THE INFLUENCE OF TAX PLANNING AND CORPORATE SOCIAL RESPONSIBILITY AGAINST TAX DISCLOSURE

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Abstract

This study examines the relationship between tax planning (TP) and corporate social responsibility (CSR) in influencing tax disclosures (TDs). The methodology used in this study is quantitative with moderating regression analysis (MRA). A research sample of 74 companies was carefully selected from the population of 787 manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2021. The findings showed that TP and CSR have a significant impact on TD in listed manufacturing companies in Indonesia. It supports the idea that engaging in TP activities and social responsibility investments contributes to higher levels of TD, which in turn can help mitigate tax risks, provide decision-making information to stakeholders, and maintain social legitimacy. This study also highlights the importance of transparent TD in building trust and credibility among stakeholders. In conclusion, the results underscore the interplay between TP, CSR, and TD in the context of listed manufacturing companies in Indonesia.

Keywords: Corporate Social Responsibility, Tax, Transparency, Tax Planning, Tax Disclosure

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1. INTRODUCTION

Taxation is the primary financial source that plays a crucial role in contributing to a country's economy and achieving sustainable development goals. Fulfilling tax obligations in Indonesia is based on the Law on General Provisions of Taxation, which has been amended several times, most recently by Law No. 7 of 2021, concerning the harmonization of tax regulations. The government implemented tax amnesty and voluntary disclosure programs to increase tax revenue and strengthen the tax base. These programs will accelerate economic growth, promote structural change, facilitate tax reform for a more equitable tax system, expand the tax database, and establish a more integrated, efficient, financial, and comprehensive system. Tjen (2021) reports that the government expanded the tax base, increased the tax ratio, and raised the value-added tax (VAT) from 10% to 12% to boost tax revenues.

Mandatory disclosure rule (MDR) represents a significant change in taxation, with transparency as a key aspect (Kristiaji, 2021). MDR is applied to increase the tax revenue. According to Darussalam and Septriadi (2017), there are three objectives, those are: a) to collect preliminary information on the existence of active tax planning (TP) plans, as part of tax risk assessment efforts, b) to identify the scheme and implications of the tax planner used, and c) to be a deterrent that may reduce aggressive TP practice.

Tax disclosure (TD) increases the transparency of a company's overall income (Brauner & Stewart, 2013) which promotes trust and compliance, and ensures confidence in the implementation of corporate tax obligations. TD is crucial for encouraging compliance and discipline among taxpayers (Mulyani, 2022). Schnackenberg and Tomlinson (2016) identify three dimensions of transparency; information disclosure, clarity, and accuracy. These dimensions can be achieved by having access to financial statements, which prioritize the principle of transparency and openness for all entities and stakeholders in the tax sector. To have an effective tax system, it is essential to obtain tax information in a timely and comprehensive manner. Taxpayers must provide this information to fulfill their tax obligations under the self-assessment system. Tax officials use this information to carry out supervisory and guidance functions, establishing mutual trust between taxpayers and stakeholders (Kristiaji, 2021).

TP fulfills tax obligations effectively and efficiently, mitigating the impact of taxes on company welfare (Irawan & Farah Mita, 2012). TP is an effort to mitigate the fulfillment of tax obligations because taxes are considered a reduction in company welfare. TP is a necessary step that can be achieved through formal and material approaches. The formal approach involves calculating all tax obligations' consequences, including investment, management, and accounting policy decisions, starting from the decision-making process. The material approach can be carried out when organizing the administration of fulfilling tax obligations and paying them. TP involves developing a strategy for legal tax avoidance by identifying transactions that benefit the company in terms of tax savings. Fulfilling corporate social responsibility (CSR) obligations is an effective TP strategy (Hoi et al., 2013). Companies with high social responsibility performance exhibit a high level of TP activity.

Some studies have explained the effect of TP on TD, such as Mgammal (2019) who found that the component of tax losses (TLOS) from tax savings has a positive significant effect on TD, and the component of permanent differences and temporary differences from tax savings has a negative effect due to the moderating influence of corporate governance. Balakrishnan et al. (2019) also revealed companies that conduct TP are positively related to transparency, and there is no corporate governance effect that connects TP and TD. TD become the way to avoid the detection of fraudulent tax obligations. Kerr (2019) stated that a low level of tax avoidance, results in more transparent TDs. It is supported by Stiglingh et al. (2020) that a company that does not do the TP is more transparent in disclosing the financial statement. Thus, it can be said that there is a negative relationship between TP and TD.

CSR is governed by Law No. 40 of 2007 concerning Limited Liability Companies in Chapter V, Article 74. Its purpose is to foster harmonious, balanced business relationships that align with the environment, values, norms, and culture of the local community. This social and environmental responsibility is a corporate obligation that is budgeted and charged as an operating cost. The political cost hypothesis suggests that social and environmental responsibility are part of a company's obligation to share prosperity with interested parties in accordance with the environment. According to this hypothesis, the larger the firm, the greater the consequences of political cost obligations (Watts & Zimmerman, 1978). The political costs have consequences that enable management to optimize their responsibility cost obligations (Maraya & Yendrawati, 2016).

The study's originality lies in introducing a new independent variable, CSR, which is believed to impact TD. This variable's placement is based on the findings of Chircop et al. (2018) and De la Cuesta-González and Pardo (2019) who concluded that firms have a responsibility to pay taxes and disclose this information to the public. In addition, engaging in social activities may reduce tax liabilities and serve as a risk mitigation measure for tax detection (Lin et al., 2019; Razali et al., 2022). Therefore, this study aims to determine the effect of TP and CSR on TD.

The structure of this paper is as follows. Section 2 reviews the relevant literature. Section 3 analyses the methodology that has been used to conduct empirical research on TP, CSR, and TD. Section 4 provides findings. Section 5 presents a discussion and Section 6 outlines conclusions.

2. LITERATURE REVIEW

2.1. Tax planning

Tax planning is an activity of tax avoidance from the consequences of ambiguities (intentional or unintentional) about tax laws, business policies, or technical aspects (Rego, 2003). TP is an effort that can be made by taxpayers without contradicting tax regulations. TP can be implemented with tax savings that take advantage of tax incentives (tax given) and take advantage of areas that have not been or are not regulated (loopholes). One of the tax obligations is to pay taxes, which in cash flow is an outflow because taxes are considered a cost that reduces the profit after tax. The scheme of optimization of tax obligation fulfillment can be carried out by making full use of the regulations on tax facilities, which are the leeway of favorable tax regulations. Facilities that can be used include the use of the turnover limit of the final income tax object, the exclusion of the income tax object as the final income tax object, and others. All this is based on the current tax regulations. Good TP can plan and manage the taxpayer's cash so that it can be used as a consideration in preparing a more accurate cash budget (Sartika, 2012). The main motivation for TP is to achieve liquidity gains for the taxpayer. This motivation is highly dependent on the attitude of the decision-maker when implementing the TP strategy. TP implicitly reduces tax liabilities, improves cash flow, and can increase after-tax profits. Another advantage of TP is that it can result in higher reporting of non-tax expenses and lower reporting of income.

TP can be used to minimize taxes payable as long as it complies with tax regulations (Gorodetska, 2022). Taxpayers can optimize their tax obligations to achieve their TP objectives. The implementation of TP in accordance with tax legislation can benefit both managers (agents) and shareholders (principals) by minimizing the tax burden of each party through an effective TP strategy.

H1: Tax planning has a positive effect on tax disclosure.

2.2. Corporate social responsibility

Social responsibility is the act of communicating an organization's social and environmental impacts resulting from its economic activities to specific interest groups and society as a whole (Sawant &

Naik, 2022). Social responsibility is held according to Article 74 Paragraph 2 Law No. 40 of 2007, stated as a company's obligation to budget and account for a corporate cost and its application in a timely manner (Hapsari & Asis, 2023). In the context of social responsibility, political cost theory can provide a relevant and precise explanation. Political costs refer to the costs that external groups may impose on a company as a result of political actions (Watts & Zimmerman, 1978). It is assumed that a firm will pay high taxes if it makes high profits. Social responsibility is often viewed as a cost that can reduce these profits (Kostyuk et al., 2013; Nimani et al., 2022; Simon, 2023). However, it is also an obligation based on government regulations that companies must fulfill, which can have an impact on reducing taxes payable. The political costs theory can explain why many companies include voluntary environmental and social disclosures in their annual reports. Furthermore, political cost theory explains why companies adopt TD when other parties request increased information about corporate tax policies (Deegan et al., 2002).

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

2.3. Tax disclosure

Tax disclosure is intended to increase transparency for the public regarding the income earned by multinational corporations (Brauner & Stewart, 2013). Transparency can be obtained from financial statements prepared based on TD requirements as information to make the most appropriate market decisions. The standard related to taxation is standard number 46 on income tax. Statements of Financial Accounting Standards (SFAS) 2017 Standard No. 46 from paragraph 79 to paragraph 82A regulates TD, so indirectly when reporting the company's financial statements, it is mandatory to include TD. TD is an obligation for all public companies (TBK Co., Ltd.) or taxpayers who are accountants. This TD obligation can refer to two approaches, namely the Financial Services Authority (*Otoritas Jasa Keuangan* — OJK) obligation approach and the tax obligation approach. There are three theories used in examining TD, such as: a) stakeholder theory, b) legitimacy theory, and c) political cost theory.

Stakeholder theory states that a company should not act solely for its own benefit, but should consider the interests of all stakeholders, including creditors, consumers, suppliers, government, associations, analysts, and others, to ensure continuity of practice (Mahajan et al., 2023). The legitimacy theory focuses on using information as an organizational tool to demonstrate adherence to social values and responsibility, and to maintain social legitimacy (Landazuri-Aguilera et al., 2022). This theory is strongly related to the disclosure of intellectual capital. Companies are more likely to report and disclose their assets as intangible assets rather than fixed assets, as this is considered a sign of the company's success. Political cost theory can be used to explain the relationship between TP and TD (Benshalom, 2015). TD is part of the taxpayer's obligation in terms of reporting the annual tax return. Fulfillment of tax obligations has consequences according to the size of the company, the larger the company, the greater the political costs that must be borne by the company.

3. RESEARCH METHODOLOGY

This study uses quantitative methods with an explanatory design to examine the influence of *TP* and *CSR* against *TD*. Explanatory research aimed to study the relationship between independent and dependent variables through hypothesis testing. The population of this study are companies listed on the Indonesia Stock Exchange (IDX), which are a total of 787 companies from different industry sectors during the period 2017–2021 or for five years. Among these companies, they were selected by purposive sampling method in accordance with the predetermined criteria, namely:

a) manufacturing companies listed on the IDX during 2017–2021;

b) no losses in the financial statements during the study period;

c) published financial statements and non-financial annual reports in 2017–2021;

d) have complete data according to the variables used in the study.

Thus, 74 companies were obtained as a research sample.

Table 1. Research sample selection

Information	*Total*
Companies listed on the IDX until 2021	787
Non-manufacturing companies until 2021	545
Experienced losses in the observation period	76
Incomplete financial statements	9
Incomplete data	83
Meets all criteria	74
Number of observed samples 5 years x 74	370

3.1. Operational definition

Tax planning (*TP*) is described as a mandatory aspect of managing the organization's financial activities, which includes the process of delaying, reducing, or deleting the total tax owed. Thus, it creates an optimization of tax obligation (Zhuk & Tomashevska, 2019). *TP* can be measured using the effective tariff ratio (ETR), as below:

$$ETR = \frac{Tax\ owed}{Profit\ before} \tag{1}$$

Social responsibility is the performance of socially and environmentally responsible activities, ranging from economic activities to specific interest groups and society as a whole, as disclosed in annual financial reports. Apriwandi and Fahria (2022) stated that companies in Indonesia use the 2016 Global Reporting Initiative (GRI) standards in terms of public economic, social, and environmental reporting with formulation as below:

$$TJSI_j = \frac{\sum X_{ij}}{N_j} \tag{2}$$

where,

- $TJSI_j$ = *CSR* index;
- ΣX_{ij} = total item disclosed by company j;
- N_j = total item for company j, $N_j \leq 151$ based on GRI standard.

Tax disclosure (*TD*) measures disclosure by comparing the number of each item reported to the total amount required to be reported each year in the annual financial statements (Pratama &

Pratiwi, 2022). *TD* is proxied based on SFAS 46 in paragraphs 79, 80, 81, 82, and 82A. *TD* can be calculated using the following equation:

$$TD_i = \frac{\sum X_{ij}}{N_j} \tag{3}$$

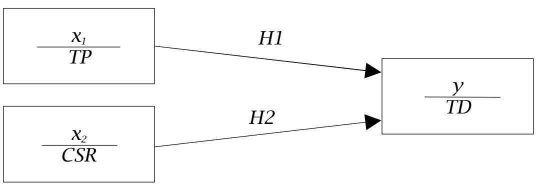
where,

- TD_j = *TD* index;
- ΣX_{ij} = total item disclosed by company *j*;
- N_j = total item for company *j*, $N_j \leq 26$ based on SFAS 46/2017.

3.2. Data collection

The data used in this study are quantitative data in the form of financial reports and annual reports of manufacturing companies listed on IDX for the period December 2017 to December 2021, consisting of balance sheet reports, income statements and notes, and annual reports. The data are obtained through the official website of the company IDX[1], and the Indonesian Capital Market Directory (ICMD) for the period 2017–2021. The data collected were analyzed descriptively using moderating regression analysis (MRA). The use of MRA consists of testing a set of variables against other variables, either directly or indirectly (Sanusi, 2017). This analysis is based on a predetermined model of the relationship between variables. It is based on the research hypotheses:

Figure 1. Moderated regression analysis model



4. RESULTS

4.1. Descriptive statistic test

This study consists of three variables; *TP*, *CSR*, and *TD*. The results of the descriptive statistics are presented in Table 2 below:

Table 2. Variable description

Variable	*Obs.*	*Mean*	*Std. dev.*	*Min*	*Max*
TD	370	0.5284	0.0901	0.3077	0.7692
TP	370	0.2240	0.0812	0.0002	0.4173
CSR	370	0.2915	0.0261	0.2583	0.3444

Source: Authors' elaboration.

Table 2 above shows an average value of 0.5284 and a standard deviation of 0.0901. This condition shows that the implementation of *TD* in the financial statements published by listed manufacturing companies in Indonesia is about 52.84% of the 26 disclosure items required by SFAS 2017. The standard deviation value is 0.0901, which shows that the implementation of *TD* of publicly listed manufacturing companies in Indonesia generally varies between 0.4383 (0.5284 – 0.0901) to 0.6185 (0.5284 + 0.0901). The lowest value of *TD* is 0.3077, which was achieved by PT Indah Kiat Pulp & Paper TBK Co., Ltd. with the issuer code INKP in 2018. The largest numerical value is 0.7692 which was obtained at PT Dharma Satya Nusantara (TBK Co., Ltd.) with the issuer code DSNG in 2018.

TP activities reflected in the average value of 0.2240 with a standard deviation of 0.0812 indicate that listed manufacturing companies operating in Indonesia have a low level of *TP* activities. This is reflected in the average value of *TP* above or above the applicable tax rate, which ranges from 19% to 20%. The standard deviation of 0.0812 indicates that the *TP* value of listed manufacturing companies in Indonesia generally varies between 0.1428 (0.2240 – 0.0812) and 0.3052 (0.2240 + 0.0812). This shows that the management of manufacturing companies engages in *TP* activities, which is reflected in the lowest value of 0.0002 in the company PT Smart (TBK Co., Ltd.) with the issuer code SMAR in 2019. This value is much lower than the applicable rate, which is between 19%–20%. In addition, there are manufacturing companies that have paid relatively large taxes with a value much higher than the average manufacturing company, namely the company PT Mulia Industrindo (TBK Co., Ltd.) with the issuer code MLIA in 2017 of 0.4173, which shows that the company has paid more tax than the applicable rate, which is caused by fiscal correction.

The measurement of *CSR* in this study uses GRI 2016 with as many as 151 items. A picture of the implementation of *CSR* disclosure is obtained with an average of 0.2915 and a standard deviation of 0.0261. This picture shows that the implementation of *CSR* activities of listed manufacturing companies in Indonesia is still low, as indicated by the average value of less than 50% of the 151 items disclosed in the annual report. The standard deviation of 0.0261 generally describes the implementation of *CSR* between 0.2654 (0.2915 – 0.0261) and 0.3176 (0.2915 + 0.0261). The lowest value of 0.2583 was obtained from the company PT Japfa Comfeed Indonesia (TBK Co., Ltd.) with the issuer code JPFA in 2017, and the highest value of 0.3444 was obtained from the company PT Wismilak Inti Makmur (TBK Co., Ltd.) with the issuer code WIIM in 2020.

4.2. Classical assumption test results

4.2.1. Normality test

Testing the assumption of normality using the Shapiro-Wilk test can be seen in Table 3 below.

Table 3. Shapiro-Wilk test result

Variable	*Prob > z*
Resid	0.11935

Source: Authors' elaboration.

Based on the results of the normality test using the Shapiro-Wilk test, the significance value is 0.11935. This significance value is greater than 0.05 ($p > 0.05$). According to the criteria, if the significance of the data calculation results from sig. > 5%, then the data is concluded to be normally distributed. Conclusion of normally distributed data, then the assumption of normality is met.

4.2.2. Multicollinearity test

The multicollinearity assumption is tested using the variance inflation factor (VIF) test and it is known

[1] https://www.idx.co.id/id

that all independent variables have a value less than 10 (VIF < 10). According to the criteria in this study, it can be concluded that the regression model in this study is free from multicollinearity problems.

4.2.3. Autocorrelation test

Autocorrelation testing uses the Durbin-Watson (DW) method. In general, the criteria for regression equations that do not occur autocorrelation if the value of the DW test is between the Durbin upper critical values (dU) and (4 - dU) values obtained from the DW table. The test results are presented as follows:

Table 4. Durbin-Watson test

Test	*Value*
Durbin-Watson d-statistic (4.370)	1.934722

Source: Authors' elaboration.

Based on the autocorrelation test, the DW value is 1.935, with a dU value of 1.846 and a 4 - dU value of 2.154. This result showed that DW is in the range of dU < DW < 4 - dU or 1.846 < 1.935 < 2.154) which concluded that there is no autocorrelation problem and the assumption is fulfilled.

4.2.4. Heteroscedasticity test

Heteroscedasticity testing in this study uses the Breusch-Pagan test, the results of which are presented in the table as follows:

Table 5. Breusch–Pagan test

Test	*Value*
Prob > Chi^2	0.9663

Source: Authors' elaboration.

Based on the Breusch-Pagan test results in Table 5 above, the significance value is 0.9663. The significance value is greater than the value of 0.05 or ($p > 0.05$). The results of this value can be used to conclude that there is no heteroscedasticity problem in the model, so the heteroscedasticity assumption is fulfilled.

4.2.5. Significance test

Significance testing in this study uses moderation regression analysis. The t-test is used to test simultaneously which can explain whether there is an influence between the independent variables on the dependent variable individually (partially). The following presents the results of testing the effect partially using the t-test.

Table 6. Significance test

TD	*t-value*	*p > t*
TP	2.53	0.012
CSR	3.00	0.003
_cons	5.88	0.000

Source: Authors' elaboration.

- *Hypothesis test 1.* The first hypothesis test between *TP* on *TD*, based on Table 6, obtained a t-value of 2.53 with a significance value of 0.012, so it is stated that there is a significant effect of *TP* on *TD*. The results of this statistical calculation support the first hypothesis, which states that *TP* affects *TD*.

- *Hypothesis test 2.* The second hypothesis test between *CSR* on *TD* based on Table 6 above obtained a t-value of 3.00 with a significance value of 0.003, so it is stated that there is a significant effect of *CSR* on *TD*, with the acceptance of this statement, *H2* is accepted.

5. DISCUSSION

5.1. The effect of tax planning on tax disclosure

Based on statistical calculations, the analysis results show that TP has a significant positive effect on TD. This suggests that the level of TD increases with the level of TP activities. Henry et al. (2016) found a positive correlation between TP and TD. Similarly, Mgammal's studies in 2019 and 2020 also showed a significant positive effect of TP and the TLOS component of the tax savings component on TD (Mgammal, 2019). TP is the process of reducing tax liability by implementing tax obligations. It is important to note that TP should be objective and transparent. Failure to do so can result in a lack of transparency and potential risks. While it can be seen as a way to save on taxes, it is crucial to ensure that the source of the company's financial increase is clear and can be explained to external parties. Managers' tax aggressive activities can reduce transparency (Balakrishnan et al., 2019). To increase transparency, higher TDs can be included in financial statements.

Different research results were conducted by Kerr (2019), leading to the conclusion that in countries with low tax avoidance and higher transparency, this influence is negative. Sejati and Prasetianingrum (2019), also find that tax aggressiveness has no effect on transparency in Indonesia. Higher effective tax rates are found in firms that are more transparent. The effective tax rate is an indicator of the presence or absence of TP, the lower the effective tax rate, the higher the level of TP behavior. Conversely, the higher the effective tax rate, the less or no TP (Stiglingh et al., 2020).

One of the tax obligations is to make tax payments. Reducing this obligation is a form of counter-TP. Implicitly reducing tax payment obligations can increase cash flow and increase profit after tax (King & Sheffrin, 2002). TP is highly dependent on the motivation of the decision-maker. This is supported by the basic human attitude that has a selfish nature of self-interest, has limited rationality (bounded rationality), and chooses not to take risks or reject risks (risk aversion). The company's fulfillment of tax obligations is highly dependent on its condition. According to the political cost theory, the larger the company, the greater its tax obligations.

TD is explained by stakeholder theory as a form of corporate existence for all parties who have an interest as a result of obligations based on law or international conventions. TD when viewed from legitimacy theory is considered as information to the public that its existence and actions are in accordance with applicable values and norms. This information is used to achieve and maintain social legitimacy. According to Balakrishnan et al. (2019), TD can be used as a way to reduce transparency problems when there is an increase in liquidity as a result of TP decisions. Another view of disclosure is seen as a form of risk mitigation, in this case, the risk of tax audits (Lin et al., 2019; Razali et al., 2022).

The hypothesis results confirm that TP has a significant impact on TD. This highlights the importance of TD as a tool for mitigating tax risks, providing stakeholders with decision-making information, and maintaining legitimacy in the social community.

5.2. The effect of corporate social responsibility on tax disclosure

The statistical calculations confirm that social responsibility has a significant positive impact on TD. Therefore, the more a company invests in social responsibility activities, the higher the value of TD. These findings support the conclusions of previous researchers, such as Chircop et al. (2018), who established the influence of social capital on tax evasion. The research showed that companies located in regions with high social capital were significantly less likely to engage in tax evasion. It is worth noting that social capital refers to the level of mutual trust within a society. Different forms of trust lead to higher-quality financial reports because auditors place greater trust in the information provided (Jha & Chen, 2015).

According to Lin et al. (2019), involvement in social responsibility improves tax control. Their research aimed to test whether social responsibility can reduce tax risk, and they found that it does. Social responsibility activities are viewed as a means of caring for society and a strategy for mitigating tax risks. Tax responsibility refers to a set of tax-related practices and policies that enable companies to pay taxes fairly in accordance with the regulations of their place of business, and to disclose them (De la Cuesta-González & Pardo, 2019). The information provided includes detailed quantitative data, as well as information about tax practices and policies.

According to McCredie and Sadiq's (2019) empirical test, companies that implemented transparency through disclosure before tax reform and viewed tax obligations as the fourth dimension of CSR experienced a reduction in tax avoidance through transparency as a result of global and national tax reform. Corporate taxation has undergone a gradual shift in attitudes, with increased corporate awareness of tax compliance. Tax is now institutionalized as the fourth dimension of social responsibility, demonstrating the confidence of corporations in their ability to comply with tax regulations.

Razali et al. (2022) found a significant positive relationship between social responsibility disclosure and TP in listed companies in Malaysia. This suggests that implementing social responsibility activities can enhance the positive image of stakeholders, while also reducing the amount of tax paid through TP.

While previous research, such as De la Cuesta-González and Pardo (2019), did not support our findings, we are confident in our methodology and conclusions. In this research, we aim to establish a definition of corporate tax liability and identify a set of indicators for corporate communication with the public and stakeholders, as a means of accountability. Our approach is based on analyzing the tax perspective from a social responsibility standpoint. The research findings suggest that companies are hesitant to disclose comprehensive tax information due to the expenses associated with achieving and maintaining transparency, which could impact their competitiveness. Managers should focus their efforts on disclosing information related to fulfilling tax obligations with confidence. Davis et al. (2016) assert that a cultural perspective on social responsibility significantly influences a company's strategy. CSR activities positively impact a company's tax obligations and reputation. Lin et al. (2019) demonstrate that responsible implementation of social responsibility activities leads to improved company performance.

Stakeholder theory explains how companies engage in socially responsible activities based on social relationships and norms. Companies must manage limited resources and balance the interests of their stakeholders with confidence. Legitimacy theory posits that social responsibility is a means of gaining recognition and can minimize tax risks (Landry et al., 2013). Implementing social responsibility in relation to tax risks can lead to greater ethical and responsible behavior by companies, resulting in increased compliance (Lanis & Richardson, 2012, 2015). The hypothesis results confirm that social responsibility has a significant impact on TD. Engaging in socially responsible activities that align with environmental norms can be an effective strategy for fulfilling tax obligations. These findings demonstrate the importance of incorporating social responsibility into tax practices. TD is not only a means of complying with government regulations but also a way to provide stakeholders with proof of social legitimacy.

6. CONCLUSION

The analysis of the impact of TP and CSR on TD in listed manufacturing companies in Indonesia concludes that both TP and CSR have a significant positive effect on TD. Listed manufacturing companies in Indonesia should incorporate social responsibility into their tax practices to lead to greater ethical and responsible behavior, increased compliance, and proof of social legitimacy. Additionally, transparent TD is significant in mitigating tax risks, providing decision-making information to stakeholders, and maintaining social legitimacy. This study emphasizes the importance of companies balancing the interests of their stakeholders while maintaining confidence, managing limited resources, and aligning social responsibility with environmental norms to effectively fulfill tax obligations. These implications can guide companies in improving their TP, CSR, and TD practices to build trust and credibility among stakeholders. However, this study has limitations due to its focus on companies listed on IDX until 2021 which may not capture the most recent developments in TP and disclosure practices. The study also only relied on the use of quantitative data from financial reports and annual reports. Therefore qualitative aspects should be considered to provide a more comprehensive understanding. Further studies could investigate the potential moderating effects of company size, industry, and financial performance on the relationship between TP, CSR, and TD. Furthermore, longitudinal studies could be conducted to assess the long-term impact of TP and CSR on TD and overall company performance. These avenues of research could provide deeper insights into the dynamics of TD in the context of manufacturing companies in Indonesia.

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