

ENVIRONMENTAL RESPONSIBILITY PERFORMANCE, CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE, TAX AGGRESSIVENESS: DOES CORPORATE GOVERNANCE HAVE A ROLE?

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Abstract

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The self-assessment system tends to provide a loophole for companies to reduce tax payment. The great benefit of the tax to the community links tax with social responsibility. This study aims to investigate the effect of environmental responsibility performance and social responsibility disclosure on tax aggressiveness as well as the role of corporate governance in moderating these effects. The analysis in this study was conducted on 34 non-financial companies listed on the Indonesia Stock Exchange and were participants of 2014-2018 PROPER selected using purposive sampling so that 170 observations were obtained. This study employs two-panel data regression models, namely models with and without corporate governance, as a moderating variable. The result suggests that environmental responsibility performance and social responsibility disclosure are negatively associated with tax aggressiveness. However, corporate governance fails to strengthen these negative influences.

Keywords: Tax Aggressiveness, Environmental Responsibility Performance, Corporate Social Responsibility Disclosure, Corporate Governance

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1. INTRODUCTION

Tax revenue during 2019 was only realized 86.5% of the 2019 Indonesia State Budget (Kementerian Keuangan Republik Indonesia). On the other hand, there have been cases of companies that attempt to reduce tax obligations such as PT Bentoel International (Kontan.co.id) and PT Adaro Energy Tbk (Tirto.id). Also, the success of the tax amnesty program in Indonesia suggested that there are parties who are trying to avoid taxes (Gloria, 2018). According to Wahab, Ariff, Marzuki, and Sanusi (2017)

and Diamastuti (2012), the self-assessment system used in Indonesia triggered the existence of parties who can deliberately carry out tax planning, so that the tax obligations paid to the government decrease. Also, companies view taxes an expense, so as a profit-oriented institution, companies tend to implement aggressive tax policies (Chen, Chen, Cheng, & Shevlin, 2010) as a way to reduce the expense.

Research on factors that indicate tax aggressiveness is essential to be conducted in Indonesia because tax aggressiveness often refers to tax avoidance (Hanlon & Heitzman, 2010), which is

part of tax planning (Dyreng, Hanlon, & Maydew, 2008). Referring to Laguir, Staglianò, and Elbaz (2015), the use of tax aggressiveness and tax avoidance can be exchanged. Balakrishnan, Blouin, and Guay (2018) explained that tax aggressiveness is an activity carried out to reduce corporate tax obligations. However, according to Dyreng, Hanlon, and Maydew (2008), efforts to avoid taxes are not always wrong because many provisions provide loopholes so companies can avoid tax obligations. Meanwhile, according to Lanis and Richardson (2012), tax aggressiveness cannot be justified. Socially, tax aggressiveness is an irresponsible activity. Even though an aggressive tax policy provides benefits in the form of a positive reaction from the capital market, so that company shares are more attractive (Hanlon & Slemrod, 2009), tax aggressiveness brings significant losses to the public (Lanis & Richardson, 2012) and the company because of the potential costs such as tax penalties, and reputation fees (Hanlon & Slemrod, 2009). It has become an attraction for researching tax aggressiveness.

Based on the literature review that has been conducted, many studies have reviewed the determinants of tax aggressiveness in an international context such as political connections (Wahab et al., 2017), corporate governance structure, and CEO compensation (Halioui, Neifar, & Abdelaziz, 2016), ownership structure (Ying, Wright, & Huang, 2017; Sánchez-Marín, Portillo-Navarro, & Clavel, 2016; Mafrolla & D'Amico, 2016; Chen et al., 2010; Steijvers & Niskanen, 2014), the composition of directors and commissioners (Richardson et al., 2013; Lanis & Richardson, 2011; Richardson, Taylor, & Lanis, 2013). Furthermore, in Indonesia, there have been several studies examining the effect on tax aggressiveness including leverage (Suyanto & Supramono, 2012), independent commissioners (Novitasari, Ratnawati, & Silfi, 2017; Suyanto & Supramono, 2012), earnings management (Novitasari et al., 2017; Suyanto & Supramono, 2012; Tiaras & Wijaya, 2015), company size (Tiaras & Wijaya, 2015), financial reporting aggressiveness (Kamila, 2014), ownership structure (Hadi & Mangoting, 2014; Novitasari et al., 2017).

According to Avi-Yonah (2006), taxes could be associated with social responsibility if taxes have benefits for the community. It is in line with the Indonesia Act concerning General Provisions and Tax Procedures, which states that the tax is used for the maximum people's prosperity. Fallan and Fallan (2019) mentioned that taxes are part of corporate social responsibility. Thus, taxes are related to social responsibility because of their contribution to society and the environment. Several studies have examined the effect of social responsibility on tax aggressiveness from two perspectives, namely performance (Lanis & Richardson, 2015; López-González, Martínez-Ferrero, & García-Meca, 2019; Landry, Deslandes, & Fortin, 2013; Laguir et al., 2015) and disclosure (Chen, 2018; Davis, Guenther, Krull, & Williams, 2016; Gulzar et al., 2018; Gunawan, 2017; Sari & Tjen, 2016).

This study aims to examine the effect of environmental responsibility performance and social responsibility disclosure on tax aggressiveness. Currently, environmental issues are strategic issues that need to be considered (Adams & Whelan, 2009; Wilmshurst & Frost, 2000) as well as currently, public awareness regarding environmental issues

has begun to increase over time (Fallan & Fallan, 2019). Besides, according to Cordeiro and Tewari (2015), the green performance rating has a positive reaction from investor behavior. According to Indonesia Government Regulation number 47 of 2012 concerning Limited Corporate Social Responsibility, environmental responsibility is part of corporate social responsibility. It is in line with Laguir et al. (2015), which states that corporate social responsibility can be described through elements of social responsibility, namely economic, environmental, and social. Also, Chen (2018), Davis et al. (2016), and Gulzar et al. (2018) found that social responsibility disclosure has a positive effect on tax aggressiveness. Gunawan (2017) found that comprehensive the disclosure of social responsibility, the higher the level of tax aggressiveness.

Meanwhile, Lanis and Richardson (2012) and Sari and Tjen (2016) found a negative effect between disclosure of social responsibility to tax aggressiveness. The difference in the results of previous studies regarding the effect of social responsibility disclosure on tax aggressiveness is a motivation in this study to test the effect of disclosure of social responsibility on tax aggressiveness. This research is different from Sari and Tjen (2016) because the study used the social responsibility disclosure index based on the criteria developed by Lanis and Richardson (2012). While Gunawan (2017) employed an index developed by Gunawan (2010). The development of the Global Reporting Initiatives enables this research to be developed because GRI is a disclosure best practice related to sustainability.

Besides, this study involves the role of corporate governance as a moderating variable on these relationships. According to Jensen and Meckling (1976), the emergence of agency problems will ultimately result in agency costs, that is, the amount (money) of the decline in the principal's economic ability due to the interests of the principal and agents that are not aligned. One of these agency costs is monitoring costs, which are costs to limit the agent's deviant behavior (Jensen & Meckling, 1976). These are borne by the principal and can be in the form of audit fees, costs to form management compensation plans, budget constraints, or operating rules (Godfrey, Hodgson, Tarca, Hamilton, & Holmes, 2010).

According to the Indonesia Financial Service Authority (2014), the implementation of good governance is expected to produce optimal firm value for stakeholders, creating a healthier, more reliable, trustworthy, and competitive business. Corporate governance plays a role in determining tax management policies with different governance have different tax policies (Minnick & Noga, 2010). Furthermore, based on the results of several studies that the component of corporate governance can reduce tax aggressiveness (Tandean & Winnie, 2016; Armstrong et al., 2015). Meanwhile, the results of other studies suggested that corporate governance components such as board composition (Ong & Djajadikerta, 2018; Ashfaq & Rui, 2019) and ownership structure (Ashfaq & Rui, 2019) have a significant influence on the amount of social responsibility information disclosed by company. Furthermore, the results of the study by Stuebs and Sun (2014) found the positive influence of corporate governance on the performance of environmental responsibility.

This research consists of six parts. The first part is the introduction that consists of research phenomena, research problems, research objectives, differences in this study with previous research, and the selection of variables used in testing this study. The second part is the literature review and hypotheses development. The third part contains the research methodology, including the sampling and the proxy used to measure each variable as well as the research model. The fourth part is the result explaining the testing results, including descriptive statistics and hypothesis testing. The fifth part is the discussion that explains the reviews based on the research findings. The sixth part is the conclusion, which is the discussion summary based on the research objectives as well as the limitations and implications of both the managerial implications and future research.

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

2.1. Literature review

In the political cost hypothesis, as positive accounting theory, it is assumed that if managers are under political supervision, they are likely to adopt accounting methods that reduce reported income (Kaya, 2017). Through this political cost hypothesis, positive accounting theory portrays political processes that involve relationships between corporate stakeholders such as governments, trade unions, and community groups (Godfrey et al., 2010). According to Watts and Zimmerman (1978), the government can influence the distribution of corporate wealth through taxes, regulations, subsidies (Milne & Patten, 2002). Furthermore, Godfrey et al. (2010) stated that the highest political cost and can directly involve the companies is the tax expenses. Meanwhile, in the perspective of legitimacy theory, Deegan (2014) holds that companies can obtain legitimacy if the company does not cause disturbances and can match the value system that grows in society and the environment.

Meanwhile, Schiopoiu Burlea and Popa (2013) stated that the theory of legitimacy is a mechanism that supports organizations in the application and development associated with voluntary social and environmental disclosure in the hope of being able to fulfill social contracts. Thus, companies can obtain recognition and guarantee survival in a dynamic environment (Schiopoiu Burlea & Popa, 2013). Companies tend to use environmental-based performance as a justification or gain legitimacy from the community for company activities (Handoko, 2014). Social perceptions of company activities are reported by community expectations. In situations where company activities do not respect moral values, the company is subject to severe sanctions from the community. These sanctions can even lead to company failure. To overcome this, the company must legitimize its existence through legitimate economic and social actions that do not endanger the existence of the community and the environment in which the company operates (Schiopoiu Burlea and Popa, 2013).

Meanwhile, the stakeholder theory assumes that the company is a nexus of the contract between various stakeholders, both implicitly and explicitly (Hill & Jones, 1992). This theory recognizes that there are several stakeholders in the community interacting dynamically and complexly. This theory can explain the disclosure of corporate social responsibility as a way to communicate with stakeholders (McWilliams & Siegel, 2001) because, according to Freeman (1984), managers have a moral obligation to consider and balance the interests of all stakeholders.

Lanis and Richardson (2012) outlined a broad definition of tax aggressiveness, namely, as management of decreased taxable income through tax planning activities. Therefore, tax aggressiveness includes tax planning activities that are carried out legally or in gray areas. This definition is in line with the concept proposed by Martinez (2017) that the level of tax aggressiveness can be defined based on the extent to which tax planning practices can lead to a reduction in tax liability, and depends on the intensity and legality of how these practices are carried out, which are pragmatically manifested in the magnitude explicit tax reduction. This approach is in line with the definition of Hanlon and Heitzman (2010), which emphasized that tax aggressiveness is a tax reduction activity and action that is deliberately carried out to avoid or reduce payment of specific tax benefits, including various tax strategies, from legal tax strategies to tax avoidance. Thus, tax aggressiveness is broad tax planning that leads to a reduction in the amount of tax paid or that the more aggressive the corporate tax policy, the less tax paid to the country at all costs, both legal and illegal.

The term environmental responsibility performance refers to the results achieved by the environment in the implementation of management and control of environmental aspects of every activity, process, product, service, system, and organization (ISO 14001). Zopf and Guenther (2015) defined environmental responsibility performance as a result of organizational management over environmental aspects as measured through environmental aspects and impacts, such as toxic/pollution/output/emissions, environmental compliance, or chemical/recycled waste. Since 1995, the Indonesian Ministry of the Environment has carried out the Company Performance Assessment Program in Environmental Management (PROPER) to monitor the performance of environmental responsibility carried out by the company. The assessment is carried out by officials at the Ministry of the Environment through monitoring activities, evaluation of the implementation of environmental responsibility performance reports submitted by the company, as well as direct supervision to the company's operational location. The assessment process is carried out by comparing conditions with predetermined criteria.

Referring to the laws and accounting standards used in Indonesia, there is no obligation for the company to present or disclose information about social responsibility. However, companies tend to disclose related information in annual reports or sustainability reports. As a profit-oriented organization, companies certainly will not present information voluntarily, without expecting profit

from their actions. According to Deegan (2014), social responsibility disclosure is considered as an additional tool to carry out organizational accountability (in this case, the company) broadly, which refers to the delivery of responsibility for corporate actions. Therefore, the disclosure of organizational information is more driven by a sense of responsibility rather than driven by requests from report users.

Deegan and Rankin (1996) defined social responsibility disclosure can include, disclosures related to interactions between companies and their physical and social environment, including disclosures related to human resources, community involvement, natural environment, energy, and product safety. Gray, Javad, Power, and Sinclair (2001) explained that social and environmental disclosure is usually information relating to the activities, aspirations, and public image of a company related to environmental, community, employee, and customer issues. Social responsibility disclosure is financial, social, and environmental information that is used as a corporate communication tool with stakeholders and to meet the information needs of company activities needed to change perceptions and expectations (Adams & McNicholas, 2007). Furthermore, Salomone and Galluccio (2001) considered social responsibility disclosure as any information in quantitative or qualitative, physical, or financial terms, which is related to the impact the company has on the natural environment and which can have consequences on the company's financial and economic structure. On the other hand, Campbell (2004) defined social responsibility disclosure only as disclosure relating to the impact that an organization's processes or operations may have on the environment. Thus, it can be concluded that social responsibility disclosure is information delivery related to company activities. This information impacts the community both economically, socially, and environmentally. Besides, social responsibility disclosure influences the company's economic survival. The purpose of disclosure is to meet the information needs of stakeholders for the survival of a company.

Godfrey et al. (2010) explained that the separation between principal and management leads to differences in management behavior that can act in their interests. Corporate governance is related to agency theory. In this case, the application of corporate governance can minimize the opportunistic behavior of management or align the desires of the principal with the behavior of management. According to the Indonesia Financial Supervisory Authority (2014), good corporate governance is the use and application of structures and processes by company organs in order to improve the achievement of business results and optimize the value of the company for all stakeholders in an accountable manner and based on laws and regulations and values ethics. Meanwhile, the organization for Economics and Development (OECD) describes corporate governance as a link between shareholders, the board of directors, company management, and other stakeholders (OECD, 2004). Corporate governance also provides a structure under established company goals and the means required to achieve these goals through monitoring the quality of work that has

been determined (OECD, 2004). Thus, it can be concluded that corporate governance is a supervisory mechanism based on principles such as transparency, accountability, and responsibility. Corporate governance aims to ensure that company management is carried out professionally so that the available resources can be used effectively and efficiently. Corporate governance is carried out by taking into account the internal mechanisms of corporate governance structures and shareholder profits as well as external mechanisms of corporate governance and the interests of stakeholders.

Previous studies have linked corporate behavior in implementing and reporting on corporate social responsibility (CSR). Lanis and Richardson (2014) examined the effect of social responsibility performance on corporate tax avoidance. The study used a sample of 434 company-year observations, which were divided into two group observations, namely 217 tax avoiders and 217 non-tax avoiders, whose data were obtained from the Kinder, Lydenberg, and Domini (KLD) databases during the 2003-2009 period. In this study, tax avoidance is measured by tax dispute and Book-Tax Difference (BTD), while the performance of social responsibility is based on data provided by KLD. The result found that the level of social responsibility performance is negatively associated with tax avoidance.

López-González et al. (2019) examined the effect of corporate social responsibility performance on tax avoidance in 956 international companies from 28 countries from 2006 to 2014. The study used the effective tax rate (ETR) and cash effective tax rate (CashETR) to act as a proxy for avoidance taxes and uses data provided by the Ethical Investment Research Service (EIRIS) to measure social responsibility performance. The test results explain that the performance of social responsibility tends to reduce tax avoidance so that companies with higher social responsibility performance exhibit lower tax-saving practices. Landry et al. (2013) examined whether socially responsible companies are less tax aggressive. The study uses ETR to measure tax aggressiveness and uses data provided by the Canadian Social Investment Database (CSID) to measure the performance of social responsibility. Based on archived data for 2004-2008 on Canadian companies, the results of tax policy are not influenced by corporate social responsibility. Laguir et al. (2015) examined the effect of various corporate social responsibility activities on corporate tax aggressiveness. Using a sample of French public companies in 2003-2011, the result suggested that the aggressiveness of corporate taxes depends on the nature of its corporate social responsibility activities. In particular, the study explained that the activity in the social element could decrease the level of corporate tax aggressiveness, while the high performance in the economic element was associated with a high level of tax aggressiveness. Meanwhile, elements of governance and the environment did not have a significant effect on tax aggressiveness.

Davis et al. (2016) examined the effect of disclosure of social responsibility on corporate tax aggressiveness included in Compustat in 2006-2011. This study uses Cash ETR, while the social responsibility disclosure index was developed from

the MSCI annual dataset, previously known as KLD. The results explain that disclosure of social responsibility and tax compliance are interdependent. Chen (2018) revealed the results of empirical tests from data of companies listed on the Shanghai A-share and Shenzhen stock exchanges in China from 2008 to 2014. The research data were obtained from the China Stock Market and Accounting Research (CSMAR), while the social responsibility disclosure index use of the index developed by Zhu (2011). The results show that the positive effect of the level of disclosure of corporate social responsibility information on the level of tax aggressiveness. Gulzar et al. (2018) examined the effect of corporate social responsibility disclosure (CSR) on tax avoidance of listed companies in China with a sample of 3481 company-year observations from 2009 to 2015. In this study, the variable on social responsibility disclosure uses CSR rankings from Rankins (RKS) which evaluates corporate social responsibility reporting in quality and reliability, while other financial data is obtained from China Stock Market and Accounting Research (CSMAR). Through this research, Gulzar found that CSR is negatively associated with ETR and Cash ETR, explaining that companies with higher corporate social responsibility (CSR) are involved in more tax avoidance when compared to companies with lower CSR.

In Indonesia, Sari and Tjen (2016) investigated the effect of corporate social responsibility disclosure on tax aggressiveness by moderating the environmental responsibility performance. The sample of this study is non-financial companies listed on the Indonesia Stock Exchange during 2009-2012. The measurement of social responsibility disclosure in this study was prepared based on Lanis and Richardson (2012). However, it has been modified by Hilmi and Martani (2012), while tax aggressiveness is measured by the current effective tax rate (Current ETR), which is a comparison of current tax expenses with income accounting before tax. The study found that disclosure of corporate social responsibility reduces tax aggressiveness. This study also provides evidence that the environmental responsibility performance, as measured by the results of the Company Performance Rating Assessment in Environmental Management (PROPER), can reinforce the reduction in tax aggressiveness caused by the disclosure of social responsibility. However, the responsibility disclosure index used in this study used Lanis and Richardson (2012), so that the development of the Global Reporting Initiative (GRI) standard allows this study to be further developed. Besides, the regulations regarding PROPER currently use Regulation of the Indonesia Minister of Environment Number 03 of 2014 concerning the Company Performance Rating Assessment Program in Environmental Management so that the mechanism and evaluation criteria have been changed.

Gunawan (2017) examined the effect of social responsibility disclosure on tax aggressiveness. The study also examined the effect of corporate governance, measured using the OECD criteria index, on tax aggressiveness. This study uses 42 samples with criteria: Indonesia public companies that report profits and provide sustainability reports in 2014. The analysis was carried out using multiple

regression analysis. The study found that social responsibility disclosure increases tax aggressiveness while corporate governance does not explain a significant effect.

Furthermore, Tandean and Winnie (2016) examined the effect of corporate governance on tax avoidance in 120 manufacturing companies listed on the Indonesia Stock Exchange from 2010 to 2013. Measurement of tax avoidance in this study uses Current ETR. The study found that there are variations in influence between elements of corporate governance on tax avoidance, such as the audit committee, partially, can have a positive effect but executive compensation, proportion of the board of commissioners, executive character, institutional ownership, company size, audit committee, and audit quality cannot partially influence tax avoidance.

Armstrong et al. (2015) tested all companies listed on Compustat for the 2007-2011 fiscal year to determine the role of corporate governance and managerial incentives in influencing tax avoidance. Regression results show a positive influence between the independence of the board on low levels of tax avoidance; on the contrary, exert a negative effect on high levels of tax avoidance. This result explains that the corporate governance component has a more substantial influence on a more extreme level of tax avoidance.

Stuebs and Sun (2014) examined the effect of corporate governance on environmental performance in companies whose financial data were recorded in Compustat in 2004-2007. This study measures corporate governance in using the Gompers Index obtained from the Investor Responsibility Research Center (IRRC), and the Russell 3000 Index obtained from Kinder, Lydenberg, and Domini (KLD), as well as environmental performance data obtained from Kinder, Lydenberg, and Domini (KLD). The analysis results explain the significant positive effect of corporate governance on environmental performance.

Ong and Djajadikerta (2018) evaluated the impact of corporate governance on sustainability reporting by investigating companies operating in the Australian resource industry. This research examined the various attributes of directors such as independent directors, multi-sector directors, the existence of female directors to the disclosure of total sustainability, and separately being an economic, environmental, and social element. The sample for this study was chosen from a list of companies with significant assets whose market capitalization is listed on the Australian Securities Exchange (ASX). Sustainability disclosure index using Ong and Djajadikerta (2016) developed from GRI. The test results explain the significant positive effect of the proportion of independent directors, multi-sector directors, and women directors on the level of sustainability disclosure. This study employed data obtained through the content analysis method by assessing the disclosure of company sustainability in the audited annual report for the year ended June 30, 2012. Ashfaq and Rui (2019) found that the component of corporate governance influences the disclosure of social responsibility except for government and institutional ownership on the 2013-2015 Pakistan Stock Exchange (PSX). This study uses an index based on corporate social and environmental disclosure (CSED). Corporate governance variables

consist of the composition of the board, such as CEO duality, non-executive director as chairman of the board, foreign nationals as a board, audit committee and social responsibility committee, and ownership structure variables such as government ownership, foreign ownership, and institutional ownership.

2.2. Hypothesis development

According to the positive accounting theory, especially in the political cost hypothesis, companies face political cost problems that can interfere with maximizing corporate profits. These costs include tax costs and environmental responsibility. In dealing with these problems, companies need the right strategy to compete with each other so that costs can be minimized. Every value chain run by the company will have consequences for the community and the environment in which the company operates (Lanis & Richardson, 2014). Meanwhile, based on the theory of legitimacy, companies need legitimacy from the community and the surrounding environment (Cho & Patten, 2007). Companies as an inseparable part of the community need support to survive (Deegan, 2014). Therefore, social responsibility activities are relevant to the acquisition of corporate credibility because the fulfillment of the ethical and moral obligations of the company in the social context of society is fulfilled (Lanis & Richardson, 2014). The consequence of implementing high social responsibility is also related to the company's reputation, namely strengthening stakeholder perceptions about the company (López-González et al., 2019).

A company will develop policies and strategies in carrying out operations to provide results that can maximize profits in an interconnected business environment (Lanis & Richardson, 2014). Furthermore, as a "real-world entity" associated with many parties (Avi-Yonah, 2006), company decisions cannot only focus on shareholders, but must consider all stakeholders such as government, trade unions, employees, suppliers, and customers. According to stakeholder theory, there are no more preferred stakeholders. All stakeholders have the same rights to the company. In Indonesia, companies are required to carry out social responsibility. More specifically, companies also should meet environmental quality standards. According to Lanis and Richardson (2014), social responsibility guides for companies to behave ethically in dealing with business situations that can affect stakeholders. Furthermore, taxes can only be linked to corporate social responsibility if it has benefits for the wider community (Lanis and Richardson, 2014). In Indonesia, taxes contribute significantly to development financed by the government and the provision of public goods in the community. The tax is used for the maximum prosperity of the people (KUP Law).

Thus social responsibility can be linked to taxation. Based on previous research, Lanis and Richardson (2014) and López-González et al. (2019) proves that social responsibility activities can reduce tax aggressiveness because even though efforts to minimize costs will benefit shareholders, this is a non-ethical behavior that is not in line with corporate social responsibility activities. Furthermore, Laguir et al. (2015) examined how elements of social

responsibility influence tax aggressiveness by dividing social responsibility into several elements, namely economic, social, environmental, and corporate governance, to prove the magnitude of the influence of each of these elements. Based on Indonesia's environmental conditions, according to WALHI, are in an ecological emergency, environmental issues are issues that need joint attention. As an element of social responsibility, environmental responsibility performance also needs to meet the ethical and legal expectations of the stakeholders because it can affect the company's reputation. High performance of environmental responsibility is suspected of leading to good tax behavior and not aggressive so that the company's legitimacy is not disturbed in the eyes of the stakeholders. Therefore, the first hypothesis of this study is:

H1: Environmental responsibility performance is negatively associated with tax aggressiveness.

Based on positive accounting theory, companies tend to try to reduce the chances of political attention that can result in company losses by reducing related costs such as taxes, employee wages, or product restrictions. Large companies, which are politically sensitive (Deegan, 2014), tend to adopt accounting methods that can reduce reported earnings in the hope that lower reported earnings will decrease and ultimately reduce the transfer of wealth from the company. In terms of tax links, lower profit reporting explains that aggressive tax planning is something that companies tend to implement to minimize political costs and take advantage of reduced tax costs.

On the other hand, because of the theory of legitimacy, in facing current economic, social, and environmental challenges, companies must respect the rules, norms, and values that apply in the environment and society in which the company is located. Furthermore, competing in financial markets place pressure on organizations and emphasize the importance of legitimacy (Fallan & Fallan, 2019). As a result, companies need to voluntarily disclose social and environmental information as a legitimate tool (Cho & Patten, 2007).

Based on previous research, the company legitimized its position in the eyes of stakeholders through disclosure of social responsibility (Davis et al., 2016; Gulzar et al., 2018; Gunawan, 2017). By expressing social responsibility, the company can account for the negative effects of the company's operational activities on the community and the surrounding environment, so that a good image in the eyes of stakeholders can be built. According to these findings, social responsibility disclosure is a corporate strategy to cover corporate tax aggressiveness. Some other research results suggested the opposite results. Lanis and Richardson (2012) and Sari and Tjen (2016) found that social responsibility disclosure is not in line with tax aggressiveness. Companies that disclose social responsibility comprehensively tend not to be tax aggressive because tax aggressiveness is not aligned with the reputation goals of the disclosures made. It is considered to damage the company's reputation.

According to stakeholder theory, tax aggressiveness is considered unethical because the tax is not only a business transaction that is similar to various types of company operating costs. Taxes

are a form of corporate responsibility as citizens who also enjoy public facilities provided by the government with tax funding. Because of its benefits to the public, taxes are classified as part of social responsibility (Avi-Yonah, 2006; Fallan & Fallan, 2019). According to Landry et al. (2013), the company's reputation is the company's most valuable asset. Thus, protecting the survival of the company becomes more important than maximizing shareholder profits through cost reduction, considering that shareholders also need guarantees for a good company's reputation. Therefore, cost reduction is no longer relevant if the loss of reputation can result in losses more significant than the savings previously made. Thus the second hypothesis of this study is:

H2: Corporate social responsibility disclosure has a negative effect on tax aggressiveness.

In the view of agency theory, the proportion of costs incurred by managers as a result of agency problems decreases with decreasing managerial ownership in the company (Godfrey et al., 2010). The smaller the managerial ownership, the higher the chance for managers to attempt to obtain extra income and other benefits excessively. This problem raises costs for the principal, namely the cost of supervision (monitoring cost). This monitoring cost in its development is realized in structured corporate governance. Good corporate governance is expected to reduce the opportunistic behavior of managers who seek to benefit from reducing the burden that must be incurred by the company, both the tax burden and the burden of fulfilling environmental responsibilities.

Previous research shows that good corporate governance can reduce tax aggressiveness (Tandean & Winnie, 2016; Armstrong et al., 2015). Besides, Stuebs et al. (2014) stated that the application of good corporate governance could contribute to the improvement of environmental responsibility performance. Thus, good corporate governance can encourage companies to behave in line with the expectations of the stakeholders. Furthermore, as a monitoring cost, corporate governance is expected to ensure that management considers the role of all stakeholders in decision making. It is related to one of the third corporate governance principles, namely the role of stakeholders. Therefore, the third hypothesis of this study is as follows:

H3: Corporate governance strengthens the negative effect of the company's environmental responsibility performance on tax aggressiveness.

In agency theory, the separation between principal and management leads to differences in managerial actions that are not in harmony with the principal. It leads to the conclusion that managers pursue their interests so that the policies taken are not entirely profitable for the company, including tax policies. According to agency theory, corporate governance is a system within a company, one of which was formed to safeguard the interests of the principal from the misalignment of the manager's behavior with the principal and asymmetric information. The elements of corporate governance, such as independent commissioners, audit committees, and managerial ownership. Function as supervision to minimize the opportunistic behavior of management and reduce asymmetric information.

Therefore, corporate governance is expected to moderate the effect of disclosure of social responsibility that becomes the bonding cost for managers to the possibility of deviant behavior of managers in determining tax aggressiveness policies.

Corporate governance is believed to influence tax aggressiveness, primarily if it is carried out optimally. Tandean and Winnie (2016) and Armstrong et al. (2015) found that tax aggressiveness decreased along with the implementation of corporate governance. Meanwhile, other literature shows that corporate governance components such as ownership structure (Ashfaq & Rui, 2019) and board composition (Ong & Djajadikerta, 2018; Ashfaq & Rui, 2019) influence the amount of social responsibility information disclosed by the company. Corporate governance as a supervisory mechanism is expected to reduce management deviant behavior and oversee the decision making process related to tax aggressiveness and disclosure of corporate social responsibility. Through this supervision, decisions related to disclosure of social responsibility and inappropriate tax aggressiveness can be minimized. The fourth hypothesis of this study is as follows:

H4: Corporate governance strengthens the negative effect of corporate social responsibility disclosure on tax aggressiveness.

3. RESEARCH METHODOLOGY

This study employs secondary data obtained through annual reports and company financial reports from 2014 to 2018. Data sources from annual reports, financial reports, and sustainability reports are obtained from the official website of the Indonesia Stock Exchange and through the company's official website. This study employs panel data to examine the hypothesis. This study has selection criteria that are used to obtain a final sample. First, companies with a date listed on the stock exchange or Initial Public Offering (IPO) before January 1, 2015, are selected as sample. It ensures data completeness to calculate the variables used in research. Second, companies engaged in the financial sector (Lanis & Richardson, 2012) are excluded because of differences in the characteristics of capital structure and financial ratios. It is related to the use of leverage control variables. Third, the company has PROPER value. Fourth, companies with negative profit before tax are excluded because the loss company is not required to pay taxes. Thus, it is assumed that there are no tax expenses or positive tax expenses. It can bias the BTD calculation. The companies obtained as samples are 34. Thus, the number of observations in this study is 170 observations (firm-year).

The dependent variable of this research is tax aggressiveness, the independent variable is the environmental responsibility performance and social responsibility disclosure index, and the control variables are profitability, leverage, company size, big four auditors, inventory intensity, and capital intensity. In line with Lanis and Richardson (2014), the measurement of tax aggressiveness in this study refers to Hanlon and Heitzman (2010), which states that the use of Book-Tax Difference (BTD) can increase the likelihood of detection of tax aggressiveness. Also, BTD was chosen because,

according to Evers, Meier, and Nicolay (2016), this measure is most used in previous studies to illustrate tax aggressiveness. *BTD* gives the difference between

profit according to accounting and profit according to fiscal so that the greater *BTD* means, the more aggressive the avoidance of taxes carried out.

$$BTD = Profit\ Before\ Tax - \frac{Current\ Tax\ Expense}{Tax\ Rate\ According\ to\ the\ Law} \quad (1)$$

Furthermore, the measurement of environmental responsibility performance uses the *PROPER* value, which is a company performance rating assessment program in environmental management. The selection of the use of *PROPER* values is in line with the research of Nurputri and Nuzula (2019) and Djuitaningsih and Ristiawati (2015). *PROPER* is considered the best proxy to describe the environmental responsibility performance objectively because the assessment is carried out by the Ministry of Environment. After collecting the 2014-2018 *PROPER* assessment documents, a score was given for the sample companies, namely 4 for the Gold *PROPER* value, 3 for the Green *PROPER* value, 2 for the Blue *PROPER* value, 1 for the Red *PROPER* value, and 0 for the Black *PROPER* value.

Corporate social responsibility disclosure is measured based on the indicators of the Global Reporting Initiatives (GRI). The GRI standard is used because it represents global best practices in terms of reporting sustainability to the public. In GRI, there are three material topics: economic, social, and environmental. In total, there are 91 indicators of the disclosure. The selection of the use of GRI G4 proxy is based on research from Bednárová, Klimko, & Rievajová (2019) and Yaya, Wibowo, Ulfaturrahmah, and Jalaludin (2018). Based on this research, the measurement of corporate social responsibility disclosure uses the GRI disclosure index. In line with Lee's research (2015), this study uses a scale (Table 1) to provide scores on each disclosure item in the annual report and the sustainability report.

Table 1. Social Responsibility Disclosure Index scale

Scale	Description
0	Do not make disclosures.
1	Minimum disclosure or briefly mentioned.
2	Descriptive: presents a definite impact on the company or policy.
3	Quantitative: the impact on the company is clearly defined in monetary terms or physical quantity.
4	Truly extraordinary.

Source: The Author processed.

In line with Lee (2015), this study uses a scale to provide a score for each disclosure item in the annual report using data collection methods in

the form of content analysis, to then be added up and calculated subsequently with the following calculation:

$$CSR = \frac{Total\ CSR\ Disclosure\ Conducted\ by\ the\ Company}{Total\ Disclosure\ Criteria\ According\ to\ GRI\ G4} \quad (2)$$

The moderating variable in this research is corporate governance. The measurement refers to the corporate governance index, which refers to the corporate governance guidelines developed by the OECD in 1999, as used in the research of Cheung, Jiang, Limpaphayom, and Lu (2010) and Cheung et al. (2014). The proxy was chosen for several reasons. First, most of the previous studies only tested some components of corporate governance on the dependent variable. Therefore, by using the criteria in the OECD guidelines in measuring these variables, it is hoped that a comprehensive picture of corporate governance practices in Indonesia can be obtained. Second, the selection of OECD criteria as an index basis is carried out because the corporate governance guidelines issued by the Financial Services Authority (OJK) as a foundation for companies in Indonesia are developed regarding the OECD guidelines. Finally, the three primary assessments of corporate governance in Indonesia

carried out by international institutions, both in the form of Corporate Governance Watch, Reports on the Observance of Standards and Codes (ROSC), and the ASEAN CG Scorecard use OECD guidelines as the basis for its assessment.

Therefore, an index based on OECD criteria is expected to be able to measure the implementation of corporate governance comprehensively, so that the results of testing the role of corporate governance can be better than previous studies. The measurement of corporate governance is also carried out with content analysis. Content analysis is carried out in several stages, such as reducing the five principal dimensions to several checklist points to form a corporate governance index with a scale of 0 to 1. Next, the criteria in the checklist are matched with information available in the company's annual report. Corporate governance measures are formulated as follows:

$$CG = \frac{Total\ Corporate\ Governance\ Disclosures\ Conducted\ by\ the\ Company}{Total\ Disclosure\ Criteria\ According\ to\ OECD} \quad (3)$$

Furthermore, the company size reflects how much ownership the total assets of the company. The proxy refers to Lanis and Richardson (2012),

which is obtained from the natural logarithm of the total assets of the company. Leverage is a measure of a company's ability to settle its debt payment

obligations using assets owned. Leverage can be interpreted as a measure of risk inherent in the company. In this study, leverage is measured by the ratio of total long-term liabilities and total equity as Lanis and Richardson (2012). Profitability is defined as a measure of the company's efficiency in using capital. Profitability describes the company's ability to generate profits from assets held. Referring to Lanis and Richardson (2013), profitability is proxied by Return on Assets with calculated by earnings before taxes to total assets. Capital intensity is an illustration of how much investment in fixed assets of the overall assets of the company. Referring to Lanis and Richardson (2012), the measurement of capital intensity in this study is calculated by net fixed assets to total assets. Inventory intensity

describes how much a company invests its assets in inventory. Referring to Lanis and Richardson (2012), the measurement of inventory intensity in this study is calculated by total inventories to total assets. The *BIG4AUD* variable is measured as a dummy variable, coded 1 if the company's audit process is carried out by a Public Accountant Office affiliated with the Big Four auditors, and 0 vice versa as Lanis and Richardson (2012).

Research Model

The first model is to examine the effect of social responsibility disclosure and environmental responsibility performance on tax aggressiveness as *H1* and *H2*. The regression model for this research is as follows:

Model 1

$$BTD_{it} = \beta_0 + \beta_1 ENPERF_{it} + \beta_2 CSR_{it} + \beta_3 LEVE_{it} + \beta_4 ROA_{it} + \beta_5 SIZE_{it} + \beta_6 CAPINT_{it} + \beta_7 INVINT_{it} + \beta_8 BIG4AUD_{it} + \epsilon_{it} \tag{4}$$

Meanwhile, to analyze the role of corporate governance in moderating the effect of the independent variables examined on tax

aggressiveness as *H3* and *H4*, Model 2 is used as follows:

Model 2

$$BTD_{it} = \beta_0 + \beta_1 ENPERF_{it} + \beta_2 CSR_{it} + \beta_3 CG_{it} + \beta_4 ENPERF_{it} * CG_{it} + \beta_5 CS_{it} * CG_{it} + \beta_6 LEVE_{it} + \beta_7 ROA_{it} + \beta_8 SIZE_{it} + \beta_9 CAPINT_{it} + \beta_{10} INVINT_{it} + \beta_{11} BIG4AUD_{it} + \epsilon_{it} \tag{5}$$

where:

- BTD*: Company book-tax difference *i* year *t*;
- ENPERF*: Company performance score *i* year *t*;
- CSR*: Index of corporate social responsibility disclosure *i* year *t*;
- CG*: Corporate governance index *i* year *t*;
- LEVE*: The ratio of long-term debt to equity;
- ROA*: Return on assets;
- SIZE*: Natural logarithm of total assets;
- CAPINT*: Capital intensity;
- INVINT*: Inventory intensity;

- BIG4AUD*: Dummy variable Big Four auditor;
- ϵ : Error.

4. RESULTS

Descriptive statistics

Table 2 shows descriptive statistics for the variables studied, including the mean, median, standard deviation, and maximum and minimum values.

Table 2. Descriptive statistics

<i>Variable</i>	<i>Obs.</i>	<i>Mean</i>	<i>Med.</i>	<i>Std. Dev.</i>	<i>Min.</i>	<i>Max.</i>
BTD	170	0.00141	-0.00042	0.04029	-0.11353	0.20127
ENPERF	170	2.15294	2.00000	0.56539	1.00000	4.00000
CSR	170	0.71700	0.56044	0.56286	0.00000	2.78022
CG	170	0.62176	0.63059	0.08495	0.37942	0.79354
LEVE	170	0.17218	0.14369	0.13580	0.00757	0.57657
ROA	170	0.09564	0.06951	0.09543	-0.01720	0.52670
SIZE	170	29.74837	29.85957	1.37961	26.94384	32.47303
INVINT	170	0.18021	0.14661	0.13349	0.01667	0.66874
CAPINT	170	0.37397	0.34415	0.16797	0.00806	0.79656
BIG4AUD	170	0.60588	1.00000	0.49010	0.00000	1.00000

Furthermore, the results of regression model selection tests (chow test, Lagrange multiplier test, Hausman test) suggest that the most appropriate regression model in this research is a fixed-effect

model (FEM) for Model 1 and a random effect model for Model 2. The result of equation model regression is as follows:

Table 3. Regression results

Variable	Expected Sign	Model 1		Model 2	
		Coefficient	Prob.	Coefficient	Prob.
Cons.		0,3968	0,159	-0,0860	0,261
ENPERF	-	-0,0151	0,012**	0,0152	0,330
CSR	-	-0,0150	0,028**	-0,0486	0,101
CG				0,0260	0,408
ENPERF*CG	-			-0,0474	0,187
CSR*CG	-			0,0599	0,157
LEVE		0,0236	0,341	0,0271	0,211
ROA		0,1555	0,057*	0,1536	0,000***
SIZE		-0,0118	0,184	0,0036	0,184
INVINT		-0,1121	0,041**	0,0139	0,355
CAPINT		0,0047	0,452	-0,0085	0,352
BIG4AUD		0,0031	0,385	-0,0262	0,008**
R ²		0,1876		0,2426	
Adj R ²		0,1473		0,2627	
F-Stat.		3,7000		35,05	
Prob. (F-Stat.)		0,0007		0,0002	

5. DISCUSSIONS

The effect of environmental responsibility performance on tax aggressiveness

This study finds that environmental responsibility performance is negatively associated with tax aggressiveness. This study is in line with several studies that tested the effect of the performance of the overall social responsibility towards tax aggressiveness such as Lanis and Richardson (2014) and López-González et al. (2019). However, this study is not in harmony with the research of Gulzar et al. (2018), Landry et al. (2013), and Laguir et al. (2015).

This result cannot confirm the political cost hypothesis and suggests that high environmental responsibility performance can be carried out in line with tax compliance. The company is allegedly not implementing a strategy of minimizing political costs because even if it benefits shareholders, this can be against reputation, which is the company's most valuable asset (Landry et al., 2013). In line with legitimacy theory, the company carries out the excellent performance of environmental responsibility in tune with not aggressive tax as a form of strategy to gain support and credibility from stakeholders considering that it is more important for reputation rather than cost-saving (López-González et al., 2019).

Although this research is in line with the legitimacy theory, it does not describe the high performance of environmental responsibility as the legitimacy of conducted tax aggressiveness. Environmental responsibility performance and tax payment as a harmonized legitimacy tool. It is in line with the *stakeholder theory*, and the company should strive to meet the expectations of all stakeholders contribute to determining the viability of the company (López-González et al., 2019). Even though tax avoidance behavior does not violate the law, it reduces the company's contribution to society, thereby creating injustice for the community (Sträter, 2016). On the other hand, companies need to ensure that the activities carried out with the values and norms prevailing in the community so that the company's operational activities can be accepted by the community (Stuebs et al., 2014). The company has a moral obligation to stakeholders

to engage in social responsibility activities (Sikka, 2010), including environmental and tax responsibilities (Fallan & Fallan, 2019). With high environmental responsibility performance and adherence to applicable regulations and tariffs without aggressive tax planning, companies can secure connections with the public. Also, the company has attempted to establish functional interactions with the government as a tax collector.

In addition to meeting stakeholder expectations, companies are required to obey regulations (Lewis, 2003). In Indonesia, Law No. 32 of 2009 concerning Environmental Protection and Management mandates adherence to regulations regarding environmental quality standards for every business owner. The existence of this binding regulation can affect the morale of the company so that the company adopts a strategy to obey the rules (Fallan & Fallan, 2019), including tax regulations. The conformity of company behavior with the rule of law also leads to better ethics. Thus, the result suggested that the company is also carrying out two things for the sake of ethics (Sträter, 2016). First, corporate ethics towards the government as a provider of various facilities that are also utilized by the company (Sträter, 2016). Second, related to company ethics towards the community as fellow taxpayers. A company's tax aggressiveness makes it become a free-rider in the economy (Sträter, 2016; Bird & Davis-Nozemack, 2016) by enjoying the benefits available to the community, but not paying their tax share fairly (Christensen & Murphy, 2004). It results in a tax revenue vacancy that will indirectly be transferred to other taxpayers (Sträter, 2016) because they need for taxes must be met that taxes are used to finance the provision of public goods in the community.

The effect of social responsibility disclosure on tax aggressiveness

This study suggests that social responsibility disclosure is negatively associated with tax aggressiveness. This result is in line with previous research, which states that there is a negative effect of social responsibility disclosure on tax aggressiveness (Lanis & Richardson, 2012; Sari & Tjen, 2016). Nevertheless, the result of this study is not relevant to Chen (2018), Davis et al. (2016), and Gulzar et al. (2018). The company will not provide

information or engage in socially responsible activities if it cannot increase profits in line to maximize shareholder wealth (Friedman, 1970). In Indonesia, Government Regulation Number 47 of 2012 concerning Limited Corporate Social and Environmental Responsibility applies. This regulation mandates that every company, as a legal subject, has social and environmental responsibility. The existence of these rules encourages companies to provide social responsibility information that has been done in order to claim to the government and the public that the company has complied with regulations (Bird & Davis-Nozemack, 2016).

In line with the legitimacy theory, the company needs to show social responsibility to the community that has been conducted since the company's reputation depends on the information obtained from the company's stakeholders (Dowling, 2014). If the company does not disclose more information, the company's reputation will likely decline (Loh, Thao, Sim, Thomas, & Yu, 2016). Besides, social responsibility and tax aggressiveness can influence consumer behavior, and they also have an impact on the company's reputation (Park, 2019). On the other hand, shareholders need guarantees for the company's high reputation (Gulzar et al., 2018). Thus, when companies disclose more information but do aggressiveness tax, corporate reputation can also be decreased so that the reputation which is expected to be obtained from the disclosure cannot be achieved. It can lead to more significant losses than the costs saved from tax aggressiveness (Landry et al., 2013).

Furthermore, social responsibility also requires compliance with laws or regulations (Dowling, 2014), including tax regulations. Even the company should be beyond compliance (McWilliams & Siegel, 2001). Some previous studies classify taxes as part of social-economic responsibility (Sträter, 2016; Avi-Yonah, 2006). Taxation is related to social responsibility because tax revenue is used to fund the development of the community and its stakeholders, and various services requested by organizations such as the legal system and supervision (Avi-Yonah, 2006). Thus, tax planning is not aggressive or tax-compliant, following applicable regulations in line with corporate social responsibility. The company's compliance with social responsibility and tax obligations can harmoniously prevent the company from sanctions that can affect the company's credibility, both administrative sanctions, legal sanctions, and social sanctions from the public.

The finding of this study indicates that social responsibility disclosure can encourage companies to behave more ethically, including tax compliance. It is essential considering the tax system of self-assessment requires high ethical awareness (Palil, 2010). Furthermore, the view of stakeholder theory emphasizes that companies need to pay attention to the importance of ethics and activities that are responsible for the sustainability of the company (Avi-Yonah, 2006). One of them is the government that provides protection and licensing to companies to carry out business operations, and the company is obliged to pay back the government through tax payments by applicable regulations (Sträter, 2016). Tax aggressiveness is considered as

a morally reprehensible practice, and socially responsible companies are expected to avoid this practice (Cheng & Lin, 2015). By not paying a "fair share" of taxes on corporate profits to the government, companies are assumed unfair because taxes are used to finance public goods and social programs whose benefits can also be felt by the company (Sträter, 2016). It reinforces the argument that social responsibility plays a role in reducing tax aggressiveness.

Therefore, the effect of social responsibility on corporate tax aggressiveness can be interpreted through two sides, strategy (Lanis & Richardson, 2012, 2014; López-González et al., 2019) and ethics (Sträter, 2016). The finding is in line with the result of the first hypothesis test. It means that the performance of corporate environmental responsibility assessed by external parties confirms the claims made by the company through disclosure of social responsibility. The similarity results suggest that companies in Indonesia tend to carry out corporate social responsibility in positive goals and ways.

The effect of corporate governance in strengthening the negative effect of environmental responsibility performance on tax aggressiveness

This study finds that the importance of corporate governance cannot effectively exert a negative effect on environmental responsibility performance on tax aggressiveness. According to descriptive statistics, the performance of the majority of environmental responsibility companies is quite good with only less than 1% of companies that do not adhere to the requirements, 97% have met the compliance criteria, and about 2% have met the beyond compliance criteria. Meanwhile, corporate governance is still low, with an average value of 0.62176. Therefore, low corporate governance has not been able to exert any effect on decreasing tax aggressiveness. Environmental responsibility performance can dominate in affecting corporate tax aggressiveness.

According to agency theory, the implementation of good corporate governance as a form of monitoring cost (Godfrey et al., 2010). The inadequacy of the quality of corporate governance in strengthening the negative influence of environmental responsibility performance on tax aggressiveness is allegedly due to the uneven quality of the overall implementation of corporate governance (Gunawan, 2017). Based on the CG Watch Reporting, among several countries such as Hong Kong, Singapore, Malaysia, Taiwan, Thailand, India, Japan, Korea, China, and the Philippines, the value of corporate governance, including the value of corporate governance culture in Indonesia is relatively low and almost always ranks the bottom three (CLSA Limited, 2016; CLSA Limited, 2018). The company is suspected of only implementing good governance in order to fulfill administrative obligations without being accompanied by good corporate governance practices (Gunawan, 2017).

The result suggests that the performance of environmental responsibility affects the tax aggressiveness, while corporate governance does not moderate the relationship. It means that the view of

legitimacy theory and stakeholder theory can better describe the factors that influence tax aggressiveness compared to agency theory. The impact of environmental responsibility performance can be assumed directly by the community and can be monitored more easily by other stakeholders. Meanwhile, corporate governance does not directly impact on stakeholders. The difference in exposure to these two things makes the company not consider it necessary to maximize improvements in corporate governance because the company's reputation is only determined by factors that are known by stakeholders (Dowling, 2014).

In this study, the environmental responsibility performance score was obtained from the PROPER rating. To achieve good environmental responsibility performance value, the company carries out activities that are by the criteria set by the Indonesia Ministry of Environment. Furthermore, the application of environmental responsibility activities is overseen by the Ministry of Environment until ranking is issued annually. Besides, companies are also obliged to adhere to environmental quality standards whose violations can result in the acquisition of sanctions based on the Indonesia Government Regulation. It is what drives the performance of environmental responsibility to be more influential on corporate behavior, namely the enforcement of regulations. The existence of regulations provides intervention in decisions on policy or strategy choices taken by companies (Fallan & Fallan, 2019).

Meanwhile, regulations regarding corporate governance issued by OJK are still administrative, not yet covering the regulatory stage in their implementation (OJK, 2014). Corporate governance in Indonesia seems not a serious thing (Gunawan, 2017). In line with administrative regulations, the company also runs corporate governance limited to the administration so that good corporate governance has not endeavored and cannot contribute positively as expected.

The effect of corporate governance in strengthening the negative effect of social responsibility disclosure on tax aggressiveness

This study indicates that corporate governance has failed to strengthen the negative effect of social responsibility disclosure on tax aggressiveness. Partial corporate governance also failed to exert an influence on corporate tax aggressiveness. The results of this study are not in line with previous studies (Tandean & Winnie, 2016; Armstrong et al., 2015; Ashfaq & Rui, 2019; Ong & Djajadikerta, 2018). Based on descriptive statistics, there is a high enough gap between companies that have a maximum corporate governance disclosure value (0.79354) and a minimum (0.37942). It suggests that Indonesian corporate governance is not evenly distributed by the characteristics of corporate governance in developing countries. In developing countries, the implementation of corporate governance has a considerable variation, different from in developed countries (Black, 2001).

Corporate governance should be able to influence the opportunity to take aggressive tax planning actions (Richardson et al., 2013). However, previous research examining the effect of corporate governance components directly on tax avoidance

in Indonesia found that not all components of corporate governance influence tax avoidance (Tandean & Winnie, 2016). On the other hand, research examining the effect of corporate governance on social responsibility disclosures shows that not all components are influential (Ong & Djajadikerta, 2018; Ashfaq & Rui, 2019; Said, Zainuddin, & Haron, 2009; Habbash, 2016). The results of this study indicate that some of the mechanisms of corporate governance in Indonesia do not work as supposed to be so that not all components of corporate governance are the best assessment to determine the level of tax policy supervision and social responsibility disclosure by the board of directors and commissioners (Gunawan, 2017). Thus, the quality of corporate governance does not capture the effect of social responsibility disclosure on tax aggressiveness.

Furthermore, there are corporate governance disclosure points that overlap with social responsibility disclosure items. It can be expected to be the cause of the inability of corporate governance to strengthen the negative effect of social responsibility disclosure on tax aggressiveness. The elements that are important in influencing tax aggressiveness are thought to have been represented by the elements contained in those required for disclosure of social responsibility.

6. CONCLUSION

The test results of this study indicate that environmental responsibility performance and corporate social responsibility disclosure has a negative effect on tax aggressiveness. They are carried out in harmony with tax compliance with two objectives. First, as a strategy, linked with legitimacy theory, corporate social responsibility disclosure is accompanied by payment of taxes by statutory regulations to achieve legitimacy, image, and reputation. Second, ethical reasons, related to stakeholder theory, companies have functional environmental responsibility as ethics implementation to the community and the environment impacted by the company's operations, then companies obey tax as ethics to the government and other taxpayers.

Corporate governance cannot moderate the effect of environmental responsibility performance on tax aggressiveness nor the effect of corporate social responsibility disclosure on tax aggressiveness. It explains that corporate governance has not been able to reflect effective mechanisms in limiting the opportunistic behavior of managers. Also, the quality of corporate governance implementation, which have not optimal yet, is thought to have caused corporate governance to not function optimally in overseeing corporate tax planning.

This study has several limitations. The index score measurement is based on annual reports and company sustainability reports on the variable corporate social responsibility disclosure and annual reports on corporate governance variables. The index score process requires an automatic search using the FIND function in the Adobe Acrobat Reader DC application to search for keywords and explanations related to the components of corporate

social responsibility disclosure, risk disclosure, and corporate governance. However, some company annual reports are scanned directly or protected from the automatic search menu, resulting in information about these components that cannot be found. The index score of corporate social responsibility disclosure variables and corporate governance variables were obtained by using the content analysis method. The methods are always related to subjectivity issues (Lanis & Richardson, 2013). This research was only conducted at non-financial companies listed on the IDX, so the results of this study could not generalize the behavior of all companies in Indonesia. The number of sample companies in this study is limited because it adjusts to the company's participation in PROPER to meet panel data.

Future studies can use longer research time intervals, to capture the phenomenon of the influence of environmental responsibility performance and disclosure of social responsibility on corporate tax aggressiveness, and the role of corporate governance in moderating the influence of these variables on tax aggressiveness more comprehensively. Future studies can use samples from companies listed on other countries' exchanges, for example, in Southeast Asia, so that the research results become more comprehensive than this study. The measurement of corporate governance in this study uses a corporate governance index based on OECD criteria. Further research can use other guidelines regarding corporate governance, such as governance guidelines in Indonesia which are regulated by the Indonesia Financial Services Authority Letter Number 32/SE-OJK.04/2015 concerning Guidelines for Public Corporate Governance. This guideline is compliant or explain, so it is expected to facilitate the index score and capture disclosure of corporate governance in Indonesia.

As an integrated regulatory and supervisory body for all activities in the financial services sector, Indonesia Financial Supervisory Authority should

analyze and evaluate the effectiveness of several regulations, policies, and business practices or processes in the capital market. The results of this study can be used as input material that corporate governance implemented by companies in Indonesia have not been able to carry out its supervisory function towards aggressive tax planning. Besides, the results of this study can be input for Indonesia Tax authorities to pay more attention to sustainability issues such as environmental responsibility and corporate social responsibility. Test results that show the negative influence of environmental responsibility performance and disclosure of corporate social responsibility can be used as an early warning related to company aggressiveness. The Indonesia Tax Authority should pay attention to the company's concern for environmental and social issues carry out further checks related to the possibility of corporate tax aggressiveness. The alignment of environmental responsibility performance and disclosure of social responsibility with tax compliance can direct that tax is in line with the issue of sustainability. The Directorate General of Taxes can establish cooperation with responsible parties related to corporate social and environmental responsibility. With the cross-agency synergy, it is expected to create an economic ecosystem that supports the achievement of tax needs.

Furthermore, the Indonesia Ministry of Environment needs to continue to supervise the company's obligations to carry out environmental responsibility. Besides, the Ministry of Environment also needs to continue to develop PROPER and increase the number of participants because it is proven that the performance of social responsibility can trigger the ethical behavior of companies for non-aggressive tax planning. The Ministry of Environment can establish synergies with the Financial Services Authority in terms of PROPER participation by public companies. Thus, the community can obtain optimal benefits from the company's presence.

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