The Effect of Corporate Social Responsibility on Tax Avoidance: The Moderating Role of Earnings Management

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Abstract: *This research was conducted to analyze and prove the partial effect of corporate social responsibility on tax avoidance and to analyze and prove the effect of earnings management variables in moderating corporate social responsibility on tax avoidance. The research design is a multiple linear regression analysis and Moderated Regression Analysis (MRA) using the SPSS version 25 program. The subjects are the food and beverage sub-sector companies listed on the Indonesia Stock Exchange (BEI). 19 companies meet the criteria to be used as a sample. The results show that: corporate social responsibility has no significant effect on tax avoidance. Meanwhile, Earnings Management significantly strengthens the moderate effect of corporate social responsibility on tax avoidance.*

Keywords: *Corporate Social Responsibility, Taxes avoidance, Earnings Management*

I. INTRODUCTION

Taxes are the main part of financing the Indonesian economy because taxes have a higher contribution to the National Revenue and Expenditure Budget (APBN) item compared to other sources of revenue (Deiwi et al., 2019). According to law no. 28 of 2007, Tax is an obligation that must be fulfilled by the country by individual or corporate taxpayers which is legally defined in statutory regulations (Mardiasmo, 2021). In activities to support national balance, taxes are something that the state and nation can do to cover the costs that must be incurred (Ramandeiy, 2020).

However, for Indonesia as a balanced country, it is still a problem to optimize tax sector revenues. This situation can be seen from the calculation of the realization of tax revenues by the country, which has so far still experienced fluctuations so the tax potential has not yet produced consistent results. The following is an illustration of the target and realization of revenue from the tax sector from 2018 to 2021, as shown in Table 1.

Table 1. Comparison of Tax Revenue Achievements in Indonesia from 2018 to 2021
(In Trillion Rupiah)

Year	2018	2019	2020	2021
Target	1,424	1,577.56	1,198.82	1,229.58
Realization	1,315.9	1,332.06	1,069.98	1,277.53
Achievements	92.4%	84.44%	89.25%	103.90%

Tax revenues have an important role as a source of funding for the country's economy. However, it is very unfortunate that tax collection is not well received by individual or corporate taxpayers. Because there are differences in interests between the government and taxpayers in the implementation of tax collection. This results in companies tending to reduce the amount of tax payments through both legal and illegal means. By taking tax avoidance actions, it will be easier for the company to reduce the amount of tax paid.

Corporate social responsibility activities regulated by law are components that can reduce a company's tax burden. The concept of Corporate Social Responsibility exists to maintain the sustainability of the company. The implementation of Corporate Social Responsibility obligations for companies makes companies feel burdened by two different burdens, namely the burden of Corporate Social Responsibility and the burden of taxes. This can encourage companies to implement tax avoidance practices to try to minimize these two burdens by recognizing several forms of Corporate Social Responsibility as a deduction from gross income.

According to Azis (2019) in Article 1 paragraph 3 of Law Number 40 of 2007, the definition of corporate social responsibility is a company agreement to commit to developing a sustainable economy to improve the standard of living of all people and create a safe corporate environment, as well as the local community and the local community. In general, apart from that, according to Wati (2019), the meaning of corporate social responsibility is an institutional role for implementing immoral behavior and being able to increase economic balance by making the quality of life of the people involved much better.

Corporate social responsibility is corporate governance that encourages the fulfillment of company commitments. This is in line with legitimacy theory which states that activities carried out by companies are a form of corporate responsibility to other parties who are influenced or affected. For companies that have a high corporate social responsibility value, the company has a high social responsibility, including the responsibility to pay taxes following applicable tax regulations (January and Suardikha, 2019).

On the other hand, corporate social responsibility practices in some countries are different from corporate social responsibility practices in general. There are several cases where a high level of corporate social responsibility is accompanied by a high level of tax avoidance. This is due to the company's awareness of low tax payments. Companies use corporate social responsibility to reduce their profits so that the taxes paid to the government are reduced. This practice violates ethics, but on the other hand, this practice is legal because it does not violate existing tax regulations.

Research conducted by Purbowati & and Yuliansari (2019), Hidayat (2019), T. Astuti & Ambarwati (2020), and Susanto & Veronica (2022) have the same evidence saying that companies with corporate social responsibility affect tax avoidance. Dillareita and Wuryani (2021) conducted research into corporate social responsibility (CSR) regarding tax avoidance. From the tests carried out by researchers, it is proven that corporate social responsibility does not influence tax avoidance because the funds used are mostly used for other costs so it does not influence reducing the amount of tax. Apart from that, companies can also reduce the amount of tax burden by manipulating the size of company profits or what is known as earnings management. Earnings management actions to reduce tax burdens have the potential to encourage companies to take tax avoidance actions.

According to Alfarizi et al (2021 in the research of Schipper 1989), the meaning of earnings management is the condition of company management carrying out actions aimed at gaining personal profit by manipulating financial report information in such a way that it looks good to stakeholders. Earning management calculations use the Revenue Model, where the calculation model emphasizes quarterly income which is proxied by annual receivables with the assumption that if quarterly income can explain receivables well, then there will be no indication of earnings management (Yusnita, 2020).

The connection between earnings management and tax avoidance. this is following the organization's motivation to carry out profit management with tax motivation (Scott, 2009). earnings management can have an impact on tax-making plans due to the fact profits management will trade taxable profits which in turn adjusts the tax burden (Kamila and Martani, 2013). One planning movement that can be accomplished is through tax avoidance often referred to as tax avoidance. Tax avoidance is an effort for companies to reduce the amount of tax paid legally through criminal loopholes (Suandy, 2014) profit control is a non-tax incentive for tax avoidance (Wijayanti and Slamet, 2012).

According to Irawan and Kinanti (2020, quoted in Frank Eit al. 2009), the company's management initiative has two different objectives, namely for accounting and taxation purposes, where shareholders are included. Financial reports reflect the company's high-profit performance and reduce taxable income to tax authorities, thus reducing the amount of tax burden borne by the company.

The differences between financial reports for shareholders and tax authorities make companies prepare financial reports in two versions. The company provides the company's financial information strictly to the shareholders so that the cooperation between the shareholders and the company does not cause problems that will affect the survival of the company, but this is not the case with financial reports intended for tax reporting. The possibility of earnings management being carried out will be greater in this financial report.

Pratiwi and Siregar (2019) in their research revealed that the more information about CSR activities a company discloses, the higher the level of tendency to carry out earnings management. Moeslem (2021) also expressed the same thing that the more information a company discloses regarding corporate social responsibility, the more likely it is to implement company earnings management. With so many stakeholders disclosing corporate social responsibility information, the quality of company earnings is not good, and companies manipulate their financial reports.

This also shows that the company carries out earnings management activities to manipulate financial reports not only so that the company's image remains good in the eyes of shareholders, but the company also has another goal, namely to avoid taxes so that the burden paid is lower than the actual burden borne.

Table 2. Average Effective Tax Rate (ETR) Tax Avoidance Index for Mass Consumer Sector Companies Listed on the Indonesia Stock Exchange (BEI) from 2018 to 2021
(In Trillion Rupiah)

Companies	2018	2019	2020	2021
Food and beverages	0.09	0.16	0.14	0.13
Cigarettes	0.02	0.40	0.16	0.37
Pharmacy	0.17	0.19	0.25	0.20
Cosmetics and household needs	0.20	0.42	0.63	0.39
Household appliances	0.22	0.24	0.23	0.29

Based on Table 2, that the food and beverage sub-sector experienced a decline in the ETR value from 2018 to 2021, so it can be said that the food and beverage sub-sector is a sub-sector in the consumer goods sector that practices tax avoidance. Based on theory, the lower the ETR value of a company, the greater the company's practice of tax avoidance.

This research was conducted to analyze and prove the partial effect of corporate social responsibility on tax avoidance and to analyze and prove the effect of earnings management variables in moderating corporate social responsibility on tax avoidance in food and beverage sub-sector companies for the 2018 – 2021 period.

II. RESEARCH METHOD

In this study, the population observed was food and beverage sub-sector companies listed on the Indonesia Stock Exchange (BEI) from 2018 - 2021. In this object, 76 data were obtained from 19 companies that met the criteria. The sampling technique uses a purposive sampling method, namely a technique for determining samples based on certain criteria applied to certain purposes. The research uses secondary data in the form of financial statements. Data collection techniques use documentation techniques by collecting financial statement data from the Indonesia Stock Exchange website.

III. RESULTS

Table 3. Descriptive Statistical Analysis Test

	N	Minimum	Maximum	Mean	Std. Deviation
TA	76	0.030	0.810	0.254	0.099
CSR	76	0.020	0.500	0.155	0.105
E.M	76	-4,830	6,760	0.741	2,567
Valid N (listwise)	76				

In the Table 3, it can be seen in this research that tax avoidance, which is proxied by ETR, shows a minimum value of 0.030, a maximum value of 0.810, and a standard deviation value of 0.099, while the average value (mean) is 0.254, which means that the standard error of the variable This is low because the quality of the data collection is quite good and has an average value that is greater than the standard deviation value.

Next for this research is corporate social responsibility which is proxied by the Global Reporting Initiative (GRI) showing a minimum value of 0.02, a maximum value of 0.50, and a standard deviation value of 0.105 while the average value (mean) is 0.155, which means that the standard error of this variable is low because the quality of the data collection is quite good and has an average value that is greater than the standard deviation value.

Furthermore, the moderating variable in this research is earnings management which is proxied by the revenue stuben model, showing a minimum value of -4.83, a maximum value of 6.76, and a standard deviation value of 2.567, while the average value (mean) is 0.741, which means the A standard deviation that is greater than the average value (mean) indicates that the data is heterogeneous or scattered data.

Classical Assumption Test Results

1. Normality Test Results

Table 4. Normality Test Results

		Unstandardized Residuals
N		62
Normal Parameters, b	Mean	0.0000000
	Std. Deviation	0.03957611
Most Extreme Differences	Absolute	0.054
	Positive	0.054
	Negative	-0.043
Statistical Tests		0.054
Asymp. Sig. (2-tailed)		,200

a. Test distribution is normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

Based on the Table 4, of the normality test results, the Asymp value of Sig. (2-tailed) is 0.200. From the results of the normality test, it can be concluded that the residual data is normally distributed because of the value of Asymp. Sig (2-tailed) is greater than 0.05 so this data is suitable for use as research.

2. Autocorrelation Test Results

Table 5. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. An error in the Estimate	Durbin-Watson
1	,165 [a]	0.027	-0.006	0.04024	1,541

a. Predictors: (Constant), Earnings Management, CSR
b. Dependent Variable: Tax Avoidance

Based on the Table 5, an autocorrelation test was carried out because the data used in this study was time-series data (periodic) so the autocorrelation test with Durbin Watson produced a regression model was 1.541. This indicates that the value is greater than -2 and less than +2 or -2<1.541<2. So it can be concluded that autocorrelation does not occur.

3. Heteroscedasticity Test Results

Table 6. Heteroscedasticity Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.035	0.006		6,253	0,000
	Corporate _ Social Responsibility	-0.011	0.032	-0.043	-0.336	0.738
	Earnings Management	-0.002	0.002	-0.214	-1,652	0.104

a. Dependent Variable: Tax Avoidance

Based on the Table 6, the results of the heteroscedasticity test show that the independent variable in this study has a significant value of more than 0.05, then the results can be concluded that heteroscedasticity does not occur in the regression model.

Regression Analysis Test Results

1. Simple Regression Analysis Test Results

Table 7. Simple Regression Analysis Test Results

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	0.254	0.009		26,918	0,000
CSR	-0.069	0.053	-0.164	-1,285	0.204

a. Dependent Variable: Tax Avoidance

Based on the results of the table, the simple linear regression model equation developed in this study is as follows:

Y = *a* + *b*
ETR = 0.254 + -0.069 GRI

From the results of the simple linear regression analysis, it can be concluded that this constant (α) of 0.254 shows that the magnitude of the independent variable is positive of 0.254, so there is an increase in the value of the ETR of 0.254. The regression value (β) of the variable disclosure of corporate social responsibility (CSR) amounted to -0.069 which shows that if the variable disclosure of corporate social responsibility increases by one unit, tax avoidance behavior will decrease by -0.069.

2. Moderation Regression Analysis Test Results

Regression analysis moderated regression analysis (MRA) referred to as interaction test is a special application of multiple linear regression where the regression equation contains elements of interaction. Variables strengthen or weaken the relationship between the independent variable and the dependent variable. The following are the results of the moderated regression analysis:

The first MRA model regression equation is as follows:

Table 8. Moderation Regression Analysis Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.254	0.009		26,918	0,000
	CSR	-0.069	0.053	-0.164	-1,285	0.204

Y= *a* + *b* 1x1 .... (1)
TA = 0.254 – 0.069CSR....... (1)

The second model MRA regression equation is as follows:

Table 9. MRA Regression Equation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.264	0.011		23,552	0,000
	CSR	-0.150	0.074	-0.358	-2,033	0.047
	E.M	-0.006	0.004	-0.313	-1,436	0.156
	CSR*EM	0.043	0.026	0.437	1,657	0.103

Y= *a* + b 1x 1 + b 2x2 + *b* 3x1x2 ... (2)
TA = 0.264 - 0.150CSR - 0.006EM + 0.043CSR*EM........... .... (2)

Hypothesis Test Results

1. Coefficient of Determination Test Results

Based on the results of the R determination test are described in the table as follows:

Table 10. Coefficient of Determination Test Results

Model	R	R Square	Adjusted R Square	Std. An error in the Estimate
1	.164a	0.027	0.011	0.03991

a Predictors : (Constant), CSR

Based on the results of the Table 10, shows the R value is 0.027 or 2.7%. This means that the ability of the independent variable (corporate social responsibility) to explain the variation of the dependent variable (tax avoidance) is 2.7% while the remaining 97.3% is influenced by other factors outside this study.

2. Statistical Test Results t

The results of the t-test can be seen in the table below, if the probability value t < 0.05 then Ha is accepted while if the probability value t > 0.05 then Ha is rejected.

Table 11. Coefficient of Determination Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	Q	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.254	0.009		26,918	0,000
	CSR	-0.069	0.053	-0.164	-1,285	0.204

Based on the results of the Table 11, it is concluded that the effect of corporate social responsibility on tax avoidance shows a regression coefficient of -0.069 (negative), with a significance value (p-value) of 0.204. The significance value (p-value) is greater than α or (0.204 > 0.05) which means that H0 is accepted with a significant value greater than 0.05. Thus it is concluded that corporate social responsibility does not affect Tax avoidance.

3. Moderate Regression Analysis (MRA) Test Results

The following are the results of the Moderate Regression Analysis (MRA) in this study:

Table 12. Moderate Regression Analysis (MRA) Test Results

Model	R	R Square	Adjusted R Square	Std. An error in the Estimate
1	,164a	0.027	0.011	0.03991

a Predictors : (Constant), CSR

The R square value in the regression equation table 5.3 is 0.0 27 so it can be said that the corporate social responsibility variable affects the tax avoidance variable by 2.7%.

Table 13. R square

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	,267a	0.071	0.023	0.03966

a. Predictors : (Constant), CSR*EM, CSR, EM

b. Dependent Variable: Tax Avoidance

After the addition of the moderating variable (earning management variable) to the second regression equation in the second MRA table, the R-square value increased by 0.071% or 7.1%. Thus it can be concluded that the second hypothesis is accepted. So it is concluded that the earnings management variable as a moderating variable strengthens the influence of corporate social responsibility variables on tax avoidance.

IV DISCUSSION

1. The Effect of Corporate Social Responsibility on Tax Avoidance

Based on the results of partial research analysis, it was found that the significant value of the corporate social responsibility variable showed several more than alpha 0.05 (0.204 < 0.05), and the value of the regression coefficient showed a positive direction of -0.069 which means that *H0* is accepted, then a hypothetical result can be obtained that states that corporate social responsibility Does not affect tax avoidance in the food and beverage sub-sector for the 2018-2021 period.

The results of this study are in line with Dillareta and Wuryani (2021), Maharani et al (2017), Reza, et al (2020), Qonita (2020), and Rahadi (2020) researching corporate social responsibility toward tax avoidance. The results of the study, show that corporate social responsibility has no effect on tax avoidance and is not in line with previous research.

This shows that corporate social responsibility can be used as a benchmark in influencing companies to carry out tax avoidance because corporate social responsibility is an activity that must be carried out by companies to fulfill social responsibility to their stakeholders, where the funds have been budgeted and calculated as company expenses that are carried out with due regard propriety and reasonableness. Therefore, corporate social responsibility carried out by the company is an obligation that must be carried out by the company and does not involve tax avoidance.

This research is in line with research conducted by Purbowati and Yuliansari (2019), Hidayat (2019), T. Astuti and Ambarwati (2020), Susanto and Veronica (2022) who have the same evidence saying that companies with responsible corporate social responsibility have a lower likelihood of engaging in tax avoidance practices.

2. Effect of *Corporate Social Responsibility* on *Tax Avoidance* with *Earning Management* as a Moderation Variable

Based on the results of research analysis that has been conducted, it was found that moderation value on the earning management variable can strengthen the influence of corporate social responsibility on tax avoidance by showing an R2 value in the first test of 0.027 and the second test of 0.071, a hypothesis can be obtained that states that the Earning Management variable significantly strengthens the influence of corporate social responsibility on tax avoidance.

This test proves that the company's earnings management strengthens the influence of corporate social responsibility on tax avoidance because of several factors, including the company, must fulfill commitments to interested parties in the organization that has been described in Agency Theory and Legitimacy Theory. This makes it clearer that the higher the level of earnings management of a company, the easier it is for companies to carry out tax avoidance practices through corporate social responsibility.

V. CONCLUSION AND RECOMMENDATIONS

Conclusion

1. Based on analysis and testing, it was found that corporate social responsibility does not affect tax avoidance. This explains that more corporate social responsibility activities carried out by companies encourage companies to be more open in disclosing their corporate social responsibility activities so that companies have a lower possibility of engaging in tax avoidance practices. So it can be concluded that Corporate Social Responsibility in this study will not affect the company's actions in carrying out tax avoidance practices.
2. Based on analysis and testing, it was found that earnings management significantly strengthened the influence of corporate social responsibility on tax avoidance. This proves that the higher the level of earnings management of a company, the easier it is for companies to carry out tax avoidance practices through corporate social responsibility. So it can be concluded that earnings management can influence companies to take tax avoidance actions.

Recommendations

1. The sample used in this study only used food and beverage sub-sector companies listed on the Indonesia stock exchange. Future studies may add samples from corporate industries other than the food and beverage sub-sector.
2. In this study only uses one independent variable, namely corporate social responsibility, it is expected that future studies can add more than one or two independent variables that can affect tax avoidance practices such as company characteristics, profitability, and good corporate governance.
3. In this study only used a duration of 4 years. It is hoped that future studies can add a longer research period to find better results.
4. The limitations in this study in taking measurement data on the disclosure of corporate social responsibility are very limited to only using information available on the company's website and the company's annual report which is presented concisely.

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