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The effect of CSR disclosure on tax avoidance through earnings management: Indonesian evidence

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Abstract

This study aims to explain the effect of CSR disclosure on tax avoidance and analyze that effect through earnings management. Companies use CSR expenditure as an earning management strategy. CSR expenditure is assessed as a deductible expense to obtain low taxes. This strategy, called earnings management, is the first step of tax avoidance. The population was taken from companies listed on the Indonesia Stock Exchange (IDX) in the Consumer Non-Cyclicals sector from 2018-2020. Sampling uses a purposive sampling technique with 25 companies. The analysis used is multiple linear regression with the intervening variable testing using the Sobel test. The results of this study explain that CSR disclosure has a negative effect on tax avoidance. Wide CSR disclosure means the company is far from tax avoidance practices. Testing using the intervening variable results in earnings management being unable to mediate the effect of CSR disclosure on tax avoidance.

Introduction

Tax avoidance is defined as a legal company effort that aims to minimize the burden of tax payable. This effort was carried out by exploiting loopholes in the applicable regulations (Pohan, 2013). The practice of tax avoidance is one of the opportunistic actions of companies which is considered an obstacle as well as a challenge for the state in maximizing state revenues through the taxation sector. The company carries out tax avoidance activities to improve the company's cash flow, Dharma and Ardiana (2016) state that the practice of tax avoidance by taxpayers is one of the causes of tax revenue not meeting the targets set by the government.

On May 8th, 2019, the Tax Justice Network Institute reported that British American Tobacco (BAT) was involved in a tax avoidance case through PT Bentoel International Investama (Kontan.co.id, 2019). Between 2013 and 2015, Bentoel took out an intra-company loan from Rothmans Far East BV. Based on the account of the Dutch affiliates company, the loan obtained by Bentoel came from a company in England that is part of the BAT group, namely Pathway 4 (Jersey). Bentoel is charged interest on his loan to Jersey of US$ 164 million. Loans made by PT Bentoel International Investama have the objective of avoiding an increase in the tax burden on interest payments on loans from abroad (Tribunnews.com, 2019). The tax rate that should have been imposed on interest payments was 20%, but an agreement between Indonesia and the Netherlands caused the tax rate to be 0%. Bentoel does not make loans directly to Jersey because Indonesia and England do not have an agreement regarding the taxation of loan interest payments, so the transaction will be subject to a tax rate of 10% (Kontan.co.id, 2019).

The role of the company as a corporate taxpayer required the company to contribute to the state by paying taxes. Companies are also required to carry out an activity as proof of responsibility to society, namely Corporate Social Responsibility (CSR). CSR activities that have been implemented are reported through CSR disclosure activities. CSR disclosure activities are considered as a form of communication to the public to prove that the company has carried out activities in accordance with applicable guidelines and principles. *Peraturan Pemerintah* (PP) Number 47 of 2012 states that CSR is a concrete manifestation of the affection that is carried out by business actors towards the surrounding environment. CSR activities are also defined as the company's obligation to be responsible for the company's operational activities on social, economic, and environmental dimensions (Heal, 2005). Emphasizing environmental responsibility and integrating sustainable practices can ultimately lead to long-term gains for both businesses and the environment (Arfazil et al., 2021) and increase their reputation among shareholders as well as the firm's value (Marpaung et al., 2022). Unfortunately, in pursuit of profits, some companies disregard potential environmental damage and other social impacts that may arise (Hamdani et al., 2020).

The company needs funds to carry out its CSR activities. According to Dewi and Suaryana (2015), CSR disclosure does not involve a nominal amount, so CSR disclosure with high value does not necessarily prove that CSR activities are carried out with high costs. Disclosure of CSR on company expenses which are distributed to all employees without exception will be placed as a cost or expense of the company. The company's expenses are considered to be able to reduce accounting profit before entering into the calculation of taxable profit.

Reviews that examine the effect of CSR disclosure on tax avoidance have been carried out by many previous researchers. Studies on the effect of CSR disclosure on tax avoidance conducted by Lanis and Richardson (2015), Hoi et al. (2013), and Watson (2011) explained that CSR disclosure has a negative effect on tax avoidance practices. This opinion means that broad CSR disclosure cannot be interpreted with a high CSR burden. CSR expenses are considered to be used as a deduction from accounting profit. In his calculations, CSR expenses are included in deductible expenses, so that reconciliation is carried out to generate fiscal profit. This concludes that activities to increase and decrease company profits are considered to have an effect on the tax payable.

This statement is opposed by Oksary (2014) who reveals that the breadth and narrowness of CSR activities carried out by companies is based on the costs distributed for these activities. This opinion shows that there are inconsistent results on the effect of CSR disclosure on tax avoidance because net income cannot be calculated directly from the company's expenses. Net profit is derived from the company's profit which has been reconciled and reduced by tax. It is estimated that CSR disclosure will affect the tax burden through accounting expenses, so that CSR disclosure plays a role in reducing accounting profit. The existence of profit reduction actions through CSR expenses indirectly indicates that earnings management is related to tax avoidance activities. Based on this explanation, the researcher updates the previous study by developing an intervening variable, namely earnings management, as a mediator between CSR disclosure and tax avoidance.

Literature Review

Agency Theory

Agency theory reveals the relationship between principals and agents that examines contractual relationships between individuals, groups and organizations. Agency theory occurs when the principal makes a contract with the agent with the hope that the agent will carry out orders as the principal wishes. According to Lane (2006), public organizations can apply agency theory. Agency relations in the context of government involve the executive and legislature. The executive in question is the agent, while the legislature is the principal (Moe, 1984). Andvig et al. (2001) states that the principal and agent model is referred to as an analytic framework that functions in explaining pressure on public organizations for two conditions, namely principals with different interests and their own goals and principals whose behavior is not in accordance with the needs of society because they prioritize narrower desires. Lupia and McCubbins (1994) said that the executive acts as an expert agent who is delegated legislative power to carry out an action that the legislature wants. The party acting as an expert agent here is the company, while the legislative role belongs to the government, which is tasked with giving authority.

Lupia and McCubbins (1994) state that agency problems that occur are problems faced by legislatures. Referring to this statement, the government is less able to monitor companies in managing and carrying out their work in accordance with government expectations. Companies have a desire to maximize costs incurred by minimizing their accounting profits in order to minimize tax expenditures, while the government issues various tax regulations in the hope that companies behave as compliant corporate taxpayers by reporting, calculating and paying taxes according to proper costs. According to Haryani et al. (2011), companies as agents should behave on behalf of the government and have the same goals as the government, but in practice companies often act for their personal interests. This difference in interests between the government and companies causes companies to regulate their profits and taxes by taking advantage of regulatory loopholes, therefore companies can be said to practice earnings management and tax avoidance.

Companies are also considered to be carrying out moral hazard in realizing their personal interests (Elgie & Jones, 2000). This is because companies take more risks because they think that the government will bear the costs of these risks. Companies have abundant information on their financial statements, while the government does not have as complete information as companies. Higher power on one of the parties in the agency relationship will foster fraud on agency contracts that have been drawn up (Colombatto (2001). Smith and Bertozzi (1996) revealed that in the context of costs, the proposals put forward by the company have the weight of prioritizing executive interests.

Von Hagen (2002) states that taxes from companies are used by the government to fulfill its personal interests in the acquisition of state revenues originating from taxes. Agency problems can arise because of the complete information about companies dealing with the superiority of government power. Halim and Abdullah (2006) argue that the problem of agency in government will continue and be interrelated in all levels. The existing regulation is in the form of a semi-given contract which is drawn up following the provisions of political procedures at a higher level of government. The contract that occurs is not stated in black and white, so the contract is referred to as an incomplete. The process of liability for the contract is considered different from what applies in a business agreement, so that it will lead to a breach of the contract.

The Effect of Corporate Social Responsibility Disclosure on Tax Avoidance

Avi-Yonah (2008) states that a company is a real entity that is separate from the state or its shareholders. Based on the real entity view, companies that disclose CSR activities should not commit tax evasion because this action is seen as socially irresponsible, because companies do not pay their taxes fairly. As a continuation of social responsibility to the community, the company is also obliged to carry out CSR activities. The company with its role as an agent in agency theory views the company's burden as an agency cost that must be minimized in order to increase the value of the company. In obtaining the amount of tax payable, the company will carry out several calculation steps. CSR disclosure activities are assessed as expenses that fall into the deductible expense category, so that their value will reduce accounting profit through fiscal reconciliation activities.

The study conducted by Lanis and Richardson (2015) gave negative results on the effect of CSR disclosure on tax avoidance, which was concluded by high CSR disclosure followed by a decrease in a company's tax avoidance practices. Companies are considered to use tax-saving funds to invest through CSR activities. Hoi et al. (2013) stated that companies that do not disclose CSR activities have a higher probability of engaging in tax avoidance activities. Companies that make CSR disclosures are considered to reduce company profits through costs incurred, so that the tax

burden paid by the company will be small. Referring to this explanation, the hypothesis formulated to be tested in this study is as follows:
H1: Corporate Social Responsibility Disclosure has a negative effect on Tax Avoidance

Earnings Management as an Intervening Variable on the Effect of Corporate Social Responsibility Disclosure on Tax Avoidance

Profit-oriented companies in practice have made efforts to obtain maximum profits with various kinds of cost-effectiveness by carrying out tax planning as the initial stage of earnings management. Managers' determination to carry out earnings management activities is tax motivation (Aditama & Purwaningsih, 2014). On the basis of agency theory, earnings management occurs when a company wishes to reduce tax costs by practicing tax avoidance through regulatory loopholes, but the government does not want this to happen because it is considered a violation of government regulations and can change financial statements.

The development of the intervening model with earnings management as the intervening variable in this study is due to tax avoidance which is considered to have a strong relationship with earnings management. The high level of earnings management within the company is consistent with higher tax avoidance. Acquisition of tax payable to the company, the calculation process cannot be calculated directly from accounting profit because the profit needs to be reconciled. Companies in minimizing tax payable in their tax avoidance practices are considered to be doing engineering in advance on financial reports by managing their accounting profits. Therefore, researchers have a desire to update previous studies by building intervening variables as mediators, so that the hypotheses formulated to be tested in this study are as follows:
H2: Corporate Social Responsibility Disclosure affects Tax Avoidance through Earnings Management

Research Methods

Research Variables

In this study there are five variables consisting of independent variables namely Disclosure of Corporate Social Responsibility, dependent variable namely Tax Avoidance, intervening variable namely Profit Management and control variables namely Company Size and Leverage.

CSR disclosure according to Gray et al. (1995) is an information provision flow structured to demonstrate social accountability. Measurement of CSR disclosure variables is carried out using the content analysis method to explain information in the company's annual report. There are 91 items in the G4 Guidelines which were initiated by the Global Reporting Initiative (GRI, 2016). The content analysis method is carried out by giving a value of 1 for content which is explained in the annual report and giving a value of 0 for content which is not explained in the annual report.

$$CSRD_i = \frac{\sum X_i}{n}$$

Where,
$CSRD_i$: CSR Disclosure in the company *i*
$\sum X_i$: Number of contents that is worth 1 in the company *i*
n : Total content of CSR Disclosure indicators

Tax avoidance is a tax planning effort that aims to get a small amount of tax owed. In this study, tax avoidance is measured using the Effective Tax Rate (ETR) proxy. The use of this proxy is driven by its ability to reflect the difference between accounting profit and fiscal profit (Frank & Rego, 2006). The use of ETR proxies is considered capable of disclosing all tax components for two periods. Based on the explanation of the purpose of tax avoidance practices related to compliance with the State, the ETR proxy is considered to be better used than other proxies.

$$ETR = \frac{Tax\ Expense}{Profit\ Before\ Tax}$$

Where,
ETR : Effective Tax Rate

Earnings management is a manager's attempt to deceive stakeholders by carrying out activities that affect information in financial reports (Sulistyanto, 2008). Measurement of earnings management variables is measured using the discretionary accrual method which shows the accrual value of engineering results with the exemption from the use of accounting standards. The accrual value in question consists of total accruals, receivables, income, and plans, property and equipment (PPE). Referring to the Modified Jones Model (Dechow et al., 1995), measurements made by Frank and Rego (2006) is reduced into the equation below to obtain the magnitude of the value of discretionary accruals in earnings information.

$$\frac{TAC_{it}}{A_{it-1}} = \beta_1\left(\frac{1}{A_{it-1}}\right) + \beta_2\left(\frac{\Delta REV_{it} - \Delta REC_{it}}{A_{it-1}}\right) + \beta_3\left(\frac{PPE_{it}}{A_{it-1}}\right) + \eta_{it}$$

Where,
TAC_{it} : Total accruals of the company *i* in period *t*
A_{it-1} : Total assets of the company *i* in period *t-1*
ΔREV_{it} : Changes in the company's *i* income from period *t-1* to period *t*
ΔREC_{it} : Changes in the company's *i* account receivables from period *t-1* to period *t*
PPE_{it} : Gross fixed assets of the company *i* in period *t*
η_{it} : Discretionary Accrual
β : The coefficient obtained from the regression equation

Sampling

This study examines the population of companies in the Consumer Non-Cyclicals sector listed on the Indonesia Stock Exchange (IDX) for 2018 – 2020. The selection of these sectors is based on price changes in the Consumer Non-Cyclicals sector do not affect customer demand, so it can be concluded that this sector has a stable performance.

Data from the IDX found a total of 87 primary consumer goods companies. The sample used in this study was taken using a non-probability sampling technique through purposive sampling with consideration of several criteria. Based on this classification, the total sample obtained was 75 firm's years. Based on the criteria used, details of the number of samples used in this study can be seen in Table 1.

Table 1. Sampling Criteria

Details	2018	2019	2020
Consumer Non-Cyclicals sector companies are listed on the IDX.	72	79	86
Companies that do not publish financial reports and annual reports with complete data.	-33	-26	-32
Companies that use currency units other than Rupiah.	-1	-1	-1
Companies that suffer losses.	-9	-8	-14
Company data was obtained after the sample classification process.	29	44	39
Companies that are not consecutively listed on the IDX during the year of observation.	-4	-15	-10
Consumer Non-Cyclicals sector company data that can be processed.	25	25	25
Total Sample (firm's years).			75

Source: Indonesia Stock Exchange, Secondary data processed in 2022

Analysis Method

In conducting data analysis, this study conducted multiple linear regression analysis using the Ordinary Least Square (OLS) method. Suliyanto (2016) states that to prove that the regression model is closest to the accrual value, parameter estimation using the OLS method is required to provide parameter results with the Best, Linear, Unbiased, Estimator (BLUE) properties. By utilizing the SPSS software version 25, the regression used in this study refers to the causal step method introduced by Baron and Kenny (1986) as follows:

$$ETR = \beta_0 + \beta_1 CSRD + \beta_2 SIZE + \beta_3 LEVE + \varepsilon \quad (1)$$
$$DA = \beta_0 + \beta_1 CSRD + \beta_2 SIZE + \beta_3 LEVE + \varepsilon \quad (2)$$
$$ETR = \beta_0 + \beta_1 CSRD + \beta_2 SIZE + \beta_3 LEVE + \beta_4 DA + \varepsilon \quad (3)$$

Where,
β = Regression model coefficient value
ETR = Dependent variable, Tax Avoidance
$CSRD$ = Independent variable, CSR Disclosure
DA = Intervening variable, Earnings Management
$SIZE$ = Control variable, Company Size
$LEVE$ = Control variable, Leverage

Results and Discussion

Descriptive Statistics

Table 2. Descriptive Statistics

	n	Minimum	Maximum	Mean	Std. Deviation
CSR Disclosure (X_1)	75	0.12088	0.82418	0.53700	0.14276
Tax Avoidance (Y)	75	0.13389	0.39610	0.24760	0.04487
Earnings Management (Z)	75	-0.45127	0.16584	-0.04290	0.09161
Company Size (X_2)*)	75	135.396	189.101	155.472	142.198
Leverage (X_3)*)	75	0.13015	358.924	108.493	0.87218

Referring to the Table 2, the average value for disclosing CSR obtained a value of 53.7% which means that the sample companies have disclosed a total of 48 out of a total of 91 content with the most content being content in the economic category and aspects of economic performance. The largest CSR disclosure was obtained by UNVR company in 2020 and the smallest CSR disclosure was obtained by TGKA company in 2018. Regarding the tax avoidance variable, the average value obtained shows that the tax burden borne by the company is 24.76% of profit before tax, so that most of the sample companies are considered to stay away from tax avoidance practices. The highest tax avoidance ratio was obtained by SIPD company in 2020 and the lowest ratio was obtained by RANC company in 2019. The earnings management variable which acts as an intervening variable obtained an average value of -4.29%, which means that some companies conduct a sample of earnings management practices by reducing accounting profits. The highest earnings management score was obtained by the HOKI company in 2018 and the lowest score was obtained by the AMRT company in 2018.

Discussion of Research Results

Regression Model (1)

The data in the regression model test (1) shows a significance value of 0.200 so that it is expressed as an equation that has normally distributed residual data and passes the classical assumption test.

Based on this it can be said that the regression model (1) which is the first criterion for the causal step method is declared acceptable and feasible to use and continues to be tested in testing.

Table 3. Regression Model (1) Result Test

	Collinearity Statistics		Glejser Test			T Test		
	Tolerance.	VIF	β	t	Sig.	β	t	Sig.
Const.			.064	1.820	.073	.136	2.451	.017
CSRD	0.878	1.139	.019	.813	.419	.104	2.827	.006
SIZE	0.772	1.296	-.003	-1.377	.173	.004	.961	.340
LEV	0.868	1.153	.009	2.500	.015	-.003	-.505	.615
				n	dL	dU	4-dL	4-dU
Durbin-Watson			2.187	75	15.432	17.092	24.568	22.908
Asymp. Sig. (2-tailed)								.200
F Test								4.107
Simultaneous Sig.								.010
Adjusted R Square								.148
Std. Error Estimate								.04229

The results of the F statistic test in the regression model (1) found a significance value of 0.010 so that it can be concluded that CSRD has a simultaneous effect on ETR. Regarding these results, proof of how far the ability of the regression model to explain variation is measured by testing the coefficient of determination (R^2) which gives a result of 0.148. These results conclude that the ETR variation can be explained by the CSRD variation with a percentage of 14.8%, the rest is explained by variations in other variables not involved in this study. The standard error of estimate (SEE) obtained at 4.23% is considered a low value. Therefore, CSRD is considered appropriate in predicting ETR.

Regression Model (2)

Table 4. Regression Model (2) Result Test

	Collinearity Statistics		Glejser Test			T Test		
	Tolerance	VIF	β	t	Sig.	β	t	Sig.
Const.			-.022	-.029	.977	.145	1.577	.119
CSRD	.878	1.139	-.094	-2.446	.017	-.086	-1.422	.159
SIZE	.772	1.296	.006	1.347	.182	-.006	-.469	.641
LEV	.868	1.153	.014	2.178	.033	.019	1.876	.065
				n	dL	dU	4-dL	4-dU
Durbin-Watson			1.829	75	15.432	18.092	24.568	22.908
Asymp. Sig (2-tailed)								.001
F-Statistic Test								2.109
Simultaneous Sig.								.107
Adjusted R Square								.043
Std. Error Estimate								.06977

Looking at the regression model test (2) above, shows that the regression model equation (2) has not passed the classical assumption test. Obtaining a significance value of 0.001 in the regression model (2) indicates that the regression model (2) has residual data that is not normally distributed. In addition, the gain of significance in the Glejser test showed a value of 0.017 which stated that the regression model (2) indicated heteroscedasticity with a non-uniform variance. Based on the explanation for the acquisition of the test results, it can be stated that the regression model

(2) which is the second criterion for the causal step method is declared rejected and is not yet suitable for use or continued for testing in research.

Regression Model (3)

Table 5. Regression Model (3) Result Test

	Collinearity Statistics		Glejser Test			T Test		
	Tolerance	VIF	β	t	Sig.	β	t	Sig.
Const.			.068	1.879	.064	.158	2.867	.005
CSRD	.854	1.171	.021	.870	.387	.091	2.499	.015
DA	.918	1.089	-.032	-.696	.489	-.151	-2.159	.034
SIZE	.769	1.300	-.004	-1.408	.164	.003	.864	.391
LEV	.827	1.210	.007	1.865	.066	.000	-.036	.971
				n	dL	dU	4-dL	4-dU
Durbin-Watson			2.230	75	15.151	17.390	24.849	2.261
Asymp. Sig.(2-tailed)								.174
F-Statistic Test								4.404
Simultaneous Sig.								.003
Adjusted R Square								.155
Std. Error Estimate								.04124

The results of testing the regression model (3) show that the significance value obtained is 0.174 so that the regression model (3) is declared to have passed the test with normally distributed residual data. Regression model (3), which is the third criterion for the causal step method, is declared acceptable and suitable for testing in research.

The results obtained in the F statistical test for the regression model (3), found a significance value of 0.003 so that it can be concluded that CSRD together with DA have a simultaneous effect on ETR. Regarding these results, the proof of how far the regression model's ability to explain variation is measured by testing the coefficient of determination (R^2) which gives a result of 0.155. These results conclude that ETR variations can be explained by CSRD variations and DA variations with a percentage of 15.5%, the rest is explained by variations in other variables not involved in this study. The standard error of estimate (SEE) obtained at 4.12% is considered a low value. Therefore, CSRD and DA are considered appropriate in predicting ETR.

Sobel Test

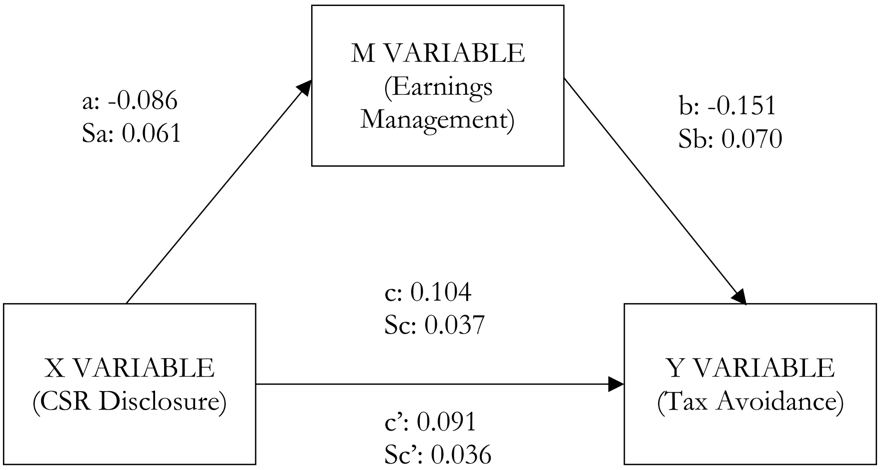
Regression testing with intervening variables in this study begins with path analysis which shows the development of multiple linear regression analysis. Path analysis proves the indirect effect of the independent variable on the dependent variable through the intervening variable. Based on the results of the three regression models which are used as conditions for the causal step method, it is stated that there is a rejection of one of the required regression models, namely the regression model (2).

In testing the regression model equation (1) a constant value of 0.136 is obtained with a CSRD regression coefficient value of 0.104. This shows that an increase in every 1 unit of CSRD will be followed by an increase in the ETR unit of 0.104. The increase in ETR units indicates that companies are increasingly avoiding tax avoidance practices, so it can be said that CSRD has a direct negative effect on ETR. In conclusion, if the level of CSR disclosure carried out by the company is high, then it can be defined that the practice of tax avoidance by the company is considered low. The magnitude of significance in the regression model (1) was obtained at 0.006, so that these results mean that CSRD has a significant influence on ETR. Therefore, the regression model (1) used as the first criterion in the causal step method is declared accepted.

In testing the regression model equation (2) a constant value of 0.145 is obtained with a CSRD regression coefficient value of -0.086. This shows that CSRD directly has a negative effect on DA, because every increase of 1 CSRD unit affects the decrease of DA units by 0.086 units. It can be concluded that if the level of CSR disclosure implemented by the company is high, it is possible that the earnings management practiced by the company is low. The magnitude of significance in the regression model (2) was obtained at 0.159 so that these results represent that CSRD has no significant effect on DA. Therefore, the regression model (2) which is used as the second criterion in the causal step method is declared rejected.

In testing the regression model equation (3) a constant value of 0.158 is obtained with a CSRD regression coefficient value of 0.091. This shows that by including DA as an intervening variable, it does not change the results of the influence of CSRD on ETR with the results still having a negative and significant effect with a significant value of 0.015. The value of the DA regression coefficient shows a value of -0.151 which means that DA has a positive influence on ETR, because every increase of 1 DA unit will affect a decrease in the ETR unit by 0.151 units. It can be concluded that if the level of profit management is high, it is possible that the tax avoidance practiced by the company is high. The magnitude of significance in the regression model (3) was obtained at 0.034. Based on this explanation, it can be interpreted that the regression model (3) used as the third criterion in the causal step method is declared acceptable.

Path Analysis Causal Step Method



In order to strengthen the decision to determine earnings management as an intervening variable, the step taken after testing the equation according to the causal step method is to do the Sobel test. The implementation of the Sobel test obtained results with the following formula:

$$S_{ab} = \sqrt{(b^2 sa^2) + (a^2 sb^2) + (sa^2 sb^2)} \quad (4)$$
$$S_{ab} = \sqrt{(-0.151^2 x 0.061^2) + (-0.086^2 x 0.070^2) + (0.061^2 x 0.070^2)}$$
$$S_{ab} = 0.011803$$

For an acquisition value of 0.0118, a calculation is made for the Z_{count}value with the following acquisition results:

$$Z_{count} = \frac{a^2 b^2}{S_{ab}}$$
$$Z_{count} = \frac{(-0.086)x(-0.151)}{0.011803} \quad (5)$$
$$Z_{count} = 1.100209$$

Based on the magnitude of the Z_{table} value for the 5% coefficient it is known to be 1.96, then the Z_{count} calculation proves that the Z_{table} value is higher than Z_{count}. It can be concluded that DA has not been able to mediate CSRD on ETR.

Referring to the rejection of the regression model (2) which is one of the three criteria in the causal step method and supported by the results of the Sobel test, it can be concluded that DA cannot be used as an intervening variable that plays a role in mediating the effect of CSRD on ETR. This explanation concludes that DA acts as an independent variable on ETR. This is evidenced by the acquisition of a significance value of 0.034 and a coefficient value of -0.151 which means that DA has a positive effect on ETR. The high level of the company in managing its earnings can be interpreted that the practice of tax avoidance by the company is high.

Hypothesis Testing

Hypothesis testing is measured by conducting a statistical t test, testing the hypothesis in this study obtained the following results:

Table 6. Hypothesis Testing Results

Hypothesis	β	Sig
Corporate Social Responsibility Disclosure has a negative effect on Tax Avoidance.	0.104	0.006
Corporate Social Responsibility Disclosure affects Tax Avoidance through Earnings Management.	0.091	0.015

Testing the first hypothesis is the independent variable, namely CSR disclosure affects the dependent variable, namely tax avoidance. The results show that the significance value obtained is 0.006. Based on the value of the CSRD regression coefficient obtained, it shows that each increase of 1 CSRD unit will be followed by an increase in the ETR unit of 0.104. Based on this statement, the extent of CSR disclosure by the company assumes that the company avoids tax avoidance practices proxied by ETR. This is because the increase in ETR units indicates lower tax avoidance practices. So, it was found that CSR disclosure has a negative and significant effect on tax avoidance. The decision supports H_1 (**accepted**).

Referring to the results obtained, if the CSR disclosure carried out by the company is indicated to be high, then the CSR burden on these CSR activities which is used as a deduction from accounting profit is also of high value. CSR expenses are considered as deductible expenses, so companies as agents that make extensive disclosure of CSR activities in their annual reports are considered to have corporate expenses that can be credited to accounting profit. Disclosure of CSR according to Dewi and Suaryana (2015) does not involve a nominal amount. A high CSR burden means a high deductible expense value, so that you will find low tax payable due to low fiscal profit. Referring to the ETR measurement used, companies that disclose CSR activities widely are considered to have no indication of tax avoidance practices.

Based on the results obtained, this study is in accordance with studies conducted by Lanis and Richardson (2015), Hoi et al. (2013), and Watson (2011) which states that broad disclosure of Corporate Social Responsibility is stated as a company expense that can be credited to accounting profit which will then reduce company profits through fiscal reconciliation. (Hoi et al., 2013) stated that companies with narrow CSR disclosures are considered socially irresponsible, so they are more aggressive in avoiding taxes.

Testing the second hypothesis is the development of an intervening model that examines the effect of CSR disclosure on tax avoidance through earnings management. The decision to determine the intervening variable is based on the results of the regression analysis of the intervening variable according to the causal step method and the results of the Sobel test calculations. In the test results on the causal step method, there is a rejection of 1 of the 3 required criteria. In the calculation results of the Sobel test, the result is 1,100. Based on the two test results, it can be concluded that earnings management cannot mediate the effect of CSR disclosure on tax avoidance. The decision does not support H_2 (**rejected**).

The results of this study prove that earnings management has the same role as CSR disclosure, namely as an independent variable for tax avoidance. Based on the test results, it can be concluded that the high level of earnings management by the company will assume that the company is practicing tax avoidance. Companies that practice tax avoidance are not far from managing accounting profits. Companies that increase and decrease their accounting profits, the amount of tax payable by the company will adjust accounting profits after being reconciled. If the value of taxable profit is high, then the tax payable is also high. It can be concluded that the practice of tax avoidance cannot be carried out without profit management by means of earnings management activities.

The calculation of tax payable is based on the taxable profit which is the result of the company's profit after the reconciliation is carried out. Therefore, accounting profit that is regulated either increases or decreases will give a change in taxable profit. Earnings management can be done by adjusting the classification of the company's expenses or income. Accounting profit can be high through the addition of recognition of the company's income and expenses, while accounting profit can be reduced through the addition of recognition of the company's expenses and income. The decision on the results of this study considers earnings management to act as an independent variable for tax avoidance, so companies that regulate their profits so that they are of high or low value are called tax avoidance activities. The results of this study have similar results to studies conducted by Putri (2014), Tiaras and Wijaya (2015), and Pajriyansyah and Firmansyah (2017) which state that high earnings management will indicate companies practicing tax avoidance.

Conclusion

In carrying out the study, the limitations received by the researcher consist of the subjective nature of each reader in expressing CSR disclosures carried out by the company in the annual report resulting in different points of view from each reader. The study sample was in a limited number of Consumer Non-Cyclicals sector companies. The results of a study using data for 2018-2020 where there was a decline in the national economy as a result of the Covid-19 pandemic, causing a significant difference in numbers. And the ETR measurement in this study uses gross profit that has not been deducted by tax so that ETR cannot reflect earnings management because in showing earnings management required net profit after reconciliation.

Based on the limitations encountered, there are suggestions given to become opportunities in future studies, namely adding years of observation in order to obtain more accurate data, replacing the larger company sector with a higher number of companies compared to the Consumer Non-Cyclicals sector, and using variables or adding other variables as independent variables or intervening variables that are considered to have a greater contribution to the practice of tax avoidance implemented by companies.

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