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The Role of Corporate Social Responsibility Decoupling on Corporate Tax Avoidance

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Abstract

Tax avoidance is an issue that continues to generate debate and controversy for its ethics in the business world. Corporate Social Responsibility (CSR) has emerged as a significant factor in bridging the gap between government needs for tax revenues and corporate goals for economic growth. However, based on neo-institutional theory, companies may only show CSR symbolically without taking appropriate concrete actions, creating a gap between communication and actions related to CSR. This action, called CSR decoupling, can create the risk of greenwashing, namely the practice of deceiving the public about a company's environmental or social performance. Therefore, this study aims to investigate the relationship between CSR decoupling and tax avoidance. This exploratory and quantitative research used companies in the food and beverage industry for 2019-2021. Using the purposive sampling method, out of 23 from 72 companies selected, and 69 data were processed with SPSS. The results show that CSR decoupling positively influences tax avoidance, even after the robustness test. This result implies that companies that carry out CSR decoupling tend not to comply with tax regulations formally, although not substantially. The result also depends on the size of the audit committee, the size of the company, and the return on assets. These findings might be useful for policymakers, shareholders, management and board members, audit committees, and investors.

***Keywords:** CSR, CSR decoupling, greenwashing, tax avoidance.*

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INTRODUCTION

Tax avoidance is an issue that continues to generate debate and controversy for its ethics in the modern business world (Administrator, 2023). Tax avoidance is a company's attempt to reduce its tax burden in a way that is still considered legal but is contrary to the purpose and spirit of tax regulations. Tax avoidance can be detrimental to the state because it reduces state revenues from the tax sector, which should be used to finance development and people's welfare. Tax avoidance can also give rise to social inequality and unhealthy competition between companies (Sikka, 2018).

On the one hand, taxes are the main source of revenue for the government, which is used to finance various public programs and services. On the other hand, companies have an interest in optimizing their tax obligations in order to increase their profitability and competitiveness in an increasingly competitive global market. In this context, Corporate Social Responsibility (CSR) has emerged as a significant factor in bridging the gap between government needs for tax revenues and corporate goals for economic growth (Qi et al., 2023; Setyawan, 2021). CSR is an approach that involves companies in activities that contribute to the welfare of society and the environment beyond the primary goal of making a profit (Wahab, Mustapha, et al., 2022). In recent decades, many companies have invested in CSR as an integral part of their business strategy. However, not all companies carry out CSR consistently and substantively. Some companies only show CSR symbolically without taking appropriate concrete actions. This is referred to as CSR decoupling, namely the gap between communication and actions related to CSR.

CSR decoupling is a phenomenon in which companies separate their commitment to social and environmental responsibility from more hidden tax avoidance efforts (Graafland & Smid, 2019; Wahab, Mustapha, et al., 2022). The existence of shiny and sustainable CSR policies can be a curtain that hides contradictory practices, namely companies' efforts to reduce their tax burden. Recent findings in this research have lifted the curtain and revealed a complex relationship between CSR decoupling and tax avoidance that was previously poorly understood. CSR decoupling can create the risk of greenwashing, namely the practice of deceiving the public about a company's environmental or social performance. This risk can negatively impact the company's reputation and credibility. Apart from that, CSR decoupling can also influence corporate tax avoidance behavior negatively or positively (Qi et al., 2023).

This research seeks to answer whether companies that carry out CSR decoupling tend to practice tax avoidance. Therefore, this research aims to explore how CSR decoupling influences corporate tax avoidance practices. This research uses secondary data from financial reports and sustainability reports of food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange in the 2019-2021 period. This research focuses on manufacturing companies in the food and beverage sub-sector because the food and beverage industrial sector is the industrial company that makes the largest contribution to Gross Domestic Product (GDP), namely contributing more than a third or 37.77% of GDP in the first quarter of 2022 (Indonesian Ministry of Finance, 2021).

The novelty of this research is, first, to the author's knowledge, this research is the first research to examine the relationship between CSR decoupling and tax avoidance in the Indonesian context. Indonesia, as an emerging market, has unique economic, social, cultural, and political characteristics. Second, previous research used CSR as a factor influencing tax avoidance, while this research explores CSR decoupling as a factor influencing tax avoidance. CSR decoupling can reflect how big the gap is between a company's CSR communications and actions. This research uses the effective tax rate (ETR) measure as a proxy for tax avoidance and uses sustainability reports to calculate CSR decoupling. Apart from that, for the robustness test, the cash effective tax rate (CETR) is also used as a proxy for tax avoidance. This research also uses several control variables, such as institutional ownership, audit committee size, audit committee expertise, company size, leverage, return on assets, and current ratio (Rudiatun & Suryaningrum, 2023; Sampurno & Anwar, 2023).

This research uses neo-institutional theory to develop a hypothesis about the influence of CSR decoupling on tax avoidance. Neo-institutional theory is a theory that studies how institutional structures, rules, norms, and culture limit the choices and actions of individuals when they are part of a political institution. In neo-institutional theory, companies are often considered actors who are responsive to external institutions, such as norms, regulations, and industry practices (Karyawati et al., 2020; Shahab & Ye, 2018; Wahab, Mustapha et al., 2022). CSR is a form of external institution that increasingly influences company actions in a social and environmental context. When companies adopt CSR commitments as their social responsibility, neo-institutional theory argues that this can be triggered by institutional pressures that encourage them to meet the expectations of society and stakeholders (Wahab, Mustapha, et al., 2022). However, CSR decoupling can occur when companies appear committed to social responsibility by following ongoing CSR norms and values while at the same time continuing to engage in tax avoidance practices that may conflict with those CSR principles.

One example of a food and beverage company that carries out CSR decoupling is PT Nestle (Bisnis.com, 2021). PT Nestle Indonesia, a multinational company, has also come under scrutiny because it was accused of greenwashing in its CSR campaign. One example is the claim that Nescafe Classic products use environmentally friendly organic coffee when, in fact, the coffee comes from conventional plantations that use pesticides and chemical fertilizers. In the context of neo-institutional theory, PT Nestle may feel pressure from external institutions, such as the public that supports sustainability, to adopt positive CSR practices in an effort to meet society's expectations. However, tax avoidance practices can help these companies maintain profits and compete in a competitive market. Therefore, there is a decoupling between their publicly announced CSR commitments and their actual tax practices.

Based on the Neo-institutional theory, CSR decoupling can have a positive or negative effect on tax avoidance (Graafland & Smid, 2019; Talpur et al., 2023; Wahab, Rahin, et al., 2022; Zhao et al., 2022). CSR decoupling can reduce the level of corporate tax avoidance. This is because companies that carry out CSR decoupling tend to pay more taxes than companies that carry out CSR authentically. The reason is that companies that carry out CSR decoupling want to show a positive image to stakeholders and avoid reputation risks or sanctions that could arise if they are caught doing greenwashing or tax evasion. Thus, companies that carry out CSR decoupling tend to comply with tax regulations formally, although not substantially.

Conversely, CSR decoupling can increase the level of corporate tax avoidance. This is because companies that carry out CSR decoupling tend to ignore the ethical and moral values that should be the basis of CSR. The reason is that companies that carry out CSR decoupling are only interested in short-term profits and do not care about the social and environmental impacts of their business activities. Thus, companies that carry out CSR decoupling tend to look for legal or accounting loopholes to reduce their tax burden, even though this contradicts the purpose or spirit of tax regulations. Thus, based on the research questions and objectives as well as neo-institutional theory, the hypothesis of this research is:

H1: CSR decoupling influences corporate tax avoidance.

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RESEARCH METHOD

Population and Sample

the population of this study is the food and beverage sub-sector manufacturing companies listed on the Indonesia Stock Exchange for the 2019-2021 period, constituting 72 companies (IDX, 2019-2021). The year was selected based on the time of economic crisis because of the pandemic. A purposive sampling technique was used to determine the sample, considering certain criteria. Based on purposive sampling, a sample of 23 companies was obtained, and 69 data were processed with the SPSS aid tool.

Variables' Measurement

This study uses tax avoidance as the dependent variable and CSR decoupling as the independent variable. Tax avoidance is a company's attempt to reduce its tax burden in a way that is still considered legal. At the same time, CSR decoupling refers to the misalignment between firms' internal and external CSR actions (Zhao et al., 2022). Seven variable controls were added to ascertain that there was no bias in the relationship between CSR decoupling and tax avoidance (Table 1). Control variables are variables that researchers deliberately control to ensure that research results can be trusted and interpreted correctly. Control variables can increase research accuracy, namely by reducing bias or errors that can arise due to variations or differences between the variables studied. By considering and controlling for variables that allow for bias or nuisance effects, research can achieve a higher level of confidence in its results. The control variables are institutional ownership, audit committee size, expertise, company size, leverage, return on assets, and current ratio (Rudiatun & Suryaningrum, 2023; Sampurno & Anwar, 2023).

Table 1. Variables' Measurement

No.	Variables	Measurement
1	Tax Avoidance	$ETR = \frac{\text{Tax expense}}{\text{Earning before tax}}$ (Artini & Setiawan, 2021; Dakhli, 2022)
2	CSR Decoupling	CSRD = CorporateSocial Performance - Corporate Social Responsibility (Zhao et al., 2022)
Control Variables		
1	Institutional ownership	$INST = \frac{\text{Number of Institutional stock ownership}}{\text{Number of outstanding stocks}} \times 100\%$ (Dakhli, 2022)
2	Audit committee size	$ACSIZE = \sum \text{Number of Audit Committee}$ (Mohammadi et al., 2021)
3	Audit committee expertise	$ACEXP = \frac{\text{Number of financial expertise in audit committee}}{\text{Total number of audit committee}} \times 100\%$ (Dwiyanti & Astriena, 2018)
4	Company size	SIZE = Ln (Total Assets) (Dakhli, 2022; Dang & Nguyen, 2022)
5	Leverage	$LEV = \frac{\text{Total Debt}}{\text{Total Assets}}$ (Ramadhani & Maresti, 2021)
6	Return on assets	$ROA = \frac{\text{Income before tax}}{\text{Total Assets}}$ (Dakhli, 2022; Sampurno & Anwar, 2023)
7	Current ratio	$CR = \frac{Current\ Assets}{Current\ Liabilities}$ (Maulana et al., 2021; Sampurno & Anwar, 2023)

Source: Previous research selected.

Data Analysis and Hypothesis Testing

This research uses simple and multiple regression analysis techniques. Before carrying out the hypothesis test, a normality and classical assumptions test are first carried out, consisting of autocorrelation, multicollinearity, and heteroscedasticity tests (Ghozali, 2018). The classical assumption test is carried out to avoid bias in the multiple regression model.

The regression equation test was carried out in stages to determine the impact of control variables on tax avoidance. The final fixed effect regression equation is as follows.

$$\boxed{ETR = \alpha_0 + \alpha_1\, CSRD + \alpha_2\, CONTROL_{i,t} + \eta_t + \mu_i + \mathcal{E}_{i,t}} \quad \ldots\ldots\ldots\ldots\ldots\ldots \text{(1)}$$

In the equation, ETR = Tax Avoidance. CSRD = CSR decoupling, CONTROL = a series of control variables, α = coefficient, i = companies, t = year, η_t, μ_i = fixed effect of controlling companies and years, respectively, and $\varepsilon_{i,\,t}$ = *error* term.

Hypothesis testing is carried out first, with the F-test to determine the goodness of fit of the regression model. The model is said to be fit if the p-value <0.05. Second, the R-square value is calculated to determine the effect of the dependent variable on the independent variable. A high R-square value > 50% indicates the strength of the independent variable in predicting variations in the dependent variable or vice versa. Third, a t-test was conducted to determine whether the independent variable influenced the dependent variable. If the p-value <0.50, then there is an influence between the variables. The greater the coefficient of the regression equation, the stronger the influence between the variables (Ghozali, 2018).

Robustness Test

Robustness tests can provide information about how much variation in research results is due to changes in data, models, or assumptions. If the research results do not change significantly due to these changes, then the research results can be said to be robust. In this research, the robustness test is carried out by recalculating tax avoidance proxied by CETR (Cash Effective Tax Rate). CETR is a metric used to measure the level of tax avoidance by a company. CETR measures the extent to which companies can reduce or minimize the tax burden they would otherwise pay in the actual cash income they generate (Monika & Noviari, 2021; Rahmawati & Nani, 2021). In this case, CETR refers to the effective tax rate applied to a company's cash flow. The equation is:

$$\boxed{CETR = Tax\ Payment\ in\ cash\ /\ Profit\ before\ tax} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

(Monika & Noviari, 2021; Sampurno & Anwar, 2023)

The step to test the influence of CSR decoupling on tax avoidance, proxied by CETR, is the same as the main test.

RESULTS AND DISCUSSION

Results

Descriptive Statistics

The descriptive statistics in Table 1 show the descriptive variables in this study. Pos-Neg is a dummy variable. Pos (1) represents companies with internal CSR that are better than external CSR, while Neg (0) represents companies with internal CSR that are lower than external CSR. CSRD Pos means that the CSR performance is better than the CSR reporting, and vice versa.

Table 2. Descriptive Statistics Variables

	N	Minimum	Maximum	Mean	Std. Deviation
ETR	69	0.1190	0.6535	0.269267	0.0881292
CETR	69	0.0199	2.2950	0.348658	0.4247641
CSRD	69	-0.1570	0.9685	0.175651	0.2167852
INST	69	0.0248	0.9989	0.805206	0.2427469
ACSIZE	69	3.00	4.00	3.0580	0.23540
ACEXP	69	0.3333	1.0000	0.821268	0.1960921
ToASSET	69	27.4004	32.8141	29.544793	1.4621167
LEV	69	0.1290	0.6969	0.424430	0.1693138
ROA	69	0.0028	0.5615	0.116448	0.0863384
CR	69	0.7319	7.1331	2.409401	1.3932179
Pos_Neg	69	0.00	1.00	0.8116	0.39390
Valid N (listwise)	69				

Source: Data processed with SPSS (2023)

Table 2 shows the average value of tax avoidance (proxied by ETR) is 0.269267, with a minimum value of 0.119, a maximum value of 0.6535, and a standard deviation of 0.0881292, indicating a slight gap between companies' tax avoidance. The minimum CSRD in Table 2 is -0.1570. The sign minus (-) means the company has a lower CSR. Low CSR decoupling is a condition where the company has a high match between communication and actions related to CSR. In contrast, the company with higher CSRD used CSR reports to show off, while in actuality, it did not do as reported in the CSR report.

Hypothesis Test Results

The data analysis for normality and classic assumption test indicate that all data are normal, and there is no sign of autocorrelations, multicollinearity, and heteroskedasticity. Therefore, the test proceeds to the hypothesis testing. Table 3 shows the results of hypothesis testing.

In Table 3, column (1) represents the regression model with two independent variables: CSR Decoupling as the main dependent variable and one control variable of institutional ownership. Columns (2)-(4) represent an additional control variable for the sequential regression. The coefficient of CSRD is positive, indicating that the higher the company's CSRD, the higher the tax avoidance. This means that hypothesis one (H1) is accepted.

The adjusted R^2 increases when the control variable is added to the regression. The R^2 values are 45%, 59.2%, 59.6%, and 75% with the added control variables. This means there is a strong relationship between CSR decoupling and tax avoidance of 59.6%, while 40.4% is explained by other variables not studied in this research. The p-value is lower with the additional control variables from 0.230 to 0.190. This means that control variables can reduce CSR decoupling and tax avoidance practices.

Table 3. Regression Results of CSR Decoupling and Tax Avoidance (ETR)

Variables	(1) ETR	(2) ETR	(3) ETR	(4) ETR
CSRD	0.009**	0.000**	0.023*	0.003**
	(0.230)	(0.230)	(0.173)	(0.190)
INST	-0.621	0.913	0.752	0.457
	(-0.110)	(0.021)	(0.064)	(0.121)
ACSIZE		0.001**	0.001**	0.000**
		(0.146)	(0.138)	(0.149)
ACEXP		0.136	0.228	-0.430
		(0.172)	(0.144)	(-0.086)
ToASSET			-0.248	-0.205
			(-0.080)	(-0.070)
LEV			0.167	0.597
			(0.249)	(0.086)
ROA				-0.000**
				(-0.605)
CR				-0.100
				(-0.025)
Cons	0.313**	-0.431**	1.714**	1.805**
Companies	yes	yes	yes	yes
Year	yes	yes	yes	yes
N	69	69	69	69
Adj. R^2	0.450	0.592	0.596	0.750

Notes: p**< 0.01, p*< 0.05, and in parentheses are the value of p. Company and year represent the fixed effect of company and year.

Source: Data processed with SPSS (2023)

Discussion

Based on Table 2, it is found that the minimum CSRD level is -0.5, and the maximum is 0.9. A low CSRD level indicates that the company carries out CSR practices under the statement in the CSR report. On the other hand, if the level of CSRD is high, the company is not actually doing what is reported in the CSR report. These results follow the findings from the Research Center for Governance, Institutions, and Organizations National University of Singapore (NUS) Business School, which explained that Indonesia had a low CSR score of 48.4, lower than Singapore and Thailand with scores of 48.8 and 56.58, respectively, out of a total score of 100 (Suastha, n.d.).

Based on Table 3, the results show that CSR Decoupling positively influences tax avoidance, as proxied by ETR (effective tax ratio). The positive influence of CSR decoupling on tax avoidance could result from various factors and dynamics in corporate practices. In this context, “CSR decoupling” refers to a situation in which a company appears publicly committed to corporate social responsibility (CSR) but simultaneously engages in tax avoidance practices that may conflict with those CSR commitments. The higher the level of CSR disclosure a company makes, the lower the tax avoidance. On the other hand, the lower the level of CSR disclosure made by the company, the higher the tax avoidance (Tahar & Rachmawati, 2020). If a company discloses CSR correctly (lower CSRD), then the company is trying to be responsible and comply with the rules. Meanwhile, if a company does not properly disclose its CSR (higher CSRD), it is irresponsible and is indicated to be committing tax evasion.

Low CSR decoupling is a condition where the company has a high match between communication and actions related to CSR. This means that companies not only declare their commitment to sustainable development, social welfare, and environmental protection but also implement CSR programs following their communications. Companies with low CSR decoupling tend to have good CSR performance and are credible in the eyes of stakeholders. Low CSR decoupling can benefit the company by improving its reputation and image, reducing operational costs, attracting investors, creating long-term profits, strengthening relationships with stakeholders, and increasing employee loyalty and productivity. So, the higher the CSRD, the higher the company's CSR violations, which in turn makes the company commit tax violations. According to Graafland & Smid (2019), government policies requiring CSR reports and reviewing CSR implementation are very helpful in improving CSR performance, which in turn will reduce tax avoidance.

Based on the Neo-institutional theory (Wahab, Mustapha, et al., 2022; Wahab, Rahin, et al., 2022), stakeholders, such as shareholders, may want the company to generate greater net profits. In this situation, companies may feel pressure to reduce their tax burden in order to meet shareholder expectations and maintain high share prices. Since the company needs to comply with the shareholders, the company may report the CSR positively while engaging differently from the CSR report to save profit. Companies that carry out CSR decoupling want to show a positive image to stakeholders and avoid reputation risks or sanctions that could arise if they are caught doing greenwashing. Companies that carry out CSR decoupling tend to ignore the ethical and moral values that should be the basis of CSR. This shows that companies that carry out CSR decoupling do not commit to sustainable development, social welfare, and environmental protection. Thus, companies that carry out CSR decoupling tend to view tax avoidance as an immoral act (Arofah, 2018; Rahma et al., 2022).

The results in Table 3 show that the relationship between CSR decoupling and tax avoidance is stronger with the additional control variables. From the seven control variables, only two remain to influence tax avoidance, and that is ACSIZE (audit committee size) with a positive sign and ROA (return on assets) with a negative sign. The positive sign means that the larger the audit committee size, the higher the company will engage in tax avoidance action, and vice versa. This finding does not support the research by Rudiatun & Suryaningrum (2023) that concludes there is no relationship between audit committee size and tax avoidance and supports Dang & Nguyen (2022), which finds a positive relation between audit committee size and tax avoidance. The number of audit committees having a positive effect on tax avoidance may be counterintuitive because the audit committee should function to ensure the company's compliance with tax regulations and business ethics. However, in some situations, an increase in the size of the audit committee may be associated with more complex tax avoidance practices.

On the contrary, the negative sign means that the higher the ROA, the lower the company will engage in tax avoidance action, and vice versa. This finding does not support the research by Rudiatun & Suryaningrum (2023) that concludes no relationship between ROA and tax avoidance (Hidayat & Maulidiyah, 2022). When companies have a higher ROA (meaning they generate greater profits relative to their assets), there is likely less incentive for them to engage in complex tax avoidance practices. This is because companies that are already quite profitable may rely less on tax avoidance strategies to reduce their tax burden. This result supports Sampurno & Anwar (2023) and Pratomo & Risa Aulia Rana (2021), who found a negative relation between ROA and tax avoidance. The tax burden will increase along with the increase in the company's ROA and illustrates that the company does not engage in tax avoidance, which aims to reduce taxes by reducing company profits.

Table 4. Robustness Test of CSR Decoupling and Tax Avoidance (ETR)

Variables	(1) CETR	(2) CETR	(3) CETR	(4) CETR
CSRD	0.000**	0.000**	0.000**	0.000**
	(1.408)	(1.716)	(1.375)	(1.384)
INST	-0.951	0.378	0.302	0.149
	(-0.045)	(0.495)	(0.566)	(0.656)
ACSIZE		0.000**	0.000**	0.000**
		(0.601)	(0.560)	(0.572)
ACEXP		0.015*	0.021*	0.718
		(0.818)	(0.763)	(0.109)
ToASSET			-0.015*	-0.004**
			(-0.459)	(-0.459)
LEV			0.060	0.157
			(0.920)	(0.643)
ROA				-0.000**
				(-1.705)
CR				-0.354
				(-0.038)
Cons	0.233**	-2.944**	9.854**	10.589**
Companies	yes	yes	yes	yes
Year	yes	yes	yes	yes
N	69	69	69	69
Adj. R^2	0.739	0.857	0.873	0.918

Notes: p**< 0.01, p*< 0.05, and in parentheses are the value of p. Company and year represent the fixed effect of company and year.

Source: Data processed with SPSS (2023)

Robustness Test

Table 4 shows the robustness test of the positive relationship between CSR decoupling and tax avoidance, proxied by CETR (cash Effective Tax Rate). In Table 4, column (1) represents the regression model with two independent variables: CSR Decoupling as the main dependent variable and one control variable of institutional ownership. Columns (2)-(4) represent an additional control variable for the sequential regression. The coefficient of CSRD is positive, indicating that the higher the company's CSRD, the higher the tax avoidance. This means that hypothesis one (H1) is accepted, and the result is robust.

The adjusted R^2 increases when the control variable is added to the regression. The R^2 values are 73.9%, 85.7%, 87.3%, and 91.8% with the added control variables. This means there is a strong relationship between CSR decoupling and tax avoidance, 91.8%, while 8.2% is explained by other variables that have not been studied in this research. The p-value is lower with the additional control variables from 1.408 to 1.384. This means that control variables can reduce CSR decoupling and tax avoidance practices. The results of this robustness test differ slightly from the main effect on tax avoidance proxied by ETR. In this test, the total assets affect tax avoidance, so three control variables affect tax avoidance, namely audit committee size (positive sign), total assets (negative sign), and ROA (negative sign).

CONCLUSIONS

This study is an exploratory and quantitative study that aims to investigate the effect of CSR decoupling on corporate tax avoidance in the food beverage industry listed in IDX for three years, 2019-2021. Using the fixed effect regression model, the results show that CSR decoupling positively affects tax avoidance, proxied by the effective tax rate (ETR) and cash effective tax rate (CETR), in Indonesia. The greater the gap between a company's communication and ESG actions, the higher the level of corporate tax avoidance. This is consistent with the hypothesis proposed in this study and the neo-institutional theory used as a conceptual framework. This result also aligns with previous studies that found a positive relationship between CSR decoupling and tax avoidance in other countries. However, these results differ from other studies that found a negative or insignificant relationship between CSR decoupling and tax avoidance in other countries. These differences may be due to factors such as differences in culture, regulations, or methodologies used.

The theoretical implication of this research is that research can contribute to the Neo-institutional theory and the literature on the relationship between CSR decoupling and tax avoidance by examining this relationship in the Indonesian context, which has unique economic, social, cultural, and political characteristics. This research can also contribute to the literature on CSR decoupling by using the GRI index as a means to calculate CSR decoupling as a practice of greenwashing, which is an international standard used by many companies to report their ESG performance. This research can also contribute to the literature on tax avoidance by using ETR and CETR, which are measures commonly used by researchers and practitioners, as proxies for tax avoidance.

The practical implication of this research is that it can provide input for companies to improve the quality and consistency of CSR implementation and comply with tax obligations correctly. This research shows that CSR decoupling such as greenwashing, increases the level of corporate tax avoidance, which means that companies that carry out CSR decoupling tend to pay less taxes than companies that carry out CSR authentically. This can be detrimental to the company in the long term because it can reduce the company's financial and operational performance, as well as damage the company's reputation and credibility in the eyes of stakeholders. Therefore, companies should carry out CSR consistently and substantively by the ESG communications and actions they report. This can provide benefits for the company in the long term, such as improving its image and reputation, reducing operational costs, attracting investors, creating long-term profits, strengthening relationships with stakeholders, and increasing employee loyalty and productivity.

However, this study does not investigate other proxy for tax avoidance, such as accounting-tax-difference (BDT) and adjusted accounting-tax-difference (BBDT) (Qi et al., 2023). Additionally, even though this study has control for fixed effect for company and year, this study only investigates the food and beverage industry. The three-year data from 2019 to 2021 might be biased due to the economic crisis caused by the pandemic. Therefore, future research might control for the fixed effect of industry, years (before, during, and post-pandemic), and other control variables, such as return on equity, cash holdings, cash flow, or firm age. Since this study is an exploratory and quantitative research and is still rare in Indonesia, future research may use different methods such as qualitative or experimental study.

Abbreviation List

CSR: Corporate Social Responsibility, CSRD: Corporate Social Responsibility Decoupling, ETR: Effective Tax Rate, CETR: Cash Effective Tax Rate, INST: Institutional Ownership, ACSIZE: Audit Committee Size, ACEXP: Audit Committee Experience, ToAssets: Total Assets, LEV: Leverage, ROA: Return on Assets, CR: Current Ratio, BDT: Accounting-Tax-Diffrence, BBDT: Adjusted Accounting-Tax-Difference, IDX: Indonesia Stock Exchange.

Author’s Contribution

INL conceptualized and drafted the manuscript. LE and NIM data curation and analyzed. INL, LE, and NIM finishing the article.

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The authors declare no competing interest.

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