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The Influence of Corporate Social Responsibility (CSR) and Profitability On Tax Avoidance

[1]Silvia Eka Putri Adi, [2]Sri Luayyi, [3]Siti Isnaniati
[1,2,3] Dapartement of Accounting Program Islamic University of Kadiri-Kediri
[1]silviaekputri246@gmail.com, [2]sriluayyi@uniska-kediri.ac.id

ABSTRACT

This quantitative study investigates the relationship between corporate social responsibility (CSR), profitability, and tax avoidance practices among energy sector companies listed on the Indonesia Stock Exchange (IDX). The research focuses on the period from 2021 to 2023. Amidst heightened market competition, this study emphasizes the crucial need for companies to balance financial performance with social responsibilities. The analysis's conclusions indicate that CSR and profitability have a big impact on tax evasion. This report emphasizes how important CSR management and tax planning are to advancing company sustainability.

Keywords:Corporate Social Responsibility; Profitability; Tax Avoidance.

ABSTRACT

This quantitative study investigates the relationship between corporate social responsibility (CSR), profitability, and tax avoidance practices among energy sector companies listed on the Indonesia Stock Exchange (IDX). The research focuses on the period from 2021 to 2023. Amidst heightened market competition, this study emphasizes the crucial need for companies to balance financial performance with social responsibilities. The conclusion of the analysis shows that CSR and profitability have a significant impact on tax avoidance. This report emphasizes the importance of CSR management and tax planning to advance corporate sustainability).

Keywords:Corporate Social Responsibility; Profitability; Tax Avoidance

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INTRODUCTION

The development of the business world and technology has had a significant influence on the Indonesian economy, seen from the increasingly tight competition in the business world and the emergence of many new companies. This competition requires companies to continue to advance and develop through the management of all available resources optimally in order to survive and achieve maximum profit (Lailia and Luayyi, 2024). Good companies generally carry out their responsibilities, including paying taxes. However, a number of company managements tend to try to fulfill fiscal obligations without significantly reducing profitability. One approach that is often used is the tax avoidance strategy, which although not explicitly breaking the law, still raises ethical polemics and controversies among stakeholders. This practice can create inequality in tax obligations between companies and has the potential to harm the company's image in the eyes of the public so that understanding the influence of CSR and Profitability on tax avoidance is very important, especially in industries that have high social responsibility, such as the energy sector.

Companies that report Corporate Social Responsibility (CSR) will undoubtedly benefit from such actions. In essence, the concept of social responsibility, or CSR, is seen as crucial to the survival and success of a company (Nurcahyono and Kristiana, 2019). This is because the company is believed to have contributed to society and the environment, while also creating the perception that they are not only exploiting existing resources (Diva Kirana and Putri, 2024). Profitability also has an impact on how much tax a company pays because high levels of profitability can have an impact on the amount of tax that must be paid. This amount increases with the company's profits, because of this, companies with high profitability pay more attention to their tax strategies to manage tax liabilities, which can include efforts to minimize tax burdens through specific practices. This shows that profitability not only affects the amount of tax paid, but can also affect the company's decisions regarding tax avoidance.

Tax avoidance, in its approach, takes strategic steps to reduce their tax burden without directly violating tax laws or misinterpreting them. The essence of tax avoidance lies in actions that are outside the spirit and fundamental intent of established tax regulations. The main

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motivation of company management in carrying out tax avoidance is to achieve a minimum of tax obligations that are considered legal, encouraging them to explore various mechanisms that can reduce tax liabilities. Thus, the issue of tax avoidance presents its own complexity because although formally it does not violate the law, this practice is contrary to the government's fiscal expectations and interests (Putri and Putra, 2017). According to (Sariningsih and Trivansyah, 2024) tax avoidance is not an illegal activity, although it is often viewed negatively because companies try to minimize the amount of tax that must be paid. This effort can effectively provide a positive impact on the company because the tax burden that must be paid decreases, so that the company's profit can increase.

In implementing tax avoidance, taxpayers must continue to comply with applicable regulations and ensure that the action is legal under tax law. Therefore, companies can optimize tax obligations legally by exploiting loopholes in existing regulations. However, to avoid reputational damage and to maintain good relations with stakeholders, it is important for companies to implement this practice ethically. Companies tend to try to increase profits by avoiding factors that can reduce profits, including income tax obligations. There are various methods that can be taken to achieve this goal, including methods that are in accordance with the legal framework and those that conflict with it. Tax avoidance itself is a tactic commonly applied by corporate entities with the intention of minimizing tax liabilities legally, including by exploiting loopholes in tax regulations to reduce the amount of their tax obligations.

Energy companies play a significant economic role, contributing a large share of gross domestic product and creating jobs. Technological innovations in mining and post-mining land rehabilitation are evidence of companies' commitment to efficiency and environmental protection. Also, many companies participate in corporate social responsibility programs to improve the welfare of local communities and technology. High global demand, especially in Asia, and price fluctuations attract investors. In some cases, companies are also expanding into other energy sectors in order to diversify their business. However, all companies also face national environmental regulations and cannot directly influence environmental standards. At the same time, political support provides stability and incentives to innovate. With these factors

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alone, energy companies are likely to remain competitive as major players in the global energy sector, despite the downturn associated with the transition to renewable energy sources.

The Tax Avoidance phenomenon in Indonesia is the main concern in this study, which specifically examines PT Adaro Energy Tbk. Which was once suspected of reducing its tax obligations by shifting profits to a subsidiary in Singapore. The company is suspected of being able to pay lower taxes to the Indonesian government by selling coal to a subsidiary in Singapore at an affordable cost and then reselling it at a higher price. Based on the report, the Global Witness organization estimates the potential tax loss of up to around USD 125 million per year from this practice (Hendra Friana, 2019). In addition, the energy sector in Indonesia generally shows passive illicit financial flows, especially through exports. A study by the Prakarsa Institute revealed that from 1989 to 2017, this sector generated illicit financial outflows of USD 41.8 billion, reducing tax avoidance practices, legal loopholes and weak fiscal oversight allow many companies to use aggressive strategies to avoid taxes legally, but ethically detrimental (Ah Maftuchan, 2019).

Energy sector companies in Indonesia were chosen as the object of research because of their unique characteristics that distinguish them from other sectors. In the structure of the national economy, the energy sector is one of the key sectors that contributes to Indonesia's economic development, given their involvement in large projects that require large initial investments and revenues that will be generated in the long term. As the demand for energy increases due to population growth and economic development, this sector is home to many companies. The need for energy in Indonesia continues to increase, and quite a number of companies operate in this sector and compete with each other in an increasingly tight market. Behind this rapid growth, there are many challenges faced by companies in the energy sector, especially in relation to tax obligations. These facts put company management under pressure to maintain profitability and positive cash flow. For this reason, they may consider opportunities to avoid some taxes. On the other hand, companies may seek legally regulated ways to minimize their tax obligations due to legal uncertainty and complex tax regulations. In

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such circumstances, the companies under study must develop effective tax strategies to ensure their financial sustainability and compliance with the law.

In the independent variable of Corporate Social Responsibility, there are still many that do not link profitability to tax avoidance, and previous research has also not been able to ascertain the results of the influence of this variable, because from several studies, inconsistent research results were found (Siregar and Azzahra, 2022),(Wulandari Laksmi et al., 2023), Research concerning the correlation between Corporate Social Responsibility (CSR) and tax avoidance has yielded inconsistent findings. Prior academic investigations suggest a discernible impact of CSR initiatives on a company's propensity for tax avoidance. However, contradictions arise from other studies, such as those presented by Sormin (2020) and Nurcahyono and Kristiana (2019), which actually conclude that CSR has no significant impact on Tax Avoidance. At the same time, significant profits can motivate businesses to practice tax avoidance, since increased earnings result in greater tax obligations. Thus, firms with significant profitability prossess a greater motivation to explore legal methods for minimizing their tax obligation and preserving ideal net earnings.

The inconsistency of research results creates a research gap, so this researcher plans to fill the gap by using profitability as an independent variable. This study has significant distinctions compared to previous studies. First, the periodization of the data analyzed covers the period 2021 to 2023. Second, this study focuses empirically on businesses in the energy industry listed on the IDX. This is different from previous studies that observed businesses listed on the IDX between 2015 and 2020 engaged in the building construction, real estate, and property industries. Energy companies have a number of interesting aspects that are a magnet for various stakeholders. One thing that stands out is the abundant coal reserves and high production levels, which indicate the company's capability in meeting market demand and generating significant revenue.

The topic of this research is tax avoidance, and the objective is to investigate how profitability and CSR affect this practice. During the observation period of 2021–2023, this study uses energy sector businesses listed on the IDX as the research subjects. Based on this focus, this

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study carries the title: "Tax Avoidance: The Effect of Corporate Social Responsibility and Profitability (Case Study of Energy Sector Companies in the IDX Period 2021–2023)."

THEORETICAL REVIEW AND HYPOTHESIS

Stakeholder Theory

The long-term success of a corporate entity is believed to be inherent in the support of various stakeholders. These groups or individuals, who have the capacity to impact or are impacted by the realization of organizational targets, are classified into two distinctive categories: primary and secondary stakeholders. The stakeholder theoretical perspective emphasizes the imperative for every corporate action to accommodate the aspirations and interests of these stakeholders, given the significance of their support to the vitality of the company (Sariningsih & Trivansyah, 2024).

Stakeholder theory emphasizes that a company must provide benefits to all its stakeholders in addition to operating for its own interests. Support from stakeholders is an integral part of the company's existence. The view of the company extends beyond a mere profit orientation. Within the framework of stakeholder theory, a business organization is understood as an entity that has an obligation to accommodate and provide added value to various stakeholders. These parties, both from within and outside the organization, have the capacity to significantly influence or be influenced by the company's operations. Thus, stakeholder theory offers a perspective on how management can navigate the complexity of expectations from these various constituents (Mandagie et al., 2022).

Corporate Social Responsibility

Corporate Social Responsibility(CSR) is a form of feeling of responsibility towards all interested officials, including the government and society, through tax payments. CSR is a business commitment to respond to the needs and concerns of stakeholders related to environmental, social, and ethical issues (Sultoni, 2020). High levels of CSR disclosure are associated with lower tax avoidance, while low disclosure tends to increase tax avoidance (Diva Kirana and Putri, 2024). By disclosing CSR transparently, the Company demonstrates

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responsibility and compliance with the rules. CSR can also be used as a tool for companies to gain competitive advantage; companies that implement CSR policies effectively motivate competitors to do the same so as not to lose consumer loyalty. CSR has been recognized as an important element for the success and survival of a company(Jao and Holly, 2022).

Profitability

Profitability is a company's capability to generate income by using available resources, including assets, capital or sales (Siswanto, 2021). Profitability is understood as a metric that measures a company's capability to gain profit at a significant level. Profitability as a Key Metric for Corporate Sustainability. The fundamental objective underpinning the establishment of any commercial enterprise is profit generation, a crucial endeavor for ensuring the long-term viability and sustainability of the organization. Return on Assets (ROA) serves as a primary metric for quantifying this profitability, thereby acting as a vital indicator of a company's success in achieving its financial objectives (Luayyi et al., 2023). Profitability is also an important factor in tax requirements because companies that make more profit must pay more taxes. On the other hand, even though they are at a loss, companies that have lower profits can pay less tax or even not pay at all (Fida Oktafiani et al., 2020).

Tax Avoidance

*Tax Avoidance*is one of the tactics that can be applied by business management to reduce or minimize the amount of money paid without disclosing the details of the ongoing transaction. This is done to increase the amount of money received by the company (Pest, 2020). The overarching aim of tax avoidance is to diminish tax burdens through the lawful utilization of lacunae within national tax legislation. This practice frequently operates within legal frameworks, adhering to established regulations and enabling corporations to reduce their tax obligations without contravening legal provisions. Nevertheless, the ramifications of tax avoidance extend beyond financial implications, potentially impacting a company's public perception and reputation. This phenomenon is of concern in the context of business ethics, where corporate actions are evaluated from the perspective of legality, fairness, and social responsibility (Adi and Frana, 2024).

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Corporate Social Responsibility (CSR) On Tax Avoidance

According to (Rudito, 2019)Companies use social responsibility, or Corporate Social Responsibility (CSR), as a form of relationship and communication with local communities and the general public. CSR is a concept that encourages companies to participate and contribute to all stakeholders. This is in line with stakeholder theory, which reveals a company's leadership.can be influenced by various parties that have direct or indirect relationships with the company, including the government. Companies that have high CSR values show a high level of social responsibility, including the obligation to pay taxes in accordance with the tax regulations that have been passed. A company's tax compliance reflects the low level of tax avoidance that is violated. However, companies involved in complex tax avoidance schemes often fail to uphold their social obligations. Research(Siregar and Azzahra, 2022),(Achmad Hidayat and Novita, 2023), as well as(Wulandari Laksmi et al., 2023)shows that CSR has a positive influence on tax avoidance. However, research(Sormin. F, 2020)And(Nurcahyono & Dan Kristiana, 2019)actually produced negative findings and concluded that there was no relationship between tax avoidance and CSR.

H1: Corporate Social Responsibility influences Tax Avoidance.

Profitability On Tax Avoidance

Profitability plays an important role in the success of a business, as stated by Lailia & Luayyi (2024). As a vital element, profitability reflects the company's ability to achieve its main goal, which is to generate sustainable profits. In the context of stakeholder theory, profitability is also closely related to the company's responsibility to various stakeholders. This theory emphasizes that the company's responsibility is not solely limited to efforts to maximize profits for shareholders, but also includes attention to the needs and interests of various other stakeholders. Therefore, companies that have a strong understanding of the importance of profitability are generally more proactive and strategic in managing their social responsibilities, including in terms of transparency and compliance with tax regulations. Among the various goals that the company wants to achieve, making a profit is a major part of the company's goals.

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A strong financial position is strengthened by high profitability for the company, however, increased profits also lead to greater tax liabilities. There is inconsistency in empirical studies regarding the relationship between profitability and tax avoidance. Although profitable companies usually implement efficient tax management strategies, which have the potential to lead to tax avoidance practices, research findings (Sormin, 2020) actually indicate that profitability does not have a significant effect on tax avoidance. This contradiction is reinforced by another study (Erlianny & Hutabarat, 2020) which shows the opposite result, namely that profitability significantly affects the level of corporate tax avoidance.

H2: Profitability has an effect on tax avoidance.

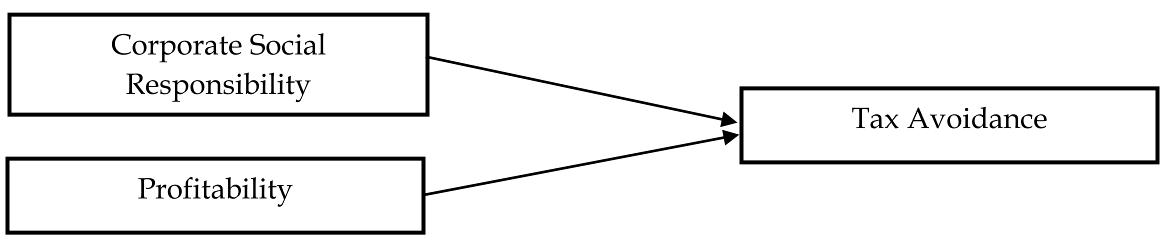

Figure 1. Conceptual Framework

RESEARCH METHODS

Population and Sample

This study utilized secondary data sourced from published materials and external databases rather than direct researcher collection. The research population comprised all energy-related companies publicly listed on the Indonesia Stock Exchange (IDX), totaling approximately 87 entities. Financial data pertinent to this research was extracted from the annual reports of these companies, specifically for the fiscal years 2021 through 2023.

A combination of non-probability sampling techniques and purposive selection methods were used to select the sample. Based on the established criteria, the researcher selected 15 companies as samples, making a total of 45 observation units. The IDX website (www.idx.co.id) and the official websites of each company provide the company's annual financial reports. Data were collected through non-participatory observation. The stages involved in sample selection are as follows:

Table 1. ***Sampling Techniques***

Criteria	Amount
All business entities operating in the energy sector and registered as issuers on the IDX during the 2021-2023 period.	**87**
All energy sector business entities that did not publish financial reports during the 2021-2023 period	**(14)**
All Companies that do not present sustainability reports in accordance with GRI guidelines version 4 during the period 2021-2023	**(58)**
Number of companies that meet the criteria	**15**
Number of years of research	**3**
Total sample of companies in the study (15x3)	**45**

Source: Processed data, 2025

The description of the research methodology is a crucial aspect that requires comprehensive elaboration. If a quantitative approach is applied, the details that must be included include the classification of data used, sampling procedures, operationalization and operational procedures in measuring research variables and data analysis techniques used in this study. On the other hand, if the research is qualitative, then an in-depth description of the research design, context or location of the study, and data analysis techniques are fundamental elements that must be presented.

Operational Definition of Research Variables

The independent variables in this study are profitability and CSR, while the dependent variable is tax avoidance.

Table 2. Research Variables and Measurement

Research Variables	Operational Definition	Measurement
Corporate Social Responsibility	CSR is increasingly being incorporated into the development of business policies and strategic objectives of organizations. The business world is no longer seen as a	CSRIj $=\frac{\Sigma Xij}{Nj}$ (Posumah, 2024)

	sector that only prioritizes profit; instead, the business world is now showing social concern for the local communities in which it operates.(Abdurohim et al., 2022).	
Profitability	The capacity of an organization to generate profits or gain is indicated by its profitability ratio.(Pramesti et al., 2024).	***Return On Assets***=$\frac{Laba\ Bersih}{Total\ Assets}$ (Lailia and Luayyi, 2024)
Tax Avoidance	A business's attempt to reduce its tax liabilities by taking advantage of legitimate tax laws is known as tax avoidance.(Oktavia et al., 2021).	**ETR**=$\frac{Beban\ PajakPenghasilan}{Laba\ Sebelum\ Pajak}$ (Olivia & Amah, 2019)

Source: Processed data, 2025

Data Analysis Techniques

“The impact of independent variables on dependent variables in this study is known by using multiple linear regression analysis and SPSS software to examine the data. The following multiple linear regression equation is used:

$$\mathbf{Y = a - \beta 1X1 - \beta 2X2 + e}$$

Information:

Y =Tax Avoidance
X1 =*Corporate Social Responsibility*
X2 =Profitability
β1, β2 =Variable regression coefficient
α =Constants
e = Error

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RESEARCH RESULTS AND DISCUSSION

Research result

Descriptive Analysis

Table 3. Descriptive Statistics

Descriptive Statistics					
	N	*Minimum*	*Maximum*	*Mean*	***Std. Deviation***
X1_CSR	*45*	*-0.1795*	*0.6359*	*0.3223*	***0.1980***
X2_Profitability	*45*	*-0.3675*	*0.5958*	*0.1564*	***0.2331***
Y_Tax_Avoidance	*45*	*-0.2032*	*0.1180*	*0.3036*	***0.2536***
Valid N (listwise)	*45*				

Source: Processed data, 2025

This study uses 45 observation data points from 2021–2023 and uses descriptive statistical analysis. The information collected at that time came from the periodic financial reports of energy companies listed on the IDX. The minimum value of the independent variable CSR is -0.1795, while the maximum value is 0.6359. With a standard deviation of 0.1980, the average value is 0.3223. Regarding profitability, the standard deviation is 0.2331, the average value is 0.1564, the minimum value is -0.3675, and the maximum value is 0.5958. The tax evasion variable has an average value of 0.3036 and a standard deviation of 0.2536. The maximum value is 0.1180, the minimum value is -0.2032.

Multiple Linear Regression

Multiple linear regression analysis determines whether there is a positive or negative relationship between each independent variable and the dependent variable when two or more independent variables are evaluated simultaneously. Between 2021-2023, this study examines the relationship between tax avoidance, CSR, and profitability in energy sector businesses listed on the IDX using multiple linear regression. The results of the multiple linear regression model estimation are shown in this table.

Table 4. Multiple Linear Regression Test

Model		*Unstandard dized*	*Coefficients*	*Standardized Coefficients*		
		B	*Std. Error*	*Beta*	*t*	***Sig.***
1	*(Constant)*	*0.605*	*0.449*		*13,440*	***0.000***
	X1_CSR	*-0.712*	*0.126*	*-0.556*	*-5,660*	***0.000***
	X2_Profitabi Litas	*-0.457*	*0.107*	*-0.420*	*-4.275*	***0.000***

a. Dependent Variable: Tax Avoidance

Source: Processed Data, 2025

The following equation is the regression model used in this study, which is based on the findings of the regression analysis shown in Table 6.

$$Y = 0.605 - 0.712 - 0.457 + e$$

The constant value (\alpha) of 0.605 implies that in conditions when Corporate Social Responsibility (CSR) and Profitability are zero, the amount of the company's Tax Avoidance is 0.605. Furthermore, the regression coefficient (\beta_1) for CSR of -0.712 indicates a negative relationship; a one-unit increase in CSR is associated with an increase in tax avoidance of 0.712 units, assuming the Profitability variable is constant. Similarly, the regression coefficient (\beta_2) for Profitability of -0.457 indicates that every one-unit increase in Profitability is associated with an increase in tax avoidance of 0.457 units, holding the CSR variable constant.

Partial Test (t-Test)

Tujuan pengujian hipotesis dalam penelitian ini adalah untuk menilai bagaimana pendapatan dan tanggung jawab sosial perusahaan, dua variabel independen, memengaruhi penghindaran pajak, variabel dependen sebagaimana ditentukan oleh ETR. Variabel independen model regresi diuji untuk mengetahui pengaruh signifikan terhadap variabel dependen menggunakan uji-t. Pengujian dilakukan dengan tingkat signifikansi 0,05 dan

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didasarkan pada kriteria berikut: koefisien regresi dianggap tidak signifikan jika nilai signifikansi melebihi 0,05. Nilai signifikansi <0,05 menunjukkan pengaruh substansial variabel independen terhadap variabel dependen. Hasil uji-t dapat dilihat pada Tabel 5.

Tabel 5. Uji T (Parsial)

Model		***Unstandardized***	***Coefficients***	***Standardized Coefficients***		
		B	*Std. Error*	*Beta*	*t*	***Sig.***
1	*(Constant)*	*0.605*	*0.449*		*13.440*	***0.000***
	X1_CSR	*-0.712*	*0.126*	*-0.556*	*-5.660*	***0.000***
	X2_Profitabi Litas	*-0.457*	*0.107*	*-0.420*	*-4.275*	***0.000***

a. Dependent Variable: Tax Avoidance

Sumber: Data Diolah, 2025

Sinyal substansial bahwa CSR, sebagaimana dievaluasi oleh indeks CSRli, memiliki pengaruh negatif terhadap Penghindaran Pajak ditetapkan berdasarkan studi uji-T. Dengan probabilitas signifikansi 0,000 dan nilai statistik-t tercatat sebesar -5,660, hasilnya berada di bawah tingkat signifikansi α = 0,05 (0,000 < 0.05). Kesimpulan ini didukung oleh koefisien regresi negatif -0,556. Studi ini menyiratkan bahwa ada korelasi antara penurunan metode penghindaran pajak dan peningkatan adopsi CSR, dan sebaliknya. Oleh karena itu, temuan pengujian tersebut menguatkan hipotesis pertama, yang menurutnya CSR memiliki dampak menguntungkan pada penghindaran pajak".

Based on the research findings, the profitability indicator ROA (Return on Assets) exhibited a t-statistic of -4.275 with a significance probability of 0.000. This significance value, being less than 0.05, indicates a substantial negative impact of profitability on tax avoidance. Korelasi negatif antara kedua variabel ditunjukkan oleh koefisien regresi sebesar -0,420. Dengan kata lain, peningkatan profitabilitas berkorelasi dengan penurunan praktik penghindaran pajak, dan sebaliknya. Temuan empiris ini memberikan dukungan terhadap hipotesis kedua, yang menjelaskan bahwa profitabilitas berkontribusi secara positif terhadap praktik Tax Avoidance.

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Uji Simultan (Uji f)

In the context of regression analysis, the F test is simultaneously applied to evaluate the combined significance of all predicted independent variables in influencing the dependent variable, in this case Tax Avoidance. The significance limit set is 0.05. The decision is based on the comparison of the F significance value with this limit: rejection of the null hypothesis (Ho) and acceptance of the collective significant influence of all independent variables on If F <0.05, it means that tax avoidance occurs. Meanwhile, the independent factors do not have a significant influence on the dependent variable, as indicated by the F significance value > 0.05, which indicates the acceptance of Ho. The format for presenting the results of the model feasibility test (F Test) is as follows:

Table 6. F Test (Simultaneous)

Model		*Sum of Squares*	*Df*	*Mean Square*	*F*	*Sig.*
1	Regression	1,805	2	0.903	37,002	0.000b
	Residual	1,025	42	0.244		
	Total	2,830	44			

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

Source: Processed data, 2025

The F value of 37.002 with a significance level of 0.000 was determined using model feasibility test data. Given the sig. value is less than 0.05, this study uses a statistically feasible regression model. In accordance with the testing criteria at a significance level of 5%, the null hypothesis (H_0) is rejected, which indicates that the independent variables in the model have a significant influence on the dependent variable simultaneously.

Discussion

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

Based on the test, the findings of this study support the theory that CSR significantly reduces tax avoidance. This suggests that increasing corporate social responsibility initiatives can reduce the tendency of businesses to avoid taxes. Based on stakeholder theory, CSR reflects the company's responsibility to all stakeholders, including the government and society.(Julythiawati & Ardiana, 2023). Good CSR implementation shows the company's compliance with rules and regulations, including tax responsibilities. Companies that have a good level of social responsibility are expected to have lower tax avoidance practices, because they are more likely to prioritize transparency and operational integrity.

Literature review shows a negative correlation between Corporate Social Responsibility (CSR) practices and tax avoidance, as documented in a study by Wulandari Laksmi et al. (2023). The results of this study are in line with previous findings indicating a positive relationship between CSR implementation and the level of corporate tax compliance. Thus, this study strengthens the argument that corporate involvement in CSR initiatives is correlated with higher tax compliance behavior. However, it is important to note that this conclusion contradicts the findings of a study (Sormin, F., 2020) which stated that CSR has no significant impact on tax abuse". Different industry features and CSR measurement techniques used have an impact on this element.

The Influence of Profitability on Tax Avoidance

The findings of this study reinforce the initial assumption that there is a significant inverse correlation between the level of profitability and tax avoidance practices. The implication is that business entities with superior profitability achievements tend to implement strategies to minimize their tax burdens. When viewed from the perspective of stakeholder theory, profitability represents a company's capacity to generate profits from its assets and operational activities. High profitability has the potential to motivate companies to manage tax obligations efficiently, which can be realized through compliance with tax regulations or through the implementation of measurable tax avoidance strategies. The existence of substantial profitability in a corporate entity has the potential to trigger stronger motivation to minimize fiscal obligations, with the aim of maintaining an optimal level of profit. This empirical finding is consistent with previous studies by (Maryam et al., 2023) which identified a positive correlation between the level of company profitability and tax avoidance practices. The

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rationale for this phenomenon lies in the financial capacity of highly profitable companies to allocate resources in order to take advantage of legal opportunities in the tax system. Meanwhile, this study contradicts the results of research initiated by(Olivia & Amah, 2019)stated that profitability has no significant influence on tax avoidance, arguing that other factors such as corporate governance and leverage are more decisive in determining corporate tax decisions.

CONCLUSIO AND SUGGESTIONS

This study investigates the relationship between CSR and profitability with tax avoidance for companies engaged in the energy sector listed on the IDX in the period 2021 to 2023. The study findings indicate that CSR implementation and high levels of profitability are significantly correlated with the intensification of tax avoidance practices, especially in energy companies that have high social accountability expectations. This study strengthens the stakeholder theory that CSR and profitability can help reduce tax violations as a form of corporate social responsibility, maintain the reputation and trust of stakeholders by encouraging company management to improve CSR reporting and implementation and manage tax obligations transparently.

This study has limitations in the scope of its data, which exclusively involves corporate entities in the energy sector listed on the (IDX). Consequently, the findings produced have limitations in terms of generalization across industry sectors. CSR measurement uses the GRI Guidelines version 4 which may not cover all aspects of the latest CSR. The research period is limited to three years (2021-2023), so the results do not yet reflect long-term trends. Suggestions for further researchers can expand the scope of the industry to see if similar results apply in other sectors. Use a more comprehensive approach in measuring CSR, such as considering regional or company-specific CSR initiatives. Add moderating or mediating variables, such as Corporate Governance, to obtain a more comprehensive understanding, it is necessary to identify other factors that can moderate or mediate the relationship between Corporate Social Responsibility, profitability, and tax avoidance practices.

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