

# The influence of corporate social responsibility, investment opportunities, and profitability on tax avoidance

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## ABSTRACT

The analysis conducted on the relationship between Corporate Social Responsibility (CSR), Investment Opportunity, Profitability, and Tax Avoidance in Energy Sector Companies listed on the Indonesia Stock Exchange between 2017 and 2021 has yielded significant insights. While the influence of CSR on Tax Avoidance was found to be insignificant, both Investment Opportunity and Profitability demonstrated notable effects, with the latter displaying a negative influence. Furthermore, the combined impact of CSR, Investment Opportunity, and Profitability on Tax Avoidance was found to be substantial, explaining 63% of the observed variance. These findings underscore the intricate relationship between corporate practices, financial performance, and tax management strategies, offering valuable implications for various stakeholders. In light of these conclusions, several recommendations can be drawn. Firstly, collaboration between tax authorities and relevant stakeholders is essential to refine tax policies, integrating sustainability considerations and ensuring transparency in corporate tax practices. Secondly, investors should adopt a comprehensive approach when assessing investment opportunities, taking into account factors beyond financial performance, including corporate social responsibility and tax management strategies. Additionally, companies are encouraged to enhance their disclosure practices concerning CSR activities, thereby promoting greater transparency and accountability. Finally, future research efforts should focus on expanding the scope of analysis across different sectors and incorporating additional variables to deepen our understanding of tax avoidance dynamics in the Indonesian context. By implementing these recommendations, policymakers, tax authorities, investors, and corporate entities can collectively contribute to fostering a more responsible and sustainable business environment.

## KEYWORDS

CSR; Investment Opportunity;  
Profitability; Tax Avoidance

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## Introduction

Tax avoidance is a strategy employed by companies to minimize corporate tax burdens legally by exploiting loopholes in tax regulations (Dwiyanti, 2019). Various efforts by companies to exploit weaknesses in tax laws, such as Law No. 36 of 2008 concerning Income Tax, include tax deductions, where contributions can be considered expenses reducing taxable income (Pipatnarapong, 2020). Motivation for tax avoidance schemes can stem from internal perceptions within companies, viewing corporate income tax (CIT) as a burden that significantly reduces profits (Pipatnarapong, 2020). Furthermore, regulations like Minister of Finance Regulation No. 76/2011 providing tax incentives for Corporate Social Responsibility (CSR) expenditures in the form of tax deductions have led many companies to engage in tax avoidance by incorporating CSR expenses (Ramdhani et al., 2021). The utilization of such schemes is not in the government's interest, as reduced tax payments result in lost revenue potential, affecting government funding for various public functions.

Several indicators can be used to measure indications of tax avoidance in Indonesia. Firstly, the failure to achieve tax revenue targets due to low taxpayer compliance is a significant indicator (Sandi, 2020). Taxpayers who fail to meet their tax obligations or pay less tax than they should contribute to this shortfall. Additionally, differences in interests between the government and taxpayers can contribute to unmet tax revenue targets (Sandi, 2020). Agency theory explains potential conflicts of interest among various parties based on their positions and differing goals, where each party strives to achieve and maintain desired levels of prosperity (Vu Van, 2021). While taxes represent revenue for the government, they are perceived as a burden affecting corporate profits. These conflicting interests often drive taxpayers to engage in tax avoidance strategies (Wira, 2022).

The research questions are formulated to investigate the influence of various factors on tax avoidance in energy sector companies listed on the Indonesia Stock Exchange from 2017 to 2021. Specifically, the study aims to explore whether Corporate Social Responsibility (CSR), Investment Opportunity, and Profitability have significant effects on tax avoidance practices within this sector during the specified period. The research endeavors to provide

empirical evidence regarding the relationships between these variables and tax avoidance behaviors, contributing to a deeper understanding of the dynamics within the energy industry's financial practices. The findings of this study are expected to offer valuable insights for academics, students, companies, investors, and tax authorities, facilitating informed decision-making and policy formulation regarding tax compliance and corporate financial strategies.

The research questions have been meticulously crafted to delve into the intricate interplay of various factors influencing tax avoidance behaviors among energy sector entities listed on the Indonesia Stock Exchange spanning the period from 2017 to 2021. Specifically, the study seeks to probe whether Corporate Social Responsibility (CSR), Investment Opportunity, and Profitability exert discernible impacts on the patterns of tax avoidance prevalent within this sector over the specified timeframe. By meticulously examining these variables, the research aims to furnish empirical evidence elucidating the nuanced relationships between them and the tendencies toward tax avoidance. This endeavor is poised to enrich our comprehension of the underlying dynamics inherent in the financial practices of energy industry players. Furthermore, the anticipated findings are poised to transcend the academic realm, offering valuable insights that can inform the decisions of policymakers, businesses, investors, and tax authorities alike. Such insights hold the potential to foster more informed decision-making processes and the formulation of policies that are conducive to enhanced tax compliance and optimized corporate financial strategies.

## Literature review

### *Agency theory*

The agency theory depicts a company as the nexus between its owners (principals) and management (agents), with their relationship governed by a contractual agreement (Jensen, 1976). Within this framework, conflicts of interest arise when agents act counter to the interests of principals. Such conflicts, rooted in differing objectives and stakes, permeate the company's dynamics. While managers are morally bound to optimize shareholder profits, they also seek compensation as stipulated in their contracts. This duality of interests manifests in divergent pursuits for prosperity. Despite managers engaging in tax avoidance to bolster company profits, the incurred costs, such as non-tax expenditures for manipulating transactions, may outweigh the benefits, proving detrimental to shareholders (Reniar, 2024). Addressing agency conflicts necessitates an effective governance system that monitors managerial decision-making processes. Asymmetric information between managers and shareholders provides opportunities for opportunistic behavior, like earnings management, thereby necessitating agency costs to oversee agents and mitigate residual losses (Jensen, 1976). This agency theory extends to the tax domain, where conflicts between taxpayers and tax authorities arise due to misaligned interests. Taxpayers, acting as agents, aim to minimize tax burdens, while tax authorities seek maximum revenue collection. Such conflicting interests underpin tax avoidance practices (Andyan, 2021). In Indonesia's tax system, governed by self-assessment, taxpayers are incentivized to minimize tax payments legally, leading to conflicts of interest between taxpayers and tax authorities (Andyan, 2021). Consequently, taxpayers engage in tax avoidance practices to optimize their profits within legal bounds. Thus, from the agency perspective, tax avoidance emerges as a rational response to divergent interests, highlighting the complexities inherent in balancing shareholder and societal expectations within the framework of tax compliance.

### *Tax avoidance*

Tax Avoidance is the explicit reduction of tax liabilities from pre-tax income (Hanlon, 2010). It involves tax planning aimed at minimizing taxable profits and can be categorized as a form of tax evasion (Kurniawati, 2017). This concept is intertwined with agency theory, suggesting that maximizing profits often outweighs tax obligations. Tax Avoidance is perceived as a high-risk activity but one that enhances a company's value. Tax Planning, on the other hand, involves taxpayers' efforts to reduce tax liabilities using legally sanctioned schemes, avoiding disputes with tax authorities. In contrast, Tax Evasion entails taxpayers reducing tax liabilities by violating tax regulations, such as by not reporting sales or engaging in fraudulent transactions. Aggressive Tax Planning refers to prohibited tax avoidance schemes (Kurniawati, 2017). Technically, aggressive tax planning encompasses both tax avoidance and tax evasion. While it generally refers to tax avoidance, it excludes tax evasion. (Kurniawati, 2017) defines Tax Avoidance as tax planning activities undertaken by all companies to reduce their effective tax rates. Proxies like Tax Shelter, GAAP ETR, or Cash Effective Tax Rate measure a company's involvement in tax avoidance. (Kurniawati, 2017) explains that creditors face risks due to tax avoidance and exercise greater oversight over companies' tax compliance. In this study, tax avoidance occurs when companies deviate from government directives. While the government mandates tax payments per tax regulations, companies seek to optimize profits by reducing tax burdens based on their profitability. According to government regulations, the corporate income tax rate for domestic taxpayers and permanent establishments is 25%, but it can be reduced to 20%. Lower tax rates incentivize companies to shift their income towards the lower rate. One way companies avoid taxes is by minimizing their tax burdens.

### *Corporate social responsibility*

Corporate Social Responsibility (CSR) is defined by the World Business Council for Sustainable Development (WBCSD) as a continuous commitment by businesses to act ethically and contribute to economic development while improving living standards for local communities or society at large (Cahya, 2022). It constitutes an integral part of a company's accountability, emphasizing the philanthropic value bestowed by the business community upon external stakeholders. Companies must consider stakeholder interests, create added value from their products and services, and uphold the value they generate, thereby contributing to economic growth and the quality of life for employees and communities. According to agency theory, companies with low contractual costs and monitoring tend to report low net profits or incur costs for managerial benefits, thereby enhancing the company's reputation. Managers strive

to meet principal's wishes by engaging in Corporate Environmental Disclosure as an act of Corporate Social Responsibility. Social responsibility encompasses numerous dimensions, including sustainability, accountability, and transparency, all crucial for addressing information asymmetry between company managers and investors (Mayndarto & Jagakarsa, 2022). Furthermore, according to Law No. 36 of 2008 and Government Regulation No. 93 of 2010, CSR activities can reduce corporate income tax, allowing companies to leverage CSR in tax avoidance strategies while simultaneously contributing to societal welfare.

### ***Investment opportunity set***

Investment Opportunity Set, also known as Investment Opportunity, constitutes future investment options that can influence a company's asset growth with a positive net present value. It plays a crucial role in corporate decision-making by combining current assets with future investment options, thereby affecting the company's value (Hasna & Aris, 2022). This variable is latent and often unobservable, necessitating proxies linked to other variables within the company. Proxies for investment opportunities can be classified into three main categories: price-based proxies, investment level proxies, and variance-based proxies (Kallapur.S., & Trombley, 2001). Price-based proxies suggest that a company's growth prospects are partially reflected in market prices, such as market value to book of assets, market to book value equity, Tobin's Q, earnings to price, and return on equity. Investment level proxies, on the other hand, indicate that high investment activity positively correlates with a company's investment opportunities, including ratios like capital expenditure to book value assets, capital expenditure to market value of assets, and investment to net sales. Lastly, variance-based proxies, based on the concept that an option becomes more valuable with greater variability, utilize ratios like variance of return and asset beta. These proxies collectively reveal that investment opportunities correlate positively with significant investment activities, reflecting a company's potential for long-term asset investment and growth.

### ***Profitability***

Profitability is the net result of a series of policies and decisions; profitability ratios indicate how well a company can leverage its assets to generate earnings over a specific period based on sales levels, assets, capital employed, net worth, and earnings per share (Kabajeh et al., 2012). These ratios can be used to measure the growth of success and control, showing the progress and rate of return on investments made by investors. In line with agency theory, conflicts of interest arise between shareholders (principals) and managers (agents). The agent will seek to increase the company's after-tax profits by engaging in tax avoidance practices since higher profits result in higher tax burdens.

## **Methods**

### ***Types of data and scope of research***

This study investigates the Influence of Corporate Social Responsibility (CSR), Investment Opportunity, and Profitability on Tax Avoidance in Energy Sector Companies listed on the Indonesia Stock Exchange. Corporate Social Responsibility, Investment Opportunity, and Profitability are independent variables, while Tax Avoidance is the dependent variable. The data used are quantitative, covering Corporate Social Responsibility (CSR), Investment Opportunity (MBVE), Profitability (ROA), and Tax Avoidance (ETR). Secondary data sources were obtained from the annual reports and sustainability reports of energy sector companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2021.

### ***Population and sample***

In quantitative research, a sample constitutes a portion of the population's total number and characteristics. Purposive sampling method is employed to select energy sector companies as samples, serving as representations of the research, based on predetermined criteria. These criteria encompass energy sector companies listed on the Indonesia Stock Exchange that have published annual reports consistently during the period from 2017 to 2021, are committed to reporting corporate social responsibility programs or disclosing CSR, have not been delisted during the 2017-2021 period, have not incurred pre-tax profit losses during this timeframe to avoid negative ETR, and possess ETR values between 0 and 1.5 to reflect tax avoidance levels. By utilizing purposive sampling, researchers can carefully choose samples representing the energy sector population according to predefined criteria.

### ***Operational definition***

Tax Avoidance is a tax planning strategy employed by companies to reduce their effective tax rates. Effective Tax Rate (ETR), Cash Effective Tax Rate (CETR), Book-Tax Difference Manzon-Plesko (BTD\_MP), Book-Tax Difference Desai-Dharmapala (BTD\_DD), and Tax Planning (TAXPLAN) are tools used to measure Tax Avoidance. ETR is calculated by dividing income tax expenses by pre-tax net income and multiplying by 100%. A low ETR indicates tax avoidance practices, reflecting the percentage of total income tax expenses paid by the company from its overall pre-tax net income.

Corporate Social Responsibility (CSR) refers to a company's activities aimed at fostering positive relationships with society by engaging in activities aligned with community values, norms, and needs. CSR disclosure is proxied using a checklist referring to commonly used disclosure indicators such as the Global Reporting Initiative (GRI). In

this study, indicators comprise six categories: economic, environmental, social, human rights, community, and product responsibility. CSR disclosure is measured using the CSRI proxy, calculated by summing the disclosed items and dividing by the total number of items.

Investment Opportunity Set represents a company's investment decision to achieve positive growth, considered as growth prospects and the ability to determine the types of investments to be made. It reflects the relationship between current expenditures and future prospects resulting from investment decisions to generate shareholder value. Market-to-book value equity ratio is utilized to determine investment opportunities, indicating that the market expects future investment returns to exceed expected returns from equity. Profitability, measured by Return On Assets (ROA), illustrates a company's effectiveness in generating profits over a specific period at certain levels of sales, assets, and equity. ROA is calculated by dividing net income after taxes by total assets and multiplying by 100%.

### Model analysis

In panel data analysis, the panel regression method is used to measure the relationship between dependent and independent variables by considering observations from a number of individuals or units across time. This method allows understanding the effects of certain factors on the dependent variable in the context of time and across individuals. There are several estimation methods in panel data, such as the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), each with its own strengths and weaknesses. The selection of the estimation method is based on assumptions that are suitable for the characteristics of the data as well as statistical tests such as the Chow test, Hausman test, and Lagrange Multiplier test.

After selecting the estimation model, classical assumption tests are conducted to validate the model's fit. Classical assumption tests include tests for normality, multicollinearity, heteroskedasticity, and autocorrelation. Subsequently, hypothesis testing is performed to determine the significance of each independent variable on the dependent variable and to evaluate the overall model fit. Hypothesis testing includes partial tests (t-tests), simultaneous tests (F-tests), and evaluation of the coefficient of determination (R<sup>2</sup>) to measure how well the model can explain the variation in the dependent variable. Thus, panel data analysis provides a comprehensive framework for understanding the relationships between the variables involved in a study.

## Results

### Descriptive statistical analysis

Table 1. Descriptive statistical analysis

	CSR (X1)	IOS (X2)	ROA (X3)	ETR (Y)
Mean	262055.4	2.049464	10.23615	0.348038
Median	263736.0	1.026780	5.240000	0.250000
Maximum	648352.0	35.14389	52.01000	3.550552
Minimum	10989.00	0.000645	0.000000	0.006156

Based on Table, the average value of Tax Avoidance (ETR) across 17 sample observations of energy sector companies listed on the Indonesia Stock Exchange during the period 2017 - 2021 is 0.348, with a maximum value of 3.550 and a minimum value of 0.006. Furthermore, the average value of Corporate Social Responsibility (CSR) is 262,055.4, with a maximum value of 648,352.0 and a minimum value of 10,989.0. The average value of Investment Opportunity Set (IOS) is 2.049, with a maximum value of 35.143 and a minimum value of 0.0006. Lastly, the average value of Profitability (ROA) is 10.236, with a maximum value of 52.010 and a minimum value of 0.000.

### Panel data regression equation

Table 2. Panel data regression result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.215436	0.069269	3.110159	0.0026
CSR (X1)	2.45E-07	2.08E-07	1.173985	0.2438
IOS (X2)	0.081473	0.007269	11.20840	0.0000
ROA (X3)	-0.009618	0.002328	-4.131942	0.0001

Based on the results from Table 15, the regression analysis reveals an R-square value of 0.630067, indicating that 63% of the variation in Tax Avoidance is explained by the independent variables, while the remaining 37% is influenced by other unaccounted factors. The intercept signifies the importance of Corporate Social Responsibility, Investment Opportunity Set, and Profitability in influencing Tax Avoidance, suggesting that their absence or minimal presence would decrease the Tax Avoidance of energy sector companies listed on the Indonesia Stock Exchange. Furthermore, the coefficient values provide insights into the impact of each independent variable on Tax Avoidance. The coefficient for Corporate Social Responsibility shows a non-significant effect, implying that a 1% increase in CSR disclosure would lead to a 2.44% increase in Tax Avoidance, all else being equal. Conversely, the coefficient for Investment Opportunity Set indicates a positive and significant effect, suggesting that a 1% increase in investment opportunities would result in a 0.81% increase in Tax Avoidance. Lastly, the coefficient for Profitability demonstrates

a negative and significant effect, indicating that a 1% decrease in profitability would lead to a 0.009% decrease in Tax Avoidance, all else being equal.

### ***Statistical hypothesis testing***

The results of the t-tests reveal important insights into the relationship between key variables and Tax Avoidance among energy sector companies listed on the Indonesia Stock Exchange (BEI). Firstly, the analysis indicates that the Corporate Social Responsibility (CSR) variable does not significantly impact Tax Avoidance, as its t-value of 1.173985 falls below the critical t-value of 1.66388, with a probability level of  $0.2438 > 0.05$ , leading to the acceptance of the null hypothesis (H<sub>0</sub>). Conversely, the Investment Opportunity Set variable demonstrates a strong positive influence on Tax Avoidance, with a t-value of 11.20840 exceeding the critical t-value, and a probability level of  $0.0000 < 0.05$ , prompting rejection of the null hypothesis (H<sub>0</sub>). Similarly, the Profitability variable exhibits a significant negative effect on Tax Avoidance, as evidenced by its t-value of -4.131942, which is lower than the critical t-value, and a probability level of  $0.0001 < 0.05$ , leading to the rejection of the null hypothesis (H<sub>0</sub>). These findings underscore the nuanced relationship between these variables and Tax Avoidance within the energy sector context, highlighting the varying degrees of influence they exert on corporate tax strategies.

### ***Coefficient of determination***

Based on the regression results, an R-Squared value of 0.630067 is obtained. This value indicates that 63% of the variation in Tax Avoidance among energy sector companies listed on the Indonesia Stock Exchange can be explained by the variables Corporate Social Responsibility, Investment Opportunity Set, and Profitability, while the remaining 37% is attributed to factors outside the panel data regression model.

## **Discussion**

### ***The influence of corporate social responsibility on tax avoidance of energy sector companies listed on the Indonesia stock exchange***

The first hypothesis testing results indicate that the Corporate Social Responsibility (CSR) variable does not influence tax avoidance behavior. This implies that broader CSR disclosures tend to reduce tax avoidance. This finding supports Saputra (2022), asserting that CSR information disclosed in Sustainability Reports may not accurately reflect actual conditions. The lack of influence of CSR disclosure on tax avoidance is attributed to the still low level of CSR disclosure practices among Indonesian companies, including those in the energy sector. Good Corporate Governance (GCG) principles, encompassing transparency, accountability, responsibility, independence, and equality, are deemed adequate to encourage corporate responsibility. However, annual reports, particularly regarding social and environmental aspects, remain insufficient, as they are only mandatory for publicly listed companies and are not critically evaluated by shareholders as a crucial part of assessing the performance of these companies. Descriptive statistics reveal that the average CSR disclosure in the Sustainability Reports of energy sector companies listed on the Indonesia Stock Exchange from 2016 to 2019 remains low at 32%. Nonetheless, this disclosure is notably lower compared to the real estate sector, which averaged 69% during the same period (Nurina D, 2022).

Consistent with the study's literature review and previous research findings, several studies demonstrate that CSR has no significant effect on tax avoidance. Vacca (2020) contends that CSR disclosure has no significant impact on tax avoidance, suggesting that CSR disclosure aims more to enhance a company's value. Moreover, discrepancies between CSR disclosures and actual CSR activities, or incomplete disclosures in Sustainability Reports, may lead to tax avoidance. Additionally, Damar (2023) indicates that CSR practices in Indonesia, especially regarding the environmental ecosystem, are low, rendering CSR ineffective in influencing tax avoidance. The study reveals that Indonesia's environmental indicator scores are notably lower compared to those of Malaysia, Singapore, and Thailand, thus indicating the negligible influence of CSR on tax avoidance. Furthermore, corporate spending on CSR activities is limited by government regulations, such as Government Regulation No. 93 of 2010, which caps deductible social infrastructure development costs at 5% of the previous fiscal year's net taxable income.

### ***The influence of investment opportunity on tax avoidance of energy sector companies listed on the Indonesia stock exchange***

The second hypothesis testing results demonstrate that the Investment Opportunity Set (IOS) variable significantly and positively affects tax avoidance. Theoretical frameworks suggest that companies tend to reduce reported profits to minimize taxes, aligning with company policies that emphasize investment opportunities. In Indonesia, regulations regarding IOS are not explicitly defined but are governed by the Investment Law No. 25 of 2007. Notably, data from the Investment Coordinating Board indicates a significant and positive trend in corporate investments from 2014 to 2019. This trend underscores the positive response of markets to companies' growth, prompting increased corporate investments for further development and profit enhancement.

Consistent with the literature, previous studies have demonstrated the positive and significant impact of IOS on tax avoidance. Amrie et al. (2022) empirically proved that investment opportunities are utilized as a tax avoidance tool by manufacturing companies in Indonesia, which operates under a Self-Assessment tax system. Consequently, to detect tax avoidance in manufacturing companies with investment opportunities and under a Self-Assessment tax system, tax avoidance measures should consider abnormal permanent differences originating from DTAX. In Indonesia, the tangible assets of manufacturing companies and their capacity for growth through investments are influenced by corporate policies that tend to avoid taxes, leading to transactional information complexity and reduced tax scrutiny by authorities, thus facilitating tax avoidance.



### ***The influence of profitability on tax avoidance of energy sector companies listed on the Indonesia stock exchange***

The third hypothesis testing results indicate that the Profitability variable has a significant negative effect on tax avoidance. Based on existing literature, profitability influences tax avoidance behavior. Fransisca (2022) found that higher profitability leads to lower effective tax rates (ETR), signifying increased tax avoidance. This relationship arises from higher profits resulting in increased tax burdens for companies. Tax burdens are considered a financial burden for companies and must be paid accordingly. Consequently, to maximize profits, companies aim to minimize tax burdens, prioritizing operational expenses over tax payments, consistent with agency theory. Similarly, Mohanadas et al. (2019) found a significant negative relationship between Return on Assets (ROA) and tax avoidance in Malaysian companies, indicating that highly profitable companies tend to engage in tax planning to minimize tax payments.

Furthermore, Carolina (2020) revealed that profitability negatively affects tax avoidance, suggesting that companies performing well in utilizing their assets exhibit lower tax avoidance. Accordingly, companies manage their income and tax payments and reduce the possibility of tax avoidance by implementing stringent and effective tax planning. Riyadi (2022) corroborated these findings, indicating that mid-level and high-level taxpayers lead to lower ROA, primarily due to substantial expenditures on research and development, which serve as tax deductions under the Law No. 36 of 2008.

### ***The simultaneous influence of corporate social responsibility, investment opportunity, and profitability on tax avoidance of energy sector companies listed on the Indonesia stock exchange***

The results of the fourth hypothesis testing indicate that simultaneously, the variables CSR, Investment Opportunity, and Profitability significantly influence Tax Avoidance. Indonesia, as a middle-income country, ranks 11th out of 30 countries in terms of tax avoidance, as published in the International Center for Policy and Research (ICPR) and the International Center for Taxation and Development (ICTD) database, with uncollected taxes reaching USD 6.48 billion annually (Cobham, 2018).

Empirical evidence shows that in several countries such as Malaysia, the United States, and Iran, a similar taxation system to Indonesia's, known as the Self-Assessment System, is implemented. The Self-Assessment System grants taxpayers the trust to calculate, pay, and report their taxes. Taxes paid to the treasury depend on profits in financial reports. With this system in place, companies in countries employing the self-assessment system tend to be more willing to reduce reported profits, thereby decreasing the amount of tax payable to the treasury. Tax avoidance by companies contributes to losses for low and middle-income countries (Cobham, 2018).

## **Conclusion**

The analysis of the data and subsequent discussion yield significant insights into the relationship between Corporate Social Responsibility (CSR), Investment Opportunity, Profitability, and Tax Avoidance in Energy Sector Companies listed on the Indonesia Stock Exchange from 2017 to 2021. Notably, while CSR does not exhibit a significant influence on Tax Avoidance, Investment Opportunity and Profitability demonstrate significant effects, both positively and negatively, respectively. Moreover, the collective influence of CSR, Investment Opportunity, and Profitability on Tax Avoidance is found to be substantial, elucidating 63% of the variance observed. These findings underscore the nuanced interplay between corporate practices, financial performance, and tax management strategies, offering valuable implications for policymakers, tax authorities, investors, and corporate entities alike.

In light of these conclusions, several recommendations emerge. Firstly, tax authorities should collaborate with relevant stakeholders to refine tax policies, incorporating sustainability considerations and ensuring transparency in corporate tax practices. Secondly, investors should judiciously assess investment opportunities, considering factors beyond financial performance, such as corporate social responsibility and tax management strategies. Moreover, companies are encouraged to enhance their disclosure practices regarding CSR activities, thereby fostering greater transparency and accountability. Additionally, future research endeavors should aim to expand the scope of analysis across different sectors and consider additional variables to further enrich our understanding of tax avoidance dynamics in the Indonesian context.

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