ABSTRACT

This study aims to examine the effect of tax avoidance on tax risk and the moderating role of Environmental, Social, and Governance (ESG) in non-financial companies listed on the Indonesia Stock Exchange. This study uses secondary data covering the 2021–2024 observation period. The sample was selected using purposive sampling, resulting in 547 firm-year observations from 144 companies. Tax avoidance is measured using the negative Cash Effective Tax Rate (Cash ETR), tax risk is measured using the volatility of Cash ETR, while ESG is measured using the Bloomberg ESG Score. The analysis was conducted using panel data regression with the Random Effect Model for Model 1 and the Fixed Effect Model for Model 2, employing White period (cross-section cluster) robust standard errors.

The results show that tax avoidance has a negative but statistically insignificant effect on tax risk. The coefficient of tax avoidance in Model 1 is -0.000454 with a probability value of 0.1973, indicating that the first hypothesis is not supported. In Model 2, tax avoidance and ESG do not have significant direct effects on tax risk, with probability values of 0.1085 and 0.3138, respectively. However, the interaction between tax avoidance and ESG has a positive coefficient of 1.19E-05 with a probability value of 0.0395, indicating a significant moderating effect of ESG on the relationship between tax avoidance and tax risk. The positive interaction coefficient indicates that higher ESG performance weakens the negative relationship between tax avoidance and tax risk.

These findings indicate that ESG plays a moderating role in the relationship between tax avoidance and tax risk, although tax avoidance does not have a statistically significant direct effect on tax risk. The results provide additional empirical evidence regarding the relationship among tax avoidance, tax risk, and ESG in non-financial companies in Indonesia.

Keywords: tax avoidance, tax risk, ESG, Cash ETR, Indonesia Stock Exchange.