

ABSTRACT

Companies are required to pay taxes and be responsible to the society by disclosing CSR. In agency theory, companies view the company expense as an agency cost that must be minimized. Companies uses CSR expenditure as an earning management strategy. CSR expenditure is assessed as a deductible expense to obtain low taxes. This strategy is called earnings management, as the first step of tax avoidance. This study aims to explain the effect of CSR disclosure on tax avoidance and analyze the effect of CSR disclosure on tax avoidance through earnings management.

This research method is a quantitative method with a population of sector Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange (IDX) in 2018 – 2020. Sampling uses a purposive sampling technique with 25 out of 75 companies. Tax avoidance is measured using ETR by assessing taxes on pre-tax earnings. CSR disclosure is measured by CSRD based on the identification of items in the annual report using the content analysis method. Earnings management is measured using the Modified Jones model. The analysis used is multiple linear regression using the Ordinary Least Square (OLS) method with the intervening variable testing using the Sobel test.

The results of this study explain that CSR disclosure has a negative effect on tax avoidance. Wide CSR disclosure means that the company is far from tax avoidance practices. Testing using the intervening variable results in earnings management being unable to act as a mediator on the effect of CSR disclosure on tax avoidance.

Keywords: CSR Disclosure, Tax Avoidance, Earnings Management, Agency Theory and CSR Expenditure.