has not been fully effective in preventing opportunistic tax behavior. In contrast, boards of directors, audit committees, and CSR significantly influence tax avoidance, suggesting that stronger governance mechanisms and greater social responsibility can reduce aggressive tax practices and improve tax compliance. This study contributes to agency and legitimacy theories by emphasizing the importance of effective governance and ethical responsibility in mitigating tax avoidance and promoting sustainable corporate practices.

Keywords: Independent Board of Commissioners, Board of Directors, Audit Committee, Corporate Social Responsibility, Tax Avoidance

JEL Classification: G34, H26, M14

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Corresponding author: Nurul Hatari Awalia (nuri.hatari@gmail.com)



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1. Introduction

Taxes are the primary source of state revenue in Indonesia and play an essential role in financing public expenditures, infrastructure development, and national economic growth. Data from the State Budget (APBN) show that tax revenue contributed approximately Rp 1,510 trillion or 81% of state revenue in 2022, Rp 2,463 trillion or 70% in 2023, and Rp 2,247.5 trillion or 80.2% in 2024 (pajak.go.id). These figures indicate that taxation has a strategic role in supporting government activities and sustainable development. Therefore, optimizing tax revenue has become one of the government's major priorities.

Despite its importance, taxation remains a serious issue because many companies perceive taxes as a burden that reduces profits. This condition encourages companies to engage in tax planning strategies, including tax avoidance. Tax avoidance refers to efforts by taxpayers to legally minimize tax burdens by exploiting loopholes and weaknesses in tax regulations. Although tax avoidance does not directly violate tax laws, aggressive tax practices can reduce state revenue and weaken fiscal sustainability. The phenomenon of tax avoidance has become a global concern, including in multinational corporations such as IKEA, which allegedly shifted profits to low-tax countries through transfer pricing and royalty schemes to minimize tax obligations. Such practices demonstrate how companies may exploit regulatory gaps to reduce taxes while maintaining formal legal compliance.

In Indonesia, tax avoidance practices are also frequently associated with manufacturing companies, as the manufacturing sector has complex operational structures, high production costs, extensive supply chains, and significant tax exposure. As one of the largest contributors to Indonesia's economy, manufacturing companies have substantial opportunities to plan their taxes through operational and financial policies. Consequently, the manufacturing sector provides an important context for examining how corporate governance and ethical business practices influence tax avoidance behavior.

Corporate governance mechanisms are considered important tools for reducing opportunistic managerial tax behavior. According to agency theory, governance mechanisms serve to minimize conflicts of interest between shareholders and management. One governance mechanism is the independent board of commissioners, which is responsible for supervising managerial decisions and ensuring transparency and accountability. However, previous studies have yielded inconsistent findings on the effectiveness of independent commissioners in reducing tax avoidance. Chandra et al. (2021) found a significant relationship, whereas Hilmi et al. (2022) concluded that independent commissioners have no significant effect on tax avoidance. These contradictory findings indicate that the effectiveness of independent commissioners may depend on governance quality and the implementation of supervisory functions.

Another important governance mechanism is the board of directors. The board of directors is responsible for managing corporate operations and determining strategic policies, including taxation decisions. A professional and effective board of directors is expected to strengthen governance quality and reduce aggressive tax behavior. However, empirical findings regarding the influence of the board of directors on tax avoidance also remain inconsistent. Some studies argue that larger and more competent boards improve oversight and reduce tax avoidance, while others suggest that board size alone is insufficient to significantly influence managerial behavior.

In addition, the audit committee plays a crucial role in supporting corporate governance by monitoring the quality of financial reporting, internal control systems, and regulatory compliance. Audit committees with strong accounting and financial expertise are expected to reduce opportunities for aggressive tax planning. Nevertheless, previous studies show mixed results. Rahmawati and Asalam (2022) and Chandra et al. (2021) found no significant effect of audit committees on tax avoidance, while Tahilia et al. (2022) and Oktavina et al. (2022) reported significant effects. These inconsistencies indicate that the effectiveness of audit committees depends not only on their existence but also on their competence, independence, and the quality of their oversight.

Beyond governance mechanisms, Corporate Social Responsibility (CSR) is also considered an important factor influencing tax avoidance behavior. According to legitimacy theory, companies seek to maintain social legitimacy by aligning their activities with societal expectations and ethical standards. Companies with stronger CSR commitments are expected to behave more responsibly, including in their fulfillment of tax obligations. However, previous studies on CSR and tax avoidance have yielded contradictory findings. Some studies found that CSR reduces tax avoidance because companies seek to maintain ethical reputations and stakeholder trust. In contrast, others concluded that CSR has no significant effect or may even be used symbolically to conceal opportunistic practices.

The inconsistencies in prior findings indicate that the relationship among corporate governance, CSR, and tax avoidance remains inconclusive. Most prior studies have examined governance variables separately, whereas limited research has examined the combined influence of governance mechanisms and CSR on tax avoidance, particularly in Indonesia's manufacturing sector. This study, therefore, offers novelty by examining how governance effectiveness and CSR jointly influence tax avoidance behavior among manufacturing companies listed on the Indonesia Stock Exchange during 2021–2024. The manufacturing sector is chosen for its significant economic contribution, operational complexity, and high exposure to tax risks.

This study is expected to contribute to agency theory and legitimacy theory by providing empirical evidence on the interaction between governance mechanisms and corporate social responsibility in reducing tax avoidance. In practice, the findings are expected to provide insights for companies, regulators, and investors on the importance of strengthening governance and ethical corporate responsibility to encourage transparent, accountable, and sustainable tax practices.

2. Literature Review and Hypothesis

Agency Theory

Agency theory explains the contractual relationship between company owners (principals) and managers (agents) who are entrusted with managing company resources. Emphasized that differences in goals between owners and managers can give rise to agency conflicts, which require effective oversight mechanisms. In this context, Good Corporate Governance (GCG) plays a crucial role in minimizing conflicts and ensuring that managers act in shareholders' interests. Variables such as an independent board of commissioners, a board of directors, managerial ownership, and an audit committee represent concrete applications of agency theory principles to reduce opportunistic behavior, including tax avoidance practices (Santosa et al., 2021).

Tax evasion

Tax avoidance refers to a corporate strategy aimed at minimizing tax burdens by exploiting legal loopholes and weaknesses in tax regulations without directly violating the law (Asih & Darmawati, 2022). Although legally acceptable, tax avoidance raises ethical concerns because it can reduce state revenue and weaken fiscal sustainability. In the context of corporate governance, tax avoidance is often associated with opportunistic managerial behavior that prioritizes short-term profit maximization over long-term accountability and transparency.

From the perspective of agency theory, tax avoidance arises from conflicts of interest between shareholders (principals) and management (agents). Managers may pursue aggressive tax strategies to increase after-tax profits and boost short-term performance incentives. At the same time, shareholders may be concerned about reputational risks, regulatory sanctions, and declining corporate legitimacy. Recent international studies also show that tax avoidance is increasingly linked to environmental, social, and governance (ESG) issues, as stakeholders now evaluate corporate responsibility not only by profitability but also by tax transparency and ethical compliance. Therefore, tax avoidance has become an important indicator for assessing governance quality and corporate ethical responsibility.

Good Corporate Governance (GCG)

Good Corporate Governance (GCG) refers to a system of rules, controls, and relationships designed to ensure that companies operate transparently, accountably, responsibly, independently, and fairly (OECD, 2015). GCG aims to reduce agency conflicts and ensure that managerial decisions align with shareholder and stakeholder interests. Effective governance mechanisms are expected to limit opportunistic managerial behavior, including aggressive tax avoidance practices.

Recent governance literature emphasizes that governance effectiveness depends not only on formal structures but also on monitoring quality, board competence, and ethical organizational culture. Strong governance can improve transparency, strengthen regulatory compliance, and support sustainable corporate accountability. In this study, GCG is represented by the independent board of commissioners, the board of directors, and the audit committee, which function as internal

monitoring mechanisms overseeing managerial actions related to financial reporting and taxation policies (Santosa et al., 2020).

Independent Board of Commissioners

Independent commissioners are members of the board of commissioners who have no financial, managerial, ownership, or family relationships with company management or controlling shareholders (OJK Regulation No. 55/POJK.04/2015). Their primary role is to objectively supervise managerial activities and ensure that corporate decisions align with governance principles and stakeholder interests.

Agency theory suggests that independent commissioners can reduce information asymmetry and managerial opportunism by strengthening monitoring effectiveness. In the context of taxation, independent commissioners are expected to discourage aggressive tax planning that could increase reputational and regulatory risks. However, international empirical evidence remains mixed. Some studies report that independent commissioners effectively reduce tax avoidance through stronger monitoring. In contrast, others argue that their effectiveness depends on independence, expertise, and active participation in governance processes rather than merely on board composition. These inconsistencies indicate that the effectiveness of independent commissioners may vary depending on corporate governance quality and institutional environments (Budiantoro et al., 2022).

Board of Directors

The board of directors is the corporate organ responsible for managing company operations and determining strategic business decisions (Law No. 40 of 2007). The board of directors plays a central role in setting corporate strategy, supervising operational performance, and ensuring compliance with laws and regulations.

Within agency theory, the board of directors functions as a decision-making mechanism that can either reduce or facilitate tax avoidance depending on managerial orientation and governance quality. Directors who prioritize long-term sustainability and ethical governance are more likely to support transparent tax practices. In contrast, boards focused primarily on short-term financial performance may encourage aggressive tax strategies to maximize shareholder returns. Recent international studies emphasize that board effectiveness is influenced not only by board size but also by competence, diversity, independence, and risk-management orientation. Therefore, the role of the board of directors in influencing tax avoidance remains an important governance issue requiring further empirical investigation.

Audit Committee

The audit committee is a board-appointed body established to oversee the quality of financial reporting, internal control systems, audit implementation, and regulatory compliance. In accordance with POJK No. 55/POJK.04/2015, the audit committee must consist of at least three members, including one independent commissioner.

The audit committee functions as an important governance mechanism to strengthen transparency and reduce opportunities for financial manipulation, including aggressive tax avoidance. Audit committees with strong accounting and financial expertise are expected to improve the quality of oversight and ensure that taxation policies comply with applicable regulations. However, recent empirical studies suggest that audit committee effectiveness depends not only on the number of committee members but also on competence, independence, meeting intensity, and professional expertise. Consequently, the influence of audit committees on tax avoidance remains inconclusive across different institutional and industrial contexts (Santosa, Budiantoro, et al., 2022).

Corporate Social Responsibility (CSR)

Corporate Social Responsibility (CSR) refers to a company's commitment to contributing to sustainable economic development while balancing economic, social, and environmental responsibilities (WBCSD). CSR reflects the implementation of corporate responsibility principles within governance practices and demonstrates a company's concern for stakeholder interests and social legitimacy.

Based on legitimacy theory, companies seek to maintain legitimacy by aligning their operations with societal expectations, ethical norms, and sustainability values. Companies with stronger CSR commitments are expected to avoid aggressive tax practices because tax compliance is increasingly viewed as part of ethical corporate responsibility. Recent international literature also highlights that stakeholders increasingly associate tax transparency with ESG performance and sustainable governance practices. However, some studies argue that CSR may also be used symbolically to maintain legitimacy while concealing opportunistic managerial behavior, including tax avoidance. These contradictory findings indicate that the relationship between CSR and tax avoidance remains complex and depends on whether CSR is implemented substantively or merely as a reputational strategy (Santosa, al., 2022).

Conceptual Framework

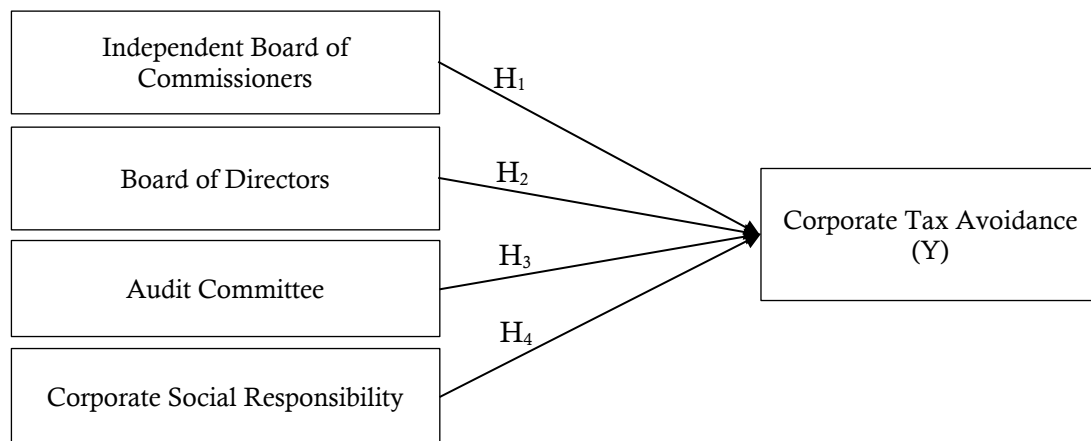


Figure 1. Framework of Thought

Research Hypothesis

The Influence of the Independent Board of Commissioners on Tax Avoidance

The independent board of commissioners functions as a monitoring mechanism designed to reduce agency conflicts between shareholders and management. Based on agency theory, independent commissioners are expected to strengthen oversight effectiveness and limit opportunistic managerial actions, including aggressive tax avoidance practices. Independent commissioners provide objective oversight of managerial decisions and encourage greater transparency and compliance with tax regulations.

However, the effectiveness of independent commissioners in reducing tax avoidance depends not only on their existence but also on their competence, independence, and active involvement in governance processes. In some companies, independent commissioners may serve merely as a formal regulatory requirement, with little influence over strategic tax decisions. Under such conditions, management may still engage in tax avoidance despite the presence of independent oversight. Conversely, strong and competent independent commissioners can improve monitoring quality and discourage aggressive tax strategies that may harm corporate reputation and stakeholder trust.

Previous studies provide inconsistent findings. Pratomo and Risa (2021), and Hilmi et al. (2022) found that independent commissioners reduce tax avoidance, while Chandra et al. (2021) reported a positive effect. These contradictions indicate that the effectiveness of independent commissioners may vary depending on the quality of governance and managerial incentives within the company. Therefore, the first hypothesis is formulated as follows:

H1: The independent board of commissioners influences tax avoidance.

The Influence of the Board of Directors on Tax Avoidance

The board of directors is responsible for managing the company's operations and determining strategic corporate policies, including tax decisions. Agency theory explains that directors may pursue either compliance-oriented or opportunistic strategies depending on managerial incentives and governance orientation. Boards that emphasize long-term sustainability and ethical governance are more likely to support transparent tax practices. In contrast, boards focused on maximizing short-term profitability may encourage aggressive tax planning to increase after-tax earnings.

The influence of the board of directors on tax avoidance is therefore highly dependent on managerial effectiveness, expertise, and governance quality rather than on board size alone. A competent board can strengthen internal controls and ensure compliance with tax regulations, whereas an ineffective board may fail to limit opportunistic managerial behavior. In manufacturing companies, where operational complexity and tax exposure are relatively high, directors play an important role in balancing tax efficiency with corporate accountability and reputational considerations.

Empirical findings remain inconsistent. Sulfia and Rusmanto (2024) and Nanditama and Ardiyanto (2021) found no significant effect of the board of directors on tax avoidance, suggesting that financial pressures and external conditions more strongly influence taxation decisions. In contrast, Purba et al. (2020) showed that effective boards can reduce tax avoidance by implementing stronger governance. Based on these arguments, the second hypothesis is proposed as follows:

H2: The board of directors influences tax avoidance.

The Influence of the Audit Committee on Tax Avoidance

The audit committee is an important governance mechanism responsible for overseeing financial reporting quality, internal control systems, and regulatory compliance. From the perspective of agency theory, audit committees reduce information asymmetry and limit managerial opportunities to manipulate financial information, including taxation policies. Effective audit committees are expected to improve transparency and discourage aggressive tax avoidance practices.

However, the effectiveness of audit committees depends not only on the number of members but also on their expertise, independence, and the intensity of their monitoring. Audit committees with strong accounting and financial competence are better able to identify risks related to tax planning and ensure that tax practices comply with applicable regulations. Conversely, audit committees with limited expertise or weak oversight may not effectively prevent management from implementing aggressive tax strategies.

Previous studies also show inconsistent findings. Oktavina et al. (2022) and Rospitasari and Oktaviani (2021) found that audit committees significantly influence tax avoidance, while Chandra (2022) reported no significant effect. These differences suggest that audit committee effectiveness may vary depending on governance quality and the level of managerial monitoring within companies. Therefore, the third hypothesis is formulated as follows:

H3: The audit committee influences tax avoidance.

The Influence of Corporate Social Responsibility on Tax Avoidance

Corporate Social Responsibility (CSR) reflects a company's commitment to ethical business practices, sustainability, and stakeholder welfare. Based on legitimacy theory and stakeholder theory, companies with strong CSR implementation seek to maintain legitimacy and positive relationships with stakeholders by operating transparently and responsibly, including in fulfilling tax obligations. Tax compliance is increasingly viewed as part of corporate ethical responsibility and sustainable governance.

Nevertheless, the relationship between CSR and tax avoidance remains complex. Companies that genuinely implement CSR are expected to avoid aggressive tax practices because such behavior may damage corporate reputation and stakeholder trust. However, in some cases, CSR may also be used symbolically as a legitimacy tool to improve corporate image while management simultaneously engages in opportunistic tax strategies. Therefore, the influence of CSR on tax avoidance depends on whether CSR is implemented substantively as part of ethical governance or merely as a reputational strategy.

Empirical findings remain inconsistent. Firmansyah et al. (2022) and Maulinda (2022) found that CSR influences tax avoidance, while Achmad Hidayat and Novita (2023) reported no significant effect. These contradictions indicate that CSR effectiveness in reducing tax avoidance may depend on managerial incentives, governance quality, and stakeholder pressure. Based on these arguments, the fourth hypothesis is proposed as follows:

H4: Corporate Social Responsibility (CSR) affects Tax Avoidance.

3. Data and Method

Research Design

This study employs a quantitative research method with a panel-data approach to examine the influence of corporate governance and Corporate Social Responsibility (CSR) on tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2021–2024. Quantitative research is appropriate because this study aims to test hypotheses and analyze causal relationships among variables using statistical methods (Sugiyono, 2018). Panel-data analysis was selected because it combines cross-sectional and time-series data, enabling more comprehensive analysis and improving the accuracy of empirical estimation.

This study uses panel regression analysis in EViews. To determine the most appropriate regression model, the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM) were compared through the Chow test, Hausman test, and Lagrange Multiplier test. The selected model was then used to estimate the relationships between independent and dependent variables. Classical assumption tests and robustness procedures were also conducted to ensure the validity and reliability of the regression results.

Population and sample

The population in this study consists of manufacturing companies listed on the Indonesia Stock Exchange during 2021–2024. Manufacturing companies were selected because the sector is one of the largest contributors to Indonesia's tax revenue and has complex operational activities, high production costs, and significant exposure to taxation policies. These characteristics make manufacturing companies vulnerable to tax planning and tax avoidance practices.

The sampling technique used was purposive sampling based on several criteria: (1) manufacturing companies consistently listed on the IDX during 2021–2024; (2) companies publishing complete annual financial reports and sustainability reports; and (3) companies providing complete data related to all research variables. Based on these criteria, 53 companies were selected, resulting in 212 firm-year observations.

Data Types and Sources

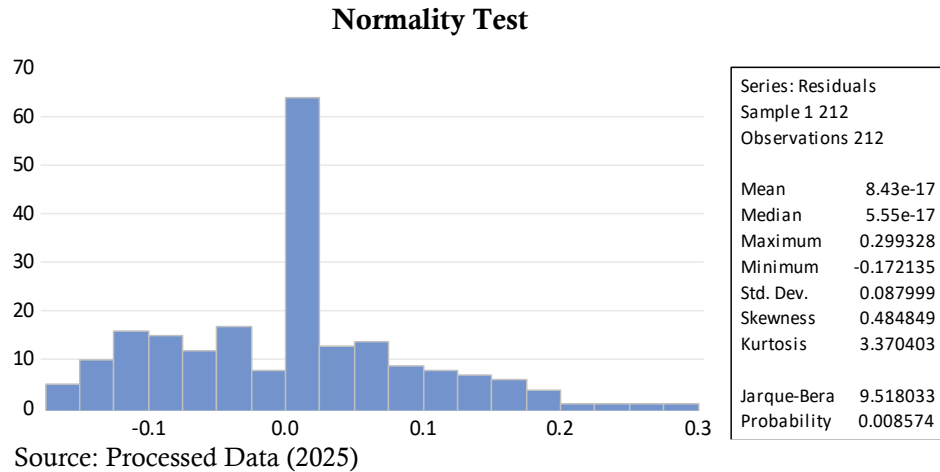
This study uses quantitative secondary data from annual financial reports and sustainability reports published by manufacturing companies on the official IDX website and their company websites. Secondary data were chosen because they provide objective, audited, and publicly accessible information relevant to the measurement of governance, CSR, and taxation variables.

The data analysis process includes descriptive statistics, panel-data regression analysis, and hypothesis testing. The t-test was used to examine the partial effect of the independent variables on tax avoidance, and the coefficient of determination (R^2) was used to measure the model's explanatory power.

To strengthen methodological rigor, robustness testing was conducted to ensure consistent regression results and minimize estimation bias. These procedures improve the reliability of findings regarding the relationship between corporate governance, CSR, and tax avoidance in manufacturing companies.

4. Results

Classical Assumptions



In the image above, we can see that the results of the normality test using the Jarque-Bera method yielded a p-value of 0.008574. Because the Jarque-Bera probability value is $> \alpha = 5\%$, the data are normally distributed.

Autocorrelation Test

Table 1. Autocorrelation Test Results

F-Statistic	1.334704	Prob. F(2,204)	0.2655
Obs * R-Squared	2.725343	Prob. Chi-Square (2)	0.2560

Source: Processed Data (2025)

In Table 1 above, we can see that the results of the normality test using the Breusch Godfrey method obtained a probability value of Obs*R-squared of 0.2560. Because the Breusch Godfrey probability value $> \alpha = 5\%$, then it can be said that the data does not experience autocorrelation.

Multicorrelation Test

Table 2. Multicorrelation Test Results

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.025806	60.74491	NA
X1	0.034834	16.30839	1.036753
X2	0.000231	16.65008	1.108457
X3	0.000506	22.08069	1.130003
X4	0.014014	15.54017	1.011484

Source: Processed Data (2025)

In Table 2 above, the results of the multicorrelation test using the VIF (Variance Inflation Factor) method indicate that variables X1, X2, X3, and X4 have Centered VIF values below 10. Because the VIF value $< \alpha = 10$, it can be said that the data do not exhibit multicollinearity.

Heteroscedasticity Test**Table 3. Heteroscedasticity Test Results**

F-Statistic	0.294886	Prob. F(14,197)	0.9941
Obs * R-Squared	4.351552	Prob. Chi-Square (14)	0.9930
Scaled Explained SS	175.7007		0.0000

Source: Processed Data (2025)

In Table 3 above, we see that the heteroscedasticity test using the White method yielded an Obs*R-squared value of 0.9930. Because the probability value for Obs*R-squared $>\alpha=5\%$, it can be said that the data do not exhibit heteroscedasticity.

**Panel Data Regression Estimation Method
Common Effect Model (COM)****Table 4. Panel Data Regression Results with the Common Effect Model**

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	0.086501	0.160642	0.538473	0.5908
X1	0.120557	0.186637	0.645943	0.5190
X2	-0.013978	0.015204	-0.919345	0.3590
X3	0.011769	0.022498	0.523138	0.6014
X4	0.189912	0.118381	1.604241	0.1102

Source: Processed Data (2025)

In Table 5 above, the regression results using the Common Effect Model (CEM) indicate a constant value of 0.086501 with a probability of 0.5908. The regression equation with an adjusted R-squared of 0.000708 indicates that the variance in the independent board of commissioners, the number of board of directors, the number of audit committee meetings, and corporate social responsibility is explained by 0.07%, with the remaining 99.93% explained by other factors not examined in the study.

Fixed Effect Model (FEM)**Table 6. Panel Data Regression Results with Fixed Effect Model**

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	0.179537	0.333791	0.537871	0.5914
X1	0.056613	0.231811	0.244219	0.8074
X2	-0.0146061	0.047635	-0.295173	0.7683
X3	0.035165	0.036070	0.974902	0.3311
X4	-0.055855	0.113349	-0.492770	0.6229

Source: Processed Data (2025)

In Table 6 above, the regression results from the Fixed Effect Model (FEM) indicate a constant of 0.179537 with a probability of 0.5914. The regression equation with an adjusted R-squared of 0.467230 indicates that the variance in the independent board of commissioners, the number of board of directors, the number of audit committee meetings, and corporate social responsibility is influenced by 46.72%. In comparison, the remaining 53.28% is influenced by other factors not examined in the study.

Random Effect Model (REM)**Table 7. Panel Data Regression Results with Random Effect Model**

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	0.114540	0.058233	1.966932	0.0510
X1	0.095742	0.075413	1.269565	0.2062
X2	-0.023918	0.006871	-3.481125	0.0007
X3	0.018872	0.007035	2.682643	0.0081
X4	0.129736	0.044743	2.899560	0.0043

Source: Processed Data (2025)

In the Table above, the regression results from the Random Effect Model (REM) indicate a constant value of 0.114540 with a probability of 0.0510. The regression equation in the adjusted R-squared of 0.885359 explains that the variance of the independent board of commissioners, the number of board of directors, the number of audit committee meetings and corporate social responsibility are influenced by 88.53%, and the remaining 11.47% is influenced by other factors not examined in the study.

Panel Data Regression Model Selection Test**Table 8. Results of Panel Data Regression Model Selection**

Method	Testing			Results
Chow Test	Common Effect	Effect	vs Fixed	The chi-square cross-section probability value is 0.000. Because the chi-square cross-section probability value $< \alpha = 5\%$ used the Fixed Effect Model.
Hausman test	Random Effect	Effect	vs Fixed	The probability value of the random cross-section is 0.4262. Because the probability value of the random cross-section is $> \alpha = 5\%$ used Random Effect
Lagrange Multiplier Test	Random Effect	Effect	vs Common	The Breusch-Pagan probability value is 0.000. Because the probability value of Breusch-Pagan $< \alpha = 5\%$ used the Random Effect Model

Source: Processed Data (2025)

Multiple Linear Regression Analysis**Table 9. Results of Multiple Linear Regression Analysis of Random Effect Model**

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	0.114540	0.058233	1.966932	0.0510
X1	0.095742	0.075413	1.269565	0.2062
X2	-0.023918	0.006871	-3.481125	0.0007
X3	0.018872	0.007035	2.682643	0.0081
X4	0.129736	0.044743	2.899560	0.0043

Source: Processed Data (2025)

Hypothesis Testing

Table 10. Partial Test Results

Variable	Coefficient	Std. Error	T-Statistic	Prob.
C	0.114540	0.058233	1.966932	0.0510
X1	0.095742	0.075413	1.269565	0.2062
X2	-0.023918	0.006871	-3.481125	0.0007
X3	0.018872	0.007035	2.682643	0.0081
X4	0.129736	0.044743	2.899560	0.0043

Source: Processed Data (2025)

The results of the study indicate that an independent board of commissioners does not affect tax avoidance ($p = 0.2062 > 0.05$), whereas a board of directors does ($p = 0.0007 < 0.05$). The number of audit committee meetings also has a significant effect on tax avoidance ($p = 0.0081 < 0.05$), as does corporate social responsibility ($p = 0.0043 < 0.05$). This means that the effectiveness of the board of directors, audit committee, and CSR implementation can suppress tax avoidance practices, while the role of independent commissioners is not optimal.

5. Discussion

The Influence of the Independent Board of Commissioners (DKI) on Tax Avoidance

Based on Table 10, the results indicate that the independent board of commissioners has no significant effect on tax avoidance. This finding suggests that the presence of independent commissioners in manufacturing companies has not been fully effective in limiting aggressive tax practices. Although companies have complied with regulatory requirements regarding the proportion of independent commissioners, their monitoring role may still be formalistic rather than substantive.

From the perspective of agency theory, independent commissioners are expected to reduce conflicts of interest between shareholders and management through effective monitoring. However, in practice, the effectiveness of independent commissioners depends not only on their number but also on their competence, independence, expertise in taxation and finance, and active involvement in corporate governance processes. In manufacturing companies, tax policies are often highly complex due to high operational costs, extensive supply chains, and diverse financial transactions. Under these conditions, independent commissioners who lack sufficient understanding of taxation strategies may not be able to monitor managerial decisions effectively.

This finding also reflects governance realities in many Indonesian manufacturing companies, where independent commissioners are sometimes appointed primarily to fulfill regulatory requirements rather than to strengthen oversight quality. Consequently, managerial opportunistic behavior related to taxation may still occur despite the existence of independent commissioners.

The results are consistent with Dewi and Oktaviani (2021), who found that independent commissioners had no significant effect on tax avoidance. Who argued that stronger independent oversight can reduce tax avoidance. Variations in governance quality, board competence, and institutional environments across companies and industries may explain these differences. The international governance literature also emphasizes that board independence alone is insufficient without strong expertise, active participation, and an effective monitoring culture.

The Influence of the Board of Directors on Tax Avoidance

The results show that the board of directors significantly influences tax avoidance. This finding indicates that the effectiveness of the board of directors plays an important role in determining corporate tax behavior. Boards that function effectively are more likely to encourage compliance with taxation regulations and balance tax efficiency with long-term corporate sustainability and ethical responsibility.

According to agency theory, the board of directors acts as a strategic decision-making mechanism that can either encourage or suppress opportunistic managerial actions. In manufacturing companies, directors are responsible for overseeing operational complexity, production efficiency, and financial management, all of which directly influence taxation decisions. Therefore, competent directors with a strong governance orientation are better able to implement transparent and accountable tax policies.

This finding suggests that the board of directors has a more substantive governance role than independent commissioners, as directors are directly involved in operational and strategic decision-making. Effective directors may prioritize corporate reputation, regulatory compliance, and stakeholder trust, thereby discouraging aggressive tax avoidance practices that could create reputational and legal risks.

The results support Purba and Sari (2019), and Putri and Anis (2017), who found that effective boards improve governance quality and reduce tax avoidance. However, these findings differ from Sulfia and Rusmanto (2024) and Nanditama and Ardiyanto (2021), who reported no significant relationship. Differences in governance effectiveness, managerial expertise, and company characteristics may cause the contradictory findings. International studies also emphasize that board effectiveness depends not only on board size but also on competence, diversity, independence, and strategic orientation.

The Influence of the Audit Committee on Tax Avoidance

The findings indicate that the audit committee significantly influences tax avoidance. This demonstrates that audit committees play an important role in strengthening financial oversight, transparency, and regulatory compliance. Effective audit committees can monitor financial reporting processes and limit managerial opportunities to engage in aggressive tax planning.

From the perspective of agency theory, the audit committee reduces information asymmetry between management and shareholders by improving oversight quality and ensuring accountability in financial reporting. In manufacturing companies, where financial transactions and operational structures are relatively complex, audit committees become increasingly important in ensuring that taxation practices comply with accounting standards and regulatory requirements.

The significant influence of audit committees suggests that governance effectiveness is closely related to oversight quality rather than merely governance structure. Audit committees with accounting and financial expertise are better able to identify risks associated with aggressive tax planning and to encourage ethical financial practices. This finding also reflects increasing regulatory pressure on companies to strengthen audit quality and financial transparency.

Who found that audit committees can reduce tax avoidance through stronger monitoring. Who found no significant effect. These inconsistencies may arise because some companies establish audit committees merely to comply with regulations without ensuring sufficient expertise and monitoring effectiveness. The international governance literature similarly highlights that audit committee quality depends on competence, independence, and active engagement rather than on committee existence alone.

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

The results show that CSR significantly influences tax avoidance, indicating that companies with stronger CSR implementation tend to engage less in aggressive tax practices. This finding supports legitimacy theory and stakeholder theory, which argue that companies seek to maintain legitimacy, reputation, and stakeholder trust through responsible and ethical business conduct, including compliance with taxation obligations.

In manufacturing companies, CSR has become increasingly important because manufacturing activities directly affect environmental sustainability, labor conditions, and social welfare. Companies with stronger CSR commitments are therefore more likely to avoid aggressive tax

strategies that could damage their public image and stakeholder relationships. Tax compliance may be viewed as part of broader corporate responsibility and sustainability practices.

However, the relationship between CSR and tax avoidance remains complex. While substantive CSR implementation may encourage ethical tax behavior, symbolic CSR practices may serve only as a reputational tool, without significantly influencing managerial decisions. This explains why some previous studies reported inconsistent findings regarding the relationship between CSR and tax avoidance.

The findings support those of Firmansyah et al. (2022) and Maulinda (2022), who found that CSR reduces tax avoidance by strengthening ethical commitment and accountability. However, they contradict Achmad Hidayat and Novita (2023), who found no significant effect because CSR implementation was often symbolic. Broader international literature also emphasizes that CSR effectiveness in reducing tax avoidance depends on whether sustainability practices are genuinely integrated into corporate governance and ethical decision-making processes.

6. Conclusion

This study concludes that not all corporate governance mechanisms are effective at reducing tax avoidance. The independent board of commissioners has no significant effect, indicating that the presence of independent commissioners in manufacturing companies has not fully functioned as an effective monitoring mechanism. In contrast, the board of directors and audit committee significantly influence tax avoidance, demonstrating that strong managerial effectiveness and internal oversight play an important role in encouraging tax compliance and limiting opportunistic managerial behavior. Furthermore, Corporate Social Responsibility (CSR) significantly influences tax avoidance, suggesting that companies with stronger social and ethical commitments are more transparent and compliant with tax regulations.

Theoretically, this study contributes to the tax compliance and corporate governance literature by providing empirical evidence that governance effectiveness depends not only on formal structures but also on oversight quality and ethical orientation within the company. The findings also strengthen agency theory and legitimacy theory by showing that effective governance and CSR implementation can reduce conflicts of interest and increase corporate accountability.

From a practical and policy perspective, the findings highlight the importance of improving the competence and effectiveness of boards of directors and audit committees in supervising corporate taxation policies. Regulators should also strengthen governance supervision, transparency standards, and CSR implementation policies to support ethical tax practices and sustainable corporate accountability. In the context of emerging economies such as Indonesia, stronger governance and CSR integration are essential to improving fiscal transparency, maintaining investor confidence, and supporting sustainable state revenue growth.

Recommendation

Companies are advised to strengthen governance by appointing independent commissioners with expertise in taxation, accounting, and corporate governance to improve oversight of tax policies. Audit committees should also be supported through stricter competency standards, particularly in financial reporting and taxation supervision, to ensure stronger monitoring of tax compliance practices.

Boards of directors are encouraged to implement transparent, ethical tax governance policies that prioritize long-term corporate sustainability over short-term tax efficiency. In addition, companies should integrate CSR implementation with tax transparency reporting to demonstrate accountability and strengthen stakeholder trust.

For regulators, it is important to enhance governance-based supervision mechanisms, particularly in the manufacturing sector, by strengthening monitoring of corporate tax compliance, governance effectiveness, and CSR disclosures. Regulators may also encourage mandatory tax-governance

training and clearer disclosure standards related to corporate tax practices to improve transparency and accountability in emerging-market corporate environments.

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