THE EFFECT OF GOOD CORPORATE GOVERNANCE ON TAX AVOIDANCE WITH SUSTAINABILITY REPORT AS A MODERATING VARIABLE

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ABSTRACT

This research focuses on the aim of obtaining empirical evidence on the influence of Good Corporate Governance (GCG) on tax avoidance, by adding sustainability reports as a moderating variable. Supported by 4 independent GCG variables, 2 from external factors and 2 from internal factors. Internal factors are proxied by managerial ownership and institutional ownership, while external factors are proxied by audit committee and independent board of commissioner. Apart from that, 2 control variables are added, namely leverage and firm size. Data collection in this research used purposive sampling method on companies listed on the Indonesia Stock Exchange (IDX) in the energy and basic materials sectors from 2021 to 2023 and collected 185 samples. Secondary data and Moderation Regression Analysis (MRA) analysis techniques were used in this research. The findings of the research indicate that the audit committee has an effect on tax avoidance, then the results of testing the control variables showed that leverage has a positive effect while firm size has a significant negative effect on tax avoidance. In additions, this research reveals that sustainability reports are able to act as moderator in influencing audit committee on tax avoidance, thus strengthening the influence of audit committees on tax avoidance. Meanwhile, managerial ownership, institutional ownership, independent board of commissioners, and sustainability reports have no effect on tax avoidance practices. The result of this analysis is that more regular and reliable GCG implementation minimizes tax avoidance practices. The existence of an audit committee can help independent commissioners to improve supervision of company management, and disclosure of sustainability aspects in the sustainability report reduces company management activities, one of which is tax avoidance activities. Companies that declare their social responsibility, namely paying taxes fairly, have a low level of tax avoidance.

Keywords *:* managerial ownership, institutional ownership, audit committee, independent board of commissioners, sustainability report, tax avoidance

INTRODUCTION

Economic growth in Indonesia is currently relatively increasing and is predicted to continue to grow steadily in the coming year. In the stability of a country's economy, taxes have an important role as an unavoidable basis (Wulansari & Pohan, 2024). Taxes function as a tool for wealth redistribution and social empowerment. Tax are therefore among the most crucial sources of income for the government because of their role in economic growth (Nusiantari & Swasito, 2020). As regulated in Law Number 7 of 2021 concerning General Provisions and Tax Procedures, tax is a mandatory and coercive contribution by individuals or organizations to the state based on law and is not directly compensation but is employed for state needs to the greatest prosperity of the people.

The definition of tax itself explains that taxes are coercive in nature, so they impose a burden on those who bear them. On the accounting side, it is also stated that tax is a cost/burden that must be supported by taxpayers by reducing net profit. This contrast with the primary goal of a business entity, namely to obtain large profits/profits, thereby triggering efforts to minimize the tax burden, namely by tax planning, one of which is tax avoidance (Oktavia et al., 2020). Tax evasion carried out legally to minimize the tax burden by exploiting weaknesses in tax regulations without violating these regulations. Tax avoidance efforts are considered unethical and contrary to the principles of tax justice. Numerous factors impact tax avoidance which need to be understood as an effort to increase tax compliance and state revenues (Wulansari & Pohan, 2024).

Efforts to reduce tax avoidance are in line with company management, namely by putting good corporate governance (GCG) into practice. The applications that companies must follow in order to achieve the goal of the Good Corporate Governance framework aim at better company development without violating government regulations, one of which is complying with tax payments (Oktavia et al., 2020). Efforts to implement tax management with the establishment of Good Corporate Governance are expected to encourage the realization of transparency, responsibility, accountability, independence and *fairness* (djkn.kemenkeu.go.id, 2023).

The corporate governance structure is one of the influences on companies fulfilling their tax obligations. In its mechanism, corporate governance regulates the applications that companies must need to continue to develop without violating government regulations and includes tax avoidance (Oktavia et al., 2020). The corporate governance structure in this research uses managerial ownership, institutional ownership, frequency of audit committee meetings, and the proportion of independent board of commissioners to determine its effect on tax avoidance. In (Kovermann & Velte, 2019) companies with low levels of tax avoidance or evasion are companies that have institutional ownership and managerial ownership that is long-term oriented to avoid risk.

In addition to that, not only GCG but also sustainability reports can influence tax avoidance practices. Disclosure of sustainability reports is a reflection for the company towards the surrounding community and stakeholders regarding the company's activities (Saraswati & Sutadji, 2023). All aspects disclosed must meet existing government standards and regulations, especially the disclosure of economic aspects. In the economic aspect, companies explain their involvement in paying taxes, so that companies do not have the opportunity to engage in tax avoidance activities that are considered negative by society.

This research uses certain measurements which are now the most important issue in corporate sustainability by integrating factors that may affect tax avoidance practices. This research examines the impact of good corporate governance by measuring 2 parties, namely internal parties including managerial ownership and institutional ownership, then external parties are measured by the frequency of audit committee meetings and the proportion of independent commissioners. This research examines the impact of good corporate governance on tax avoidance moderated by the company's sustainability report. Even though theoretically good corporate governance and sustainability reports are able to influence tax avoidance in companies, previous research conducted by (Fitri et al., 2018) independent commissioners had no effect on tax avoidance meanwhile, (Haloho, 2021); (Alfina et al., 2018); (Prismanitra & Sukirman, 2021) imply that tax avoidance is negatively impacted by independent commissioners. Research conducted (Davis et al., 2016); (Zheng, 2018); (Prismanitra & Sukirman, 2021) proves that there is a positive influence between sustainability reports on tax avoidance.

Therefore, this research wants to re-examine the energy and basic materials sectors, where companies in these sectors are required to publish sustainability reports as a way of corporate communication conveying the environmental, social and governance impacts of company activities. A sustainability report is a comprehensive report that contains corporate social responsibility (CSR) activities in a company. The publication of financial reports is proof of the company's responsibility for the social welfare of society (Jecky & Suparman, 2021). Companies that have good governance will avoid tax avoidance practices as a form of implementing participation in society, namely paying taxes (Susanto & Veronica, 2022).

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Tax Avoidance

Avoiding or minimizing the burden of tax while still paying attention to tax regulations is the definition of tax avoidance. Apart from that, tax avoidance is defined in an attempt to avoid taxes legally by exploiting loopholes in weaknesses (gray areas) in tax law by taxpayers in order to minimize or reduce the tax liability (Haloho, 2021). Tax avoidance is measured by cash ETR (Effective Tax Rate), namely the current tax that the companies is required to pay divided by the amount of profit before tax. The greater the cash ETR value, the lower the practice of tax avoidance and conversely, if the cash ETR is smaller, the tax avoidance will be higher (Alvenina, 2021). Tax avoidance practices have become very complicated and unique, the reason for this is tax avoidance practices are legal or do not violate the law but are not desired by the government because they are considered unfair in paying state taxes (Haloho, 2021).

Good Corporate Governance

Tax avoidance occurs because of differences in interests and lack of supervision by company management, so it requires a system called good corporate governance (Alvenina, 2021). Good Corporate Governance is a company control and management mechanism between various authorities to provide additional value for the company. Good company management is believed to be able to maintain investors' confidence in the profit authority of the company they own. The application of the principles of good corporate governance is able to maintain balance and achieve the goal of keeping companies away from bad management practices, especially in financial matters. One of the objectives of creating corporate governance is to supervise tax planning and tax administration in order for it function in compliance with applicable regulations. Good corporate governance is able to ensure that the management system runs well so that tax avoidance activities are legal and are not trapped in illegal tax evasion (Purbowati, 2021).

Managerial Ownership

Ownership by managers is the proportion of share ownership by management (directors and commissioners) who are actively involved in making company operational decisions. The percentage of managerial ownership affects company management, the greater the percentage of managerial share ownership, the company management tends to be more active in managing or fulfilling the interests of shareholders, because if a management error occurs, they will also bear the consequences (Haloho, 2021). Conflicts of interest will decrease if managerial ownership is higher, so management is motivated to maximize its performance because of the sense of company ownership, so that tax avoidance practices are avoided (Haloho, 2021).

Institutional Ownership

Ownership by institutions is ownership of company shares by institutions, such as the state, investors, banks or insurance companies (Dewi, 2019). According to (Huseynov et al., 2017); Khan et al., 2017; (Chen et al., 2019) an increase in institutional ownership causes a decrease in the increase in tax avoidance. Companies that have carried out tax avoidance with high frequency will reduce their practices after having institutional investors. This indicates that the degree of institutional ownership can encourage low tax avoidance practices in a company because the management of the company is under the control of institutional ownership (Haloho, 2021).

Audit Committee

The audit committee is a committee charged with supervising and strengthening the function of the commissioner board who work independently on financial reporting process reports, reviewing audit reports, risk management and implementing corporate governance mechanisms in companies or other authorities (Oktavia et al., 2020). The audit committee was established by the board of commissioners, where one of its tasks is to provide recommendations to the board of commissioners regarding accountants who are able to fulfill their responsibility professionally and independently (Dewi, 2019). Therefore, attempts to curb tax avoidance are positively impacted by the frequency of audit committee meetings (Cahyani et al., 2024).

Independent Board of Commissioners

Independent commissioners are part of the commissioners board who come from outside the company. Independent commissioners are elected according to the requirements to become board of commissioners members. Independent commissioners have a supervisory function and provide advice to directors to ensure that the principles and implementation of good corporate governance are implemented in compliance with current laws, rules and values (Haloho, 2021). Therefore, independent commissioners have an crucial role in tax management by supervising management so that it continues to carry out its duties in accordance with existing regulations (Dewi, 2019).

Sustainability Report

Company activities which include aspects of economic performance, environment, governance, strategy, policies are reported in the form of sustainability reports (Jubilim & Widijaya, 2023). The sustainability report contains the management of company operations, including tax aspects. If good company operations are managed, fraudulent practices such as tax avoidance will also be avoided. Information disclosed in sustainability reports can increase transparency and accountability of company performance for stakeholders (Ahadiat et al., 2024). In this study, sustainability reports were chosen as a moderating variable because sustainability reports are a means of interacting with the community by company management in influencing the perceptions of the wider community. Disclosure of sustainability reports prevents companies from carrying out activities that have a negative impact on the company's image, such as tax avoidance practices (Dewi et al., 2019).

Leverage

The solvency ratio or leverage ratio can be decided using to determine the use of external funds or in other words, leverage is utilized to measure a company's ability to finance its obligations, both short and long term (Jamaludin, 2020). The greater the leverage, the greater the company uses debt to fund its assets. The use of loans creates a fixed burden in the form of interest costs which can reduce the tax burden (Cahyani et al., 2024).

Company Size

Size company determines the size of a company. Depending on the size of the company as determined by specific criteria, such as the total assets owned by the company, share market value, average sales level and number of sales (Devi et al., 2023). The company's size demonstrates its capacity to carry out its economic activities and make tax decisions (Rahmawati & Nani, 2021).

Hypothesis Development

The Influence of Managerial Ownership on Tax Avoidance

The position of shareholders with managers can be improved through increasing managerial ownership. Managers will be more active in realizing the interests of shareholders if the number of company managers' share ownership increases. Management share ownership in the company is anticipated to be capable of motivate managers in managing the company, starting from performance, minimizing risks, decision making and monitoring tax avoidance practices. (Putri & Lawita, 2019; Kalil, 2020; Alvenina, 2021) discovered that managerial ownership has a negative influence on tax avoidance so that it can minimize tax avoidance in companies. In light of the aforementioned description, the first hypothesis from this research can be taken as:

H1: Tax avoidance is negatively impacted by managerial ownership.

The Effect of Institutional Ownership on Tax Avoidance

The fact that institutional ownership exists suggest there pressure the institution on management policies (Krisna, 2019). In this case, institutional ownership has a significant part in monitoring and influencing management. According to (Aprianto & Dwimulyani, 2019) Institutional ownership influences company tax policy, tax avoidance will be less common the more institutional ownership there is, on the other hand, if there is little institutional ownership, the company will engage in more tax avoidance. This statement is supported by research by (Krisna, 2019; Mappadang et al., 2018; Putri & Lawita, 2019; Alvenina, 2021) prove that institutional ownership has a negatively effect on tax avoidance. So a hypothesis can be drawn from this research:

H2: Tax avoidance is negatively impacted by institutional ownership.

The Influence of the Audit Committee on Tax Avoidance

The frequency of audit committee meets is calculated according to the quantity of audit committee meetings in one year. Audit committee meetings held periodically are considered capable of increasing supervision of management (Pratiwi et al., 2024). A large number of meetings of the audit committee will influence tax avoidance policies. The fewer meetings or conferences in one period, the greater a company's tax avoidance practice. The audit committee has an impact on tax avoidance (Diantari & Lupui, 2016; Kalil, 2020); Widiatmoko, 2020; Susilowati & Kartika, 2023). Based on the description above, a hypothesis can be drawn from this research:

H3: Tax avoidance is negatively impacted by Audit Committee.

The Influence of the Independent Board of Commissioners on Tax Avoidance

Independent commissioners are responsible for keeping an eye on corporate governance management and their impact on tax avoidance, especially financial reports. GCG practices, namely transparency, disclosure, accountability, independence and fair practices in compliance with the rules, must be implemented and supervised throught a independent board of commissioners. Strict supervision by independent commissioners can minimize agency problems so that managerial behavior regarding inappropriate tax planning can be avoided. The greater the number of independent commissioners, the greater the supervision and independence so that the tax avoidance policy is lower. On the other hand, if there are few independent commissioners in a company, then supervision and independence will also be low, so that the practice of tax avoidance will be greater. In research (Diantari & Lupui, 2016; Waluyo, 2019) found that institutional ownership had a negative influence on tax avoidance. The aforementioned exaplantion allows for the derivation a hypothesis for this research, namely:

H4: Tax avoidance is negatively impacted by Independent Board of Commissioner.

The Effect of Sustainability Reports on Tax Avoidance

Sustainability reports are useful for reporting on company management as a form of responsibility to the parties concerned, apart from that, sustainability reports are also able to enhance the company's reputation so that the company will see a rise in company value (Jemunu et al., 2021). The presentation of sustainability reports is also a factor in lowering tax avoidance practices because sustainability reports made by companies have a high level of responsibility, one of which is paying taxes according to the obligations imposed without engaging out tax avoidance activities (Jubilim & Widijaya, 2023); (Istanti, 2020); (Nasih et al., 2024). In this description, the presentation of sustainability reports in this research is able to have a negative influence on tax avoidance.
H5: Tax avoidance is negatively impacted by sustainability Report.

The Moderating Effect of Sustainability Reports on the Influence of Managerial Ownership on Tax Avoidance

Management always involves managerial shareholders in company decision making. Managers who are also shareholders will tend to avoid risky tax avoidance practices, this is also related to their reputation if there is a negative impact that arises for the company. Sustainability reports serve the dual purposes of keeping an eye on stakeholders, including shareholders and motivating management to take more moral actions when it comes to tax planning.
H6: Sustainability Report strengthens the influence of managerial ownership on Tax Avoidance

The Moderating Effect of Sustainability Reports on the Influence of Institutional Ownership on Tax Avoidance

Basically, sustainability reporting has a close relationship with good corporate governance, especially the principle of responsibility for compliance with applicable regulations. Institutional ownership wants to get high profits, this can present a chance for management to engage in tax avoidance practices. The act of tax avoidance will be avoided if institutional ownership adheres to the principles of good corporate governance, so that the more complete the aspects disclosed in the sustainability report, the stronger the negatively influence on tax avoidance.
H7: Sustainability Report strengthens the influence of Institutional Ownership on Tax Avoidance

The Moderating Effect of Sustainability Reports on the Influence of the Audit Committee on Tax Avoidance

In the disclosure of the sustainability report, the frequency of meetings of audit committee members within 1 (one) year is disclosed. Companies that adhere to GCG principles will report this in their corporate sustainability report. The audit committee's role is to supervise internal control, the more meetings held, the more frequent discussions and supervision will be carried out, so that internal control against applicable regulations is more likely to be detected. The audit committee is able to limit opportunistic activities to minimize the tax burden owed. Supervision by a good a company's audit committee will result in lower tax avoidance practices (Prismanitra & Sukirman, 2021).
H8: Sustainability Report strengthens the influence of the Audit Committee on Tax Avoidance

The Moderating Effect of Sustainability Reports on the Influence of the Board of Independent Commissioners on Tax Avoidance

The high position and responsibility of an commissioners board independent, namely supervising and managing company operations, is also disclosed in the sustainability report. Sustainability reports disclosed by companies must always be supervised by independent commissioners in order to prevent company managers from using CSR information as a way

to tax avoidance. Apart from ensuring that the fundamentals of sound good corporate governance are implemented well, independent commissioners must also ensure that stakeholders do not avoid tax by utilizing CSR disclosures in sustainability reports (Prismanitra & Sukirman, 2021).
H9: Sustainability Report strengthens the influence of the Independent Board of Commissioners on Tax Avoidance

RESEARCH METHOD

This kind of research is quantitative in nature, and its research methodology involves hypothesis testing. The data used is secondary with an overall population of 82 companies in the energy and basic materials sector listed on the Indonesia Stock Exchange for the 2021-2023 period. Purposive sampling is used in the data gathering process, and there are 185 samples in total. Table 1 displays the sampling criteria.

This research uses secondary data in the form of annual financial reports and sustainability reports for energy and basic materials sector companies published on the company's official website and official website. www.idx.co.id in the 2021-2023 period. Sustainability reports are measured using GRI Standard disclosures. Descriptive statistics, classical assumption tests, and moderate regression testing are the analytical techniques employed. The research significance level is 5% (= 0.05). The research moderation regression line equation is in the following regression equation:

$$TA = a + b_1 MOWN + \beta_2 INSTOWN + \beta_3 AC + b_4 IBC + \beta_5 SR + \beta_6 MOWN*SR + \beta_7 INSTOWN*SR + b_8 AC*SR + \beta_9 IBC*SR + \beta_{10} LEV + \beta_{11} SIZE + e$$

Information: TA = Tax Avoidance, MOWN = Managerial Ownership, INSTOWN = Institutional Ownership, AC = Audit Committee, IBC = Independent Board of Commissioner, SR = Sustainability Report, LEV = Leverage, SIZE = Firm Size, e = standard error

Table 1. Sampling Criteria

Sampling Criteria	2021	2022	2023
Population: Companies in Energy and Basic Materials Sectors listed on the IDX in 2021-2023	164	172	186
Excluded:			
Companies Energy and Basic Materials Sectors that do not publish financial reports for 2021-2023.	(10)	(11)	(24)
Companies Energy and Basic Materials Sectors that do not publish sustainability reports for 2021-2023.	(33)	(26)	(34)
Companies Energy and Basic Materials Sectors that do not present complete data related to the variables studied in 2021- 2023.	(66)	(72)	(61)
Research Sample	51	61	65
Total research sample		185	

Source: Data processed, 2024

Table 2. Operational Definition

Variables	Operational Definition	Measurement
Managerial Ownership (MOWN)	Percentage of shares owned by commissioners or directors of the company (Indarti et al., 2021); (Alvenina, 2021)	MOWN = Managerial Ownership / Total outstanding shares (Prasetyo & Pramuka, 2018)
Institutional Ownership (INSTOWN)	Proportion of shares owned by institutions (Prismanitra & Sukirman, 2021)	INSTOWN = Shares owned by institutions / Total shares outstanding (Haloho, 2021)

Audit Committee (AC)	Committee that carries out supervision and evaluation of company audits (Prismanitra & Sukirman, 2021); (Pratiwi et al., 2024).	AC = ∑ Audit committee meeting (Pratiwi et al., 2024)
Independent Board of Commissioner (IBC)	The commissioner is tasked with overseeing company activities independently (Alvenina, 2021); (Al Fatihah & Widiatmoko, 2022).	IBC = (Independent Commissioner / Board of Commissioners) x 100% (Widiatmoko, 2020)
Sustainability Report (SR)	Reports that cover financial, environmental and social aspects as a form of company responsibility towards the surrounding environment (Ahadiat et al., 2024).	GRI = $\bar{y}$ disclosed general disclosure/ $\bar{y}$ expected general disclosure (Ahadiat et al., 2024)
Tax Avoidance (TA)	Maximizing profits with tax planning by taking advantage of weaknesses in tax law (Mkadmia & Ali, 2024)	ETR = Tax payment expense / Profit before tax (Mkadmia & Ali, 2024)
Leverage (LEV)	Ratio of total debt to total equity (Patirruhu & Paais, 2020)	DER = Total Debt / Total Equity (Sari & Widiatmoko, 2023)
Firm Size (SIZE)	Company size is the total assets owned by a company (Sari & Widiatmoko, 2023)	Size = Total Aset (Adikasiwi et al., 2024)

Source: Author Summary, 2024

RESULTS
Descriptive Statistical Test

Tabel 3. Descriptive Statistics

	N	Min.	Max.	Mean	Std. Dev
MOWN	177	0.00	0.80	0.1123	0.15816
INSTOWN	177	0.07	0.99	0.6279	0.20560
AC	177	2.00	80.00	7.9887	9.14404
IBC	177	0.20	0.67	0.3721	0.10808
TA	177	0.00	0.88	0.2381	0.12999
SR	177	0.23	1.00	0.7041	0.18484
LEV	177	0.04	12.88	1.0169	1.39586
SIZE	177	0.00	60.34	2.7370	7.88843
Valid N (listwise)	177				

The results form table 3, descriptive statistical test results for the managerial ownership variable (MOWN) indicate that the data has a variation value. The average of 0.1123 with a minimum value of 0.00 and a highest value of 0.80.

Meanwhile, the average institutional ownership (INSTOWN) is 0.6291 with 0.99 as the highest value and 0.07 as the lowest, standard deviation value of 0.20560, indicating that the variance value is relatively low.

The audit committee (AC) variable has an average value of 8.0571 with a maximum value of 80.00 and a minimum value of 2.00 and a standard deviation value of 9.14404, this indicates that the variance value is considerably high the more the AC standard deviation value from the average value.

Apart from that, the Independent Board of Commissioners (IBC) and Tax Avoidance (TA) variables show low standard deviation values compared to the average value. Sustainability Report (SR) has an average value of 0.7041 as a moderating variable, more than the standard deviation of 0.18484, where the variance of the SR variable is relatively low. Meanwhile, Leverage (LEV) and Firm Size (SIZE) are classified as high variance because they have a value of the standard deviation that exceeds the average value.

Normality Test

Table 4. Skewness and Kurtosis Test Results

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
Unstandardized Residual	177	0.280	0.183	0.512	0.363
Valid N (listwise)	177				

The results in table 4 show the skewness value of 1.53 ≤ 1.96 and kurtosis 1.34 ≤ 1.96 so that the test findings show that the data to be studied are normally distributed.

Coefficient of Determination Test

Table 5. Determination Coefficient Test Result

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.429	0.184	0.151	0.11980

The results from table 7, the ability of the independent variables can account the dependent variable is 15.1%, which is shown in the Adjusted R Square of 0.151. While the remaining 84.9% (100% - 15.1%) is clarified by other variables not tested in this study.

F Test

Table 6. Model Feasibility Test Result

Model	Sum of Squares		df	Mean Square	F	Sig.
1	Regression	0.548	7	0.078	5.459	0.000
	Residual	2.426	169	0.014		
	Total	2.974	176			

Using results of the model feasibility test, it is proven that the F value is 5.459 with a significance level of 0.000 <0.05, meaning that this study model is fit research.

Partial Test (t Test)

Table 7. t test results

Model	Unstandardized Coefficients B	Std. Error	t	Sig.
1 (Constant)	0.186	0.058	3.193	0.002
MOWN	-0.019	0.071	-0.266	0.791
INSTOWN	-0.013	0.054	-0.246	0.806
AC	0.003	0.001	3.165	0.002
IBC	0.067	0.088	0.764	0.446
LEV	0.029	0.007	4.393	0.000
SIZE	-0.003	0.001	-2.494	0.014
SR	-0.013	0.052	-0.247	0.805
MOWN*SR	0.001	0.111	0.011	0.992
INSTOWN*SR	0.006	0.063	0.097	0.923
AC*M	0.004	0.001	3.164	0.002
IBC*M	-0.070	0.109	-0.644	0.521

Note : *significant at the 0.05 level

The findings of hypothesis testing in table 10 show that MOWN has a beta coefficient value of -0.019, t_{count} amounting to -0.266 with a significance value of 0.791 which is greater than 0.05, this indicates that MOWN has a insignificant negative impact on tax avoidance. Therefore, H1 which states that managerial ownership has a negative effect on tax avoidance is rejected (H1 is rejected). Meanwhile, institutional ownership has a significance value of 0.806. Thus, it may be said that institutional ownership has no influence on tax avoidance (H2 is rejected). The audit committee variable has a beta coefficient value of 0.003 with a positive direction and a significance value of 0.002 < 0.05, it may be said that the audit committee has an impact on tax avoidance (H3 is rejected). For the independent variable board of commissioner, the beta coefficient value is 0.067 with an amount of significance 0.446, we can conclude that tax avoidance is unaffected by the independent board of commissioners (H4 is rejected). Sustainability reports have no influence on tax avoidance practices because the significance value is 0.805 > 0.05 (H5 is rejected).

Tax avoidance is not impacted in any way by the effect between managerial ownership and sustainability reporting, where the an amount of significance is 0.992 and the t value is 0.011, this indicates that managerial ownership on tax avoidance cannot be mitigate by sustainability reports (H6 is rejected). The effect between institutional ownership and sustainability reports on tax avoidance was also unable to moderate because the significance value was 0.923 (H7 was rejected). The role of sustainability reports on the effect between audit committees and tax avoidance is proven to be able to moderate, the significance value is 0.002 (H8 is accepted). Meanwhile, regarding the relationship between the commissioners board independent, the sustainability report has a significance value of 0.521, that mean the sustainability report cannot moderate the independent board of commissioners effect on tax avoidance (H9 is rejected).

Table 10's control variable reveals that Leverage (LEV) has a beta coefficient value of 0.029 with a significance value of 0.000, which is less than 0.05, indicating that leverage has a positive effect on tax avoidance. The control variable company size (SIZE) has a beta coefficient value of -0.003 with an amount of significance 0.014 <0.05, which means company size has a negative effect on tax avoidance.

DISCUSSION

The results of the research demonstrate that tax avoidance in unaffected by managerial ownership. In agency theory, the effect between management as agent and shareholders as principal can create a conflict of interest. Shareholders focus more on increasing the shares they invest, while management focuses on policies that provide benefits for themselves. Therefore, managers tend to avoid tax avoidance practices so as not to cause losses for them. These results are in line with previous research (Jamei, 2017; Muslim & Nengzih, 2020; Yulistia, 2020).

Testing the second hypothesis shows the influence of institutional ownership on tax avoidance. The aim results state that institutional ownership has no effect on tax avoidance. According to agency theory, high integrity can reduce disputes between management and institutions because there is a separation between owners and managers. Because many shares are owned by institutional parties, management does not have control over the institutions concerned. So the amount of institutional ownership may not necessarily indicate tax avoidance practices because the constitutional parties who have a

role in supervising and disciplining managers are hampered by good control over this. This is because the company image which is expected by institutional ownership not influence on tax avoidance practices. The results of this research are in line with the research (Diantari & Lupui, 2016; Siregar et al., 2022; Ariyani & Sunarto, 2024).

The research results show that the audit committee has a significant positive effect on tax avoidance. The number of meetings held by the audit committee is able to minimize tax avoidance practices carried out by the company. Apart from that, the Financial Services Authority Regulation (POJK) regarding the formation and implementation guidelines of the audit committee's work explains that the audit committee must meet at least 3 (three) times in 1 (one) year. This makes the audit committee easy to supervise because the frequency of meetings is sufficient and is able to improve management actions in managing profits. Companies must have good competence in this matter because the role of the audit committee in providing views on financial policies, internal control and accounting is very reliable. This finding is in line with research (Fitrianingsih &

Wulandari, 2024; Tahilia et al., 2022; Hanny, 2022; Dewi, 2019; Mustika, 2019; Widiatmoko, 2020).

Tax avoidance is unaffected by the independent board of commissioners research findings, which is in line with the research of Widuri et al. (2019), stated that the growing quantity of independent commissioners does not determine the degree of fraud committed by the company, the addition of an independent board of commissioners to the structure only fulfills the provisions of good corporate governance. These results are also in line with research (Puspita and Febrianti, 2017; Alvenina, 2021; Joni & Fauziah, 2022; Ariyani & Sunarto, 2024).

Results of a hypothesis testing on the effect between sustainability report variables and tax avoidance show that sustainability reports have no influence on tax avoidance. Disclosure of aspects in the sustainability report is solely a form of corporate social responsibility and as an effort to utilize natural resources effectively, economically and efficiently to lower the risk of natural damage in order to protect natural resources for future generations and ensure the company's viability. These results are in line with research (Rahma, 2022; Makhfudah, 2018; Mulyani, 2020; Ristianti, 2022; Wandari, 2020; Wahdi,
2024).

Furthermore, the effect between managerial ownership, institutional ownership and board audit committee on tax avoidance is not moderated by the presence of a sustainability report. The company's sustainability is supported by stakeholders, so companies need to express social responsibility to attract stakeholders (Ayuwandari, 2020). Sustainability reports focus on a company's long-term social activities to ensure the company's sustainability in the future. Sustainability reports are aimed at the company's image and increasing public credibility instead of making sure that laws and tax regulations, so sustainability report disclosures do not focus on finances and taxation.

However, sustainability reports can moderate the audit committee's relationship to tax avoidance. These findings are consistent with previous research by (Wang et al., 2020). (Brown, 2023; Wulansari & Pohan, 2024) who argue that disclosing aspects in sustainability reports is a tool for earnings management and corporate tax avoidance strategies. In agency theory, agents (managers) reveal details about the viability of the company sustainability to gain legitimacy by stakeholders (principals) in optimizing tax avoidance strategies.

Leverage (LEV) as a control variable has a positive influence on tax avoidance. The higher the leverage a company has, the greater the possibility of tax avoidance practices. This encourages management to use accounting policies, namely the use of debt amounts in operating activities as a profitable matter. The greater the debt, the higher the interest expense, the interest expense can be a deduction from tax payments. Furthermore, the amount of taxable profit calculated from debt tends to be smaller, so many companies choose debt as a source of company funding (Mahdiana and Amin, 2020). These findings are in line with previous research (Mulyani, 2020; Wijayanti, 2020).

SIZE has a influence negatively on tax avoidance in this study. The greater the size of a company, the higher the government's supervision of the company. Supervision is carried out to prevent tax avoidance practices that may be carried out by a company. Therefore, the size of the company influences tax avoidance actions in the company so that company size (SIZE) has a negatively effect on tax avoidance. This study is in line with (Paramita, 2019; Saraswati & Sutadji, 2023)

CONCLUSION, LIMITATION, SUGGESTION

Conclusion

According to the findings of the analysis and explanation above, it can be said that the audit committee has an impact on tax avoidance and the sustainability report can increase that impact. Tax avoidance is unaffected Managerial ownership, institutional ownership and an independent board of commissioner. The effect managerial ownership, institutional ownership and an independent board of commissioners on tax avoidance cannot be reinforced by the sustainability report. Meanwhile, leverage and firm size as control variables show a positive influence for leverage and a negative influence for firm size on tax avoidance.

Limitation

The limitation of this research is that the coefficient of determination has a amount of 15.1% explained by the variables tested while 84.9% is explained by other variables not tested in the study. This shows that the contribution of the independent variables used in this research is insufficient. Apart from that, the sample in this research is also limited to energy and basic materials sectors companies on the Indonesia Stock Exchange using only a few criteria.

Suggestion

The researcher's suggestion for further research is to expand the population by adding company sectors or observation periods and it is recommended to add other independent variables addition to the ones that have already been examined such as audit quality, capital intensity and executive compensation which are thought to influence tax avoidance.

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