THE IMPACT OF GOOD CORPORATE GOVERNANCE (GCG) AND CORPORATE SOCIAL RESPONSIBILITY (CSR) DISCLOSURE ON TAX AVOIDANCE: EMPIRICAL STUDY ON MULTINATIONAL COMPANIES IN INDONESIA

Undergraduate Thesis

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ABSTRAK

THE IMPACT OF GOOD CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY (CSR) DISCLOSURE ON TAX AVOIDANCE: EMPIRICAL STUDY ON MULTINATIONAL COMPANIES IN INDONESIA

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Tax is a important aspects for a country revenue, and the practice of tax avoidance among corporations had been harms country's economic revenue. This study aims to examine the effect of Good Corporate Governance indicators which are institutional ownership, managerial ownership, and board independence, and Corporate Social Responsibility (CSR) Disclosure on tax avoidance practice on multinational company in Indonesia. The sample are consisted of 47 multinational companies in total with 3 years observation from 2022 until 2024.

The result shows that (1) among good corporate governance (GCG) indicators in this study, institutional ownership had the biggest factors in this scope of study that influencing tax avoidance practice, proved by become the only independent variable that show a significant effect among other independent variables, (2) from the result of the study, it can be concluded that tax avoidance in multinational companies in Indonesia is affected by many factors, both internal and external that was not covered in this study.

Key words: Good Corporate Governance (GCG), Corporate Social Responsibility (CSR) Disclosure, Tax Avoidance, Multinational Companies, Indonesia

ABSTRAK

THE IMPACT OF GOOD CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY (CSR) DISCLOSURE ON TAX AVOIDANCE: EMPIRICAL STUDY ON MULTINATIONAL COMPANIES IN INDONESIA

Oleh:

Anggun Cahyanti Simanjuntak

Pajak merupakan salah satu aspek penting dalam pendapatan suatu negara, dan praktik penghindaran pajak yang dilakukan oleh perusahaan dapat merugikan penerimaan ekonomi negara. Penelitian ini bertujuan untuk menguji pengaruh indikator Good Corporate Governance (GCG), yaitu kepemilikan institusional, kepemilikan manajerial, dan independensi dewan, serta pengungkapan Corporate Social Responsibility (CSR) terhadap praktik penghindaran pajak pada perusahaan multinasional di Indonesia. Sampel penelitian terdiri dari 47 perusahaan multinasional dengan periode pengamatan selama 3 tahun, yaitu dari tahun 2022 hingga 2024.

Hasil penelitian menunjukkan bahwa (1) di antara indikator Good Corporate Governance (GCG) dalam penelitian ini, kepemilikan institusional merupakan faktor yang paling berpengaruh dalam ruang lingkup penelitian ini terhadap praktik penghindaran pajak, yang dibuktikan dengan menjadi satu-satunya variabel independen yang menunjukkan pengaruh signifikan dibandingkan variabel independen lainnya; (2) berdasarkan hasil penelitian, dapat disimpulkan bahwa penghindaran pajak pada perusahaan multinasional di Indonesia dipengaruhi oleh berbagai faktor, baik internal maupun eksternal, yang belum tercakup dalam penelitian ini.

Kata kunci: Good Corporate Governance (GCG), Pengungkapan Corporate Social Responsibility (CSR), Penghindaran Pajak, Perusahaan Multinasional, Indonesia.

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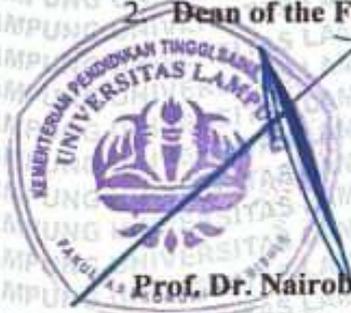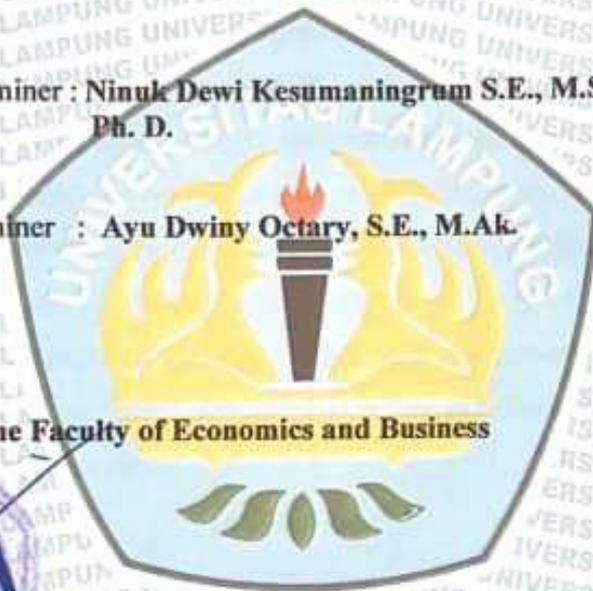   Primary Examiner : Ninuk Dewi Kesumaningrum S.E., M.Sc., Akt., Ph. D.

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Hereby declare that my undergraduate thesis entitled **"The Impact of Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) on Tax Avoidance: Empirical Study on Multinational Companies in Indonesia"** is entirely my own original work. In this undergraduate thesis, there is no part or entirety of the writing, ideas, or opinions of other authors that I have acknowledged as my own without proper acknowledgment of the original author. If it is proven in the future that this statement is not true, I am willing to accept sanctions in accordance with the applicable regulations.

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The author, Anggun Cahyanti Simanjuntak, was born in Bandar Lampung, on January 29, 2004, as the second child of two siblings.

The author completed her elementary education at SD Fransiskus 1 Tanjung Karang from 2010 to 2016. The author then continued her junior high school education at SMP Fransiskus Tanjung Karang from 2016 to 2019. She completed her senior high school at SMA Fransiskus Bandar Lampung and majoring in social sciences. During the senior high school, the author was actively involved in Youth Red Cross (Palang Merah Remaja) and in Bulletin extracurricula. In 2022, the author was admitted as an undergraduate student in the Accounting Study Program at Economic and Business Faculty in Lampung University. During her college, the author was admitted into International Accounting Class and during those periods she join and included in some activity. The author participated and won the second place in national business plan competition, join an online course with Aoyama Gakuen University from Japan and UMTE university from Russia. The author also join an offline international courses at UITM Malaysia.

DEDICATION

All praise and gratitude are devoted to Lord Jesus Christ for abundant blessings and grace, by which the writing of this undergraduate thesis has been successfully complected.

With all humility, this undergraduate thesis is dedicated to:

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Thank you for the love and affection you have given me since I was a baby until this very moment in my life. Thank you for every form of love, sacrifice, support, and comfort you have given whenever I felt tired and hopeless throughout my journey, from my childhood until the process of completing my final project, my thesis. Thank you for being perfect parents to me. being not only my parents, but also my friends and my number one motivation as I grow. Without Mama and Papa's support throughout my journey, I would not have been able to reach this point.

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MOTTO

"For I know the plans I have for you, declares the LORD, plans for welfare and not for evil, to give you a future and a hope."

-Jeremiah 29: 11-

"Now faith is confidence in what we hope for and assurance about what we do not see."

-Hebrew 11;1-

"We wait in hope for the LORD he is our help and our shield. In him our hearts rejoice, for we trust in his holy name."

-Psalm 33; 20-21-

"It is what it is"

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1.1 Background

In a country's economy, taxes have a strategic role. This condition is caused by several factors such as taxes which are a source of income for a country and are very useful for the country to be able to develop and ensure the welfare of its citizens (Fujianti et al., 2024). Generally, taxes are used to fund public goods and services that cannot be adequately produced by competitive markets, such as schools, roads, and national defense. Taxes also serve as a means of redistributing wealth with the goal of creating a more economically for society (Basariya et al., 2020).

The benefits and objectives obtained through tax collection are to collect revenue to finance the government in carrying out various state functions. Some of these functions include spending on infrastructure such as roads, public transportation, sanitation, the legal system, public security, education and health care systems, in addition to other expenditures such as the military, scientific research, culture and the arts, public works, distribution, public insurance, and the government's operational activities themselves. The impact on a country when expenditure exceeds tax revenue, the government will incur debt (Emmanuel, 2022).

In its role as tax collector, the government has an interest in maximizing tax revenue to finance various needs in national development. Conversely, taxpayers will strive to minimize their tax burden and actively seek legal loopholes to minimize their tax obligations. Tax payers, including companies that must regularly pay taxes on their net operating income, view taxes as a burden (Wibowo, 2024).

Tax avoidance is an effort made by taxpayers with the main aim of avoiding taxes in a legal manner, not contrary to applicable tax regulations, by taking advantage of the weaknesses in tax regulations in a country (Rini et al., 2022). Tax avoidance activities are the result of various conveniences and incentives provided by the government to companies, thus giving companies the opportunity to reduce their tax obligations. Although tax avoidance is a legal action, but the action still considered as something that was unacceptable due to the practice that can reduce the tax base and can lead to the decreasing in government revenue (Sumantri et al., 2024).

The steps taken by the company is to transfer the total profits from the company's operational activities to a tax haven country (Duhoon & Singh, 2023). In the context of tax havens and multinational corporations (MNCs), tax avoidance become an increasingly important topic. Jurisdiction that facilitate tax avoidance, or tax havens countries are crucial in attracting MNCs and high-net-worth individuals seeking a way to reduce their tax burdens (Sumantri et al., 2024).

Multinational companies engage in tax planning strategies to enhance their financial performance and profitability by exploit differences in tax systems across jurisdictions by engage in profit shifting to reduce their overall tax liabilities. Transfer pricing is an action did by companies to minimise their tax obligation by moving their profits and incomes from areas with high tax rate to area with lower tax rate. In multinational companies, this action taken by structuring their transcactions and exchanges it beween their affiliates, parent and subsidiaries (Sebele-mpofu et al., 2021). Income shifting, debt shifting, and tax havens are some of the strategies uses by company in doing their transfer pricing activities.

Income shifting defined as a reduction in the selling prices where the price is inflated in the related party to give an advantage to multinational companies. Income shifting conducted by moving profit from jurisdiction with high tax rate to where the tax rate is lower. Debt shifting refers to a practice where companies in high-tax rate jurisdiction are financed with excessive debt so they can deduct interest expenses and reduce taxable income. And tax havens is refers to an

autonomous or semi-autonomous state where the regulation of tax on incomes or assets are low (Sebele-mpofu et al., 2021).

Because of this transfer pricing phenomenon, currently many countries are competing to attract investment, therefore, many companies move some of their business activity to the country with lower tax rate (Clausing et al., 2021). This phenomenon is used as an opportunity for companies, in this case multinational companies, carry out tax avoidance with transfer pricing as the principal instrument (Jakfar & Nuraini, 2025). Multinational companies had a benefits accrue due to international trade such as growth and expansion, an increase in job opportunities, and technological transfers amongst jurisdictions to do this transfer pricing (Sebele-mpofu et al., 2021).

The practice of tax avoidance carried out by multinational companies has very significant implications for national tax revenues, especially for developing countries that are highly dependent on taxes as a source of state revenue. In the study conducted by Oktaviani et al. (2023) it is stated that multinational corporations affect tax avoidance. The more and the wider the company collaborate with foreign corporation, the easier for the company to manage their financial structure. Multinational corporations with many operations abroad carry out more complex financial transactions that make it difficult to detect if the company has evaded tax.

Sebele-mpofu et al., (2021) stated that multinational companies (MNCs) playing an important role in global platform. Multinational companies have their dominance in the global economy with their rapid growth rate, making this dominance susceptible to abuse of power. Multinational companies tend to structure transactions and exchanges between affiliates, parent companies, and their subsidiaries in such a way as to take advantage of the market power and dominance they held. The power that was owned by the multinational companies make its possible for them to arranged their transcaction and exchange between their parties to minimize and transfer their profit and income from jurisdictions with high tax rates to jurisdications with lower tax rate (Sebele-mpofu et al., 2021).

For developing countries that have historically dependence on tax revenues from large formal businesses such as multinational corporations, tax avoidance practices have become a problem and a challenge. The potential loss of tax revenue and the impact of losses that will be faced on economic development due to tax avoidance practices have become a problem that has ultimately received a lot of attention (Kalra & Afzal, 2023). The State of Tax Justice report published by the Tax Justice Network in 2023 and 2024 presents estimates of the annual tax losses experienced by countries due to tax avoidance practices.

The State of Tax Justice measure the estimation of tax avoidance by follow the profit misalignment approach that was developed by them. This methods compares the profits reported by multinational companies in a country with the profit that would be expected based on real economic activity, measured by the number of employees and wage payments and the difference between reported and theoretical profits is used to identify profit shifting across countries (Tax Justice Network, 2023). The analysis is based on aggregated country-by-country reporting data published by the OECD which specifically covers multinational companies.

Table 1. 1 Estimated Annual Tax Loss in Southeast Asia Countries at 2024

No	Country	Estimated Annual Tax Loss: Corporate Tax Abuse by Multinational Companies (USD million)	
		2023	2024
1	Brunei	13.9	12.1
2	Cambodia	243.0	635.5
3	Indonesia	2,736.5	2,981.1
4	Laos	29.5	414.5
5	Malaysia	775.0	996.6
6	Myanmar	140.8	426.9
7	Philippines	2,996.4	6,825.1
8	Singapore	598.6	874.9
9	Thailand	231.8	1,930.0

| 10 | Timor Leste | 5.3 | 0.3 |
| 11 | Vietnam | 1,521.2 | 5,828.5 |

Source: (Tax Justice Network, 2023, 2024)

This research will focus on Indonesia as a country with a developing economic condition. As it can be seen in Table 1.1, from 2023 to 20224, Indonesia expreience an increase in the number of estimated annual tax loss by corporate tax abuse by multinational companies. In 2023 shows that the number of the estimation was 2.736,5 million US dollar, and its increased to 2.981,1 in 2024, which means there is an increase of 244.6 from 2023 to 2024. This numbers shows that the practice of tax avoidance in Indonesia is still high and Indonesia is estimated to incur losses from this, so this is interesting to explore further to find out what indicators can help reduce tax avoidance practices carried out by companies.

There are many factors that influence the level of tax avoidance in a company, and one of them is the effectiveness of the implementation of Good Corporate Governance (Wayan & Apriani, 2025). Good Corporate Governance is a system designed with the aim of regulating and controlling companies so that activities within the company can be managed professionally, transparently, and accountable. (Rohyati & Suripto, 2021). Good Corporate Governance is a series of practices that have a cumulative impact on the way a business is led, managed and controlled (Junianingsih et al., 2024),

A company or entity desperately needs Good Corporate Governance practices because this system helps the company manage its operations, designed to build trust among all stakeholders. Good corporate governance is necessary to establish an agency relationship between the principal and the company's agent. Good corporate governance can also be used as a means to effectively protect investors so they can recover their investments appropriately and efficiently, and ensure that management can act in line with the company's predetermined vision (Asyik et al., 2024).

A research conduct by Junianingsih et al. (2024) stated that aspects in good corporate governance practices, in this case managerial ownership, institutional ownership, and board independence have a negative impact on tax avoidance practices. The ownerships structure owned by institutional and managerial investor tend to engage less in tax avoidance because these owners will carefully evaluate the costs and risk, such as legal sanctions and reputational damaged, against the potential benefits (Bataineh, 2025). A strong boar independence indicate a higher and more effective monitoring in a company that will demand the company to be more comply with regulation (Tran et al., 2023).

This means that when these aspects are implemented optimally by a company, the company's ability to avoid paying taxes will decrease. Corporate Governance practices that are carried out properly and correctly, have a significant influence on tax avoidance. Structured and effective implementation in a company will be in line with the level of compliance of the company in fulfilling tax obligations which will have an impact on avoiding the company from carrying out tax avoidance practices (Azka & Abdul, 2021).

Another factor that cannot be ignored and is closely related to tax avoidance practices is the effectiveness of corporate social responsibility (CSR) disclosure. Corporate Social Responsibility reflects a company's commitment to social and environmental sustainability and strengthens its legitimacy in the eyes of the public (Chouaibi et al., 2022; Wayan & Apriani, 2025). Corporate Social Responsibility is the participation or contribution made by the private sector to society with the aim of improving social welfare. Companies typically contribute to education, health, the environment, and economic growth (Nicole et al., 2021).

Companies that voluntary implemented the practice of Corporate Social Responsibility integrate and had the high level of CSR activities on the company's operation tend to have the higher attitude of responsibility. This attitude of responsibility by the company will be reflected in how the company comply in paying their tax burden and not trying to evade it (Silaban & Purba, 2020). Corporate Social Responsibility is generally viewed as a comprehensive set of

policies and practices, which are integrated into a company's operations and decision-making processes (Koh et al., 2023).

Companies disclose their CSR activities because stakeholders use CSR performance information to assess shareholder value, the quality of financial statement disclosures, earnings management practices, and audit risk. This raises stakeholder attention to a company's CSR activities (Koh et al., 2023). Silaban & Purba. (2020) in their study stated that companies that voluntarily disclose corporate social responsibility practices will integrate attention to social and environmental aspects and transparency into company operations and interactions with stakeholders. A high level of CSR disclosure indicating that a company possesses strong social responsibility awareness and this will reflected in its compliance with tax obligations (Payanti & Jati, 2020).

Disclosure of corporate social responsibility can align the interests and meet the demands of both society and the government. Fulfillment of corporate responsibility to the government can be achieved through transparency and disclosure of economic aspects, particularly regarding the amount of taxes distributed to the government (Firmansyah et al., 2022). Study that conducted by Firmansyah et al. (2022) stated that Disclosure of corporate social responsibility can act as a mechanism for controlling corporate behavior, particularly in the context of tax avoidance.

With respact to literature information explained above, it can be seen that good corporate governance and corporate social responsibility disclosure are two things that are interrelated and are also aspects that are closely related to tax avoidance. Both of these factors stated to had a significant effect on tax avoidance practice, however, in Indonesia literature the result still showing a mixed result. So it becomes something interesting to study what kind of influence is produced by these two aspects on tax avoidance.

Based from the literature above, it can be conclude that tax avoidance activities by multinational companies remain a topic that can explored further due to their impact on a country's economy, particularly in developing nations such as

Indonesia. Additionally, previous studies on the effects of good corporate governance indicators and the disclosure of corporate social responsibility on tax avoidance activities have shown mixed result. Therefor, this topics becomes even more interesting to investigate in order to determine the actual influence of these two variables on tax avoidance practices among multinational companies in Indonesia.

1.2 Problem Formulation and Research Question

Tax is the main source of income in a country which is used to increase national income and funds to be used for development. Tax avoidance cases have received public attention recently due to the many practices in multinational companies (Mosuin et al., 2024). Through the literature above, the problem formulation of this research is:

1. Does the implementation of Good Corporate Governance (GCG) affect tax avoidance in Multinational companies in Indonesia?
2. Does Corporate Social Responsibility (CSR) Disclosure affect tax avoidance in multinational companies in Indonesia?

1.3 Research Objective

Based on the research formulation above, the research objectives are:

1. To examine the influence of Good Corporate Governance (GCG) on tax avoidance in companies.
2. To examine the influence of Corporate Social Responsibility (CSR) on tax avoidance in companies.
3. To examine the simultaneous influence of Good Corporate Governance and Corporate Social Responsibility on tax avoidance in companies.

1.4 Research Benefit

Tax avoidance is still a hot issue because this issue is still a major challenge for countries. Through the literature above, it can be concluded that tax avoidance practices by multinational companies have a major negative impact, especially for developing countries, such as the average country in Southeast Asia. This study has benefits both theoretical benefit and practical benefit.

1. **Theoretical benefit**

This research enriches the existing literature by examining the impact of Good Corporate Governance (GCG) and Corporate Social Responsibility (CSR) disclosure on tax avoidance in Indonesia.

2. **Practical benefit**

The findings can raise awareness among stakeholders and support the development of training programs focused on best practices in governance and social responsibility disclosure to minimize tax avoidance risks. Additionally, this research may support regulators in designing more effective governance guidelines and disclosure standards as well as basis for developing training programs aimed at promoting ethical tax practices and responsible corporate behavior.

CHAPTER II LITERATURE REVIEW

2.1 Theoretical Basis

2.1.1 Agency Theory

Agency Theory defined by Jensen & Meckling (1976) as a contract under one or more persons (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent. If both parties to the relationship are utility maximizers, there is a good reason to believe that the agent will not always act in the best interest of the principal. The principal can reduce deviations from their interests by providing suitable incentives to the agent and by bearing monitoring expenses aimed at controlling the agent's undesirable actions.

In the context of tax avoidance, agency theory explains that there is a relationship between the company owner (Principal) and the manager (agent). Agents in an effort to meet the expectations of the principal will actively use techniques and methods to actively minimize tax payments in order to obtain incentives from the principal in return for results that are in accordance with the main interests of the company owner (Mosuin et al., 2024).

In study conduct by Worokinasih & Zaini (2020) it is stated that in the context of Corporate Governance, company management is often handed over to professional staff (agents) who better understand how to run a business. From this point of view, it is stated that Good Corporate Governance is seen as a system that functions to control company management and reduce conflicts of interest within the company, so that the company is viewed in a positive light by investors (Worokinasih & Zaini, 2020). So, it can be concluded that good corporate

governance can be seen as an element that has an influence in preventing conflicts of interest that can occur as stated by Jensen & Meckling (1976).

To minimize conflict in agency theory, corporate social responsibility practices are used as a form of transparent and accountable social responsibility. Managers (agents) have contractual relationships with various parties so that they are tasked with managing various expectations in a balanced manner. So that CSR is used as a tool to overcome problems that exist in agency theory (Chouaibi et al., 2022).

From the literature above, it can be understood that agency theory has a close relationship with the three variables of good corporate governance indicators and also CSR disclosure variable used in this study. This theory highlights that Agency Theory highlights the motives for tax avoidance and also highlights how aspects of Good Corporate Governance and Corporate Social Responsibility influence and are closely related to each other.

2.1.2 Legitimacy Theory

Suchman (1995) stated that Legitimacy is the general perception or assumption that the actions taken by an entity are desirable, and appropriate within a socially constructed system of norms, values, beliefs, and definitions. Suchman (1995) divided legitimacy into three, pragmatic legitimacy is based on the self-interest calculations of an organization's most immediate audience, moral legitimacy is something that reflects a positive normative evaluation of the organization and its activities, and cognitive legitimacy is something that is based on something that is taken for granted at the level of understanding. Legitimacy theory is a continuation of the managerial heritage that links traditional norms and values with modern ethics. In this theory, shareholders should seek to avoid legitimacy rather than damage the image of the organization (Ghorbel & Boujelben, 2025).

In relation to tax avoidance, Ghorbel & Boujelben (2025) stated that Managers will follow the cues from the environment in an effort to make the company's image in accordance with social expectations in an effort to legitimize the company's actions and take advantage of the flow of legitimacy. Tax avoidance is considered unethical and socially responsible, so when a company aim to gain

legitimacy from the public the company will not engage in unethical action. Based on the literature, it can be concluded that this theory is closely related to the investigation of how aspects of corporate social responsibility influence tax avoidance practices in multinational companies.

2.1.3 Tax Avoidance

Tax Avoidance is a practice that is detrimental to the state because it has an impact on reducing government tax revenues which has a negative impact on the country's economy. Tax Avoidance refers to the use of various strategies or tactics that are carried out intentionally by taxpayers to minimize their tax obligations within the limits of the law (Mosuin et al., 2024). Tax avoidance is a tax planning strategy that is carried out by taking advantage of tax reductions or tax credits that are legally permitted and still within the limits that can be said to be legal (Oboh & Omoregie, 2021).

Tax avoidance can also be defined as a process of transferring income that should have been received by the state into the hands of the company through legal strategies. Tax avoidance can have a positive impact on the company, as the resources redirected to the firm can be used to enhance its productivity. However, in practice, this is often misused by management, which ultimately harms investors. Although tax avoidance is carried out through legal and lawful means, the act of engaging in tax avoidance by a company can still be considered an irresponsible behaviour toward society (Duhoon & Singh, 2023).

Tax avoidance in corporation can be carried out through various strategies tailored to the characteristics of the industry, business structure, and prevailing regulatory conditions. These strategy generally include arranging transactions, exploiting loopholes in the regulations, separating business entity, and managing recognition of revenues and expenses to reduce the tax base. In general, tax avoidance is a practice that not violate the law but take advantage of weakness and ambiguities in existing tax regulations to minimize the company's burden (Sumantri et al., 2024).

2.1.4 Good Corporate Governance

Corporate Governance is a system and a structure that functions to regulate the relationship between majority and minority shareholders with the management that manages the company. Corporate governance is present with the function of protecting investors from differences of interest between shareholders and management (Umiyati & Andriani, 2023). Worokinasih & Zaini, (2020) stated that good corporate governance can be used as a system that becomes a control for company management and is useful for minimizing conflict of interest in the company. Good Corporate Governance can also be defined as a process and structure that is useful for managing accountability in companies and businesses.

Good Corporate Governance is a practice in the business world that is based on professional ethics in running a business. Good Corporate Governance consists of several principles, namely transparency, accountability, responsibility, independence, and justice and equality which are very much needed to achieve the sustainability of the company's business (Fujianti et al., 2024). Transparency defined as an openness of the corporation in providing information regarding management activities to the shareholders. Accountability defined as an obligation for power holders to provide accountability, present, report and disclose from every activity that are the responsibility of the shareholder. Responsibility defined as a corporation's behavior that determines how to react to business activities. Independency is an attitude where the individual or party are not controlled by other parties and not dependent towards another parties. Fairness is a situation where the corporation treat every parties or shareholders equally according to their rights (Karsono, 2023).

Study conduct by Junianingsih et al. (2024) resulted that there are some aspects of good corporate governance that had influence on tax avoidance practice. These aspects include managerial ownership, board of directors' composition, high institutional ownership, and number of independent commissioners have a positive impact on transparency and increased corporate ethics in carrying out business activities. This finding indicate that governance mechanism has a positive impact on monitoring and controlling how the corporation behave.

Institutional ownership in a company often seen as a supervised party from outside to avoid conflicts from various parties due to different interest. A company with an higher rate of institutional ownership expected to have more optimal management performance because of the supervision by these institutions to comply with regulation (Handoyo et al., 2022). Drobetz & El, (2025) stated that one of the indicators that significantly shape a corporate governance is institutional ownership. Institutional ownership directly impacting corporate governance. Institutional ownership had a significant contribution in operational efficiency and long-term market value. An active monitoring that can help addresses agency problem is one of the impacts that institutional ownership owned.

Managerial ownership defined as the proportion of company's shares owned by its management, especially those who actively involved in decision-making (Boli & Lestari, 2025). In a company, managers have a big responsibility in managing the operation in the company. Managers will be more active in working for the company and increase their responsibility in managing their company so they will be more cautious and careful in making decision for the company (Handoyo et al., 2022).

Kurniawan & Adrison, (2025) stated that the highest level of internal control in company and having responsible overseeing how well the company management's strategies is board member. Salehi et al., (2024) in their study stated the greater numbers of board independent in a company, the more cautious and stricter the supervision in company's activity and the decision made by the company. In the context of monitoring, Independent board is better and suited more than the inside directors because independent directors do not have any relationship with the management of the firms (Solarino & Boyd, 2022).

From the literature above, it can be concluded that the indicators in good corporate governance have a significant influence on the company's internal control and decision-making within the company and can affect how much the company compliance the regulations made by the government. There are many indicators in Good Corporate Governance. From the literature above, the good

corporate governance indicators used in this study are institutional ownership, managerial ownership, and board independence.

2.1.5 Corporate Social Responsibility Disclosure

The burden of responsibility towards the environment and society that a company has is often referred to as Corporate Social Responsibility (CSR) (Kristiadi et al., 2020). The definition of Corporate Social Responsibility refers to voluntary contributions made by a company to provide sustainable development through legal criteria. Corporate Social Responsibility is a tool for a company to contribute to creating a better society (Chouaibi et al., 2022).

Carroll (1979) stated that there are four classes of Corporate Social Responsibility which are economic responsibilities, legal responsibilities, ethical responsibilities, and discretionary responsibilities. Economic responsibility emphasizes that firm primary had a role to produce goods and service efficiently and generate profits. Legal responsibility means that firms had to conduct their business while comply with the applicable laws and regulations. Ethical responsibility refers to business behaviors and decisions that are morally expected by society. Discretionary responsibility involves voluntary actions taken by firms to contribute to social welfare beyond economic, legal, and ethical obligation.

Corporate Social Responsibility can be used as a strategic tool for a company to improve its reputation in the market, so that CSR is able to give the company a competitive advantage. Based on the legitimacy theory, companies use CSR as a tool to meet community expectations so that the company can be accepted socially (Ivanda et al., 2024; Orbaningsih, 2022). In general, the definition of Corporate Social Responsibility refers to the social responsibility implemented by a company towards the community and environment in which the company operates to fulfill social values and goals, and not just focus on economic profit (Oboh & Omoregie, 2021).

This research using CSR disclosure as the focus regarding the CSR variable. CSR can be a voluntary communication of non-financial information through standalone CSR reports to informing shareholders regarding their economic,

social, and environmental impacts was a general definition of the CSR disclosure (Koh et al., 2023). The more disclosed of the CSR activity made by the company, indicating a strong sense of responsibility of those corporation. This responsibility can be mirroring through how the corporation compliance to the regulator that was applied, for example the government regulation regarding corporation tax obligations (Payanti & Jati, 2020).

2.2 Conceptual Framework
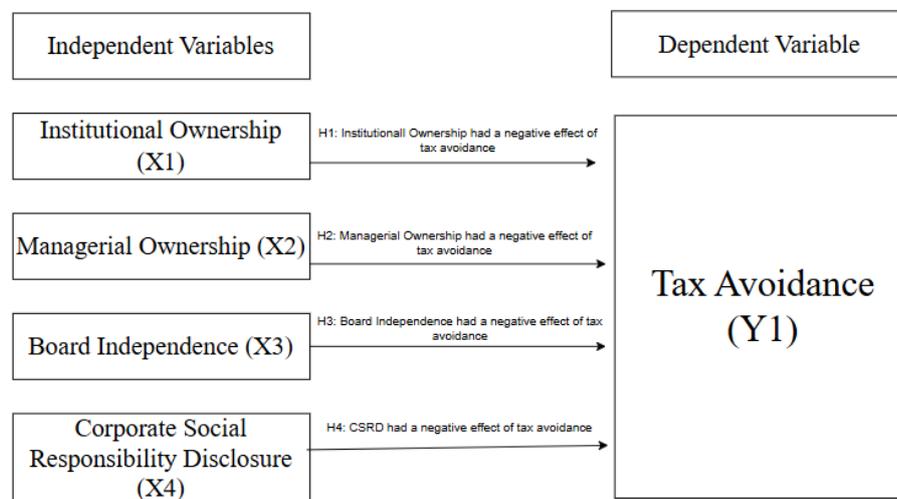
Figure 2. 1 Conceptual Framework

2.3 Hypothesis

2.3.1 The Impact of Good Corporate Governance on Tax Avoidance

Effective Good Corporate Governance mechanisms can shape how corporate ethics practices in companies are closely related and can be translated into how tax decisions are made by companies. The correct implementation of Good Corporate Governance that has an impact on the successful realization of good corporate ethics can mitigate aggressive tax avoidance practices (Ghorbel & Boujelben, 2025).

Study conduct by Mosuin et al., (2024) about the influence of Good Corporate Governance on Tax Avoidance stated that a strong governance structure will encourage effective internal control mechanisms, which encourage transparency in company operations and reporting and will have an impact on reducing the tendency of companies to carry out strategic tax avoidance. Another study by Ghorbel & Boujelben, (2025) also resulted that the presence of good corporate governance is a key factor that bridges the impact of corporate ethics, which means that without the existence of good corporate governance, it is unable to significantly reduce tax avoidance. In line with it, study conduct by Wayan & Apriani, (2025) stated that The implementation of good corporate governance that runs optimally has been proven to be able to reduce tax avoidance practices through a strong internal control system. Salehi et al., (2024) on its study stated that GCG factors have been shown to influence the extent to which companies engage in tax avoidance practices. Certain GCG characteristics can be triggers that determine how companies act in handling their tax burdens. In this research, the Good Corporate Governance (GCG) indicators that will be used are institutional ownership, managerial ownership, and board independence.

Institutional ownership refers to the number of shares owned by the institutions. Institutional ownership can help in reduce agency conflict because when the majority shares in a company own by institution, this makes the monitoring process for every policy taken by management becomes more effective (Widiiswa & Baskoro, 2020). A company with greater institutional ownership will have a higher monitoring on its management performance due to institutional supervision to comply with the regulations made by the government and helps maintain the company's reputation and good standing in the community (Handoyo et al., 2022). Based on this, institutional ownership can encourage company to comply with the regulations made by the government, including the regulation for paying its taxes that can lead in the reduce on company efforts to engage in tax avoidance.

Institutional ownership which the representation of outside equity ownership, according to Jensen & Meckling, (1976) outside equity ownership is play an important role in monitoring management and restricting managerial opportunism.

In line with it, Mosuin & Zakaria, (2025) stated that the higher rate of the institutional ownership, the incentivize management to complied the tax regulation strictly will be increased.

H1: Institutional ownership has a negative effect on tax avoidance practices

The definition for managerial ownership is the proportion of the common shares that owned by management who are actively involved in decision making (Handoyo et al., 2022). When the directors (management) have a financial interest in a company, the decision they made tend to take long-term risk into account (Junianingsih et al., 2024). Managers who hold shares in a company tend to make cautious decisions to protect the firm's long-term interests. Share ownership aligns with corporate performance that prioritizes sustainability, so its help in reducing the tendency to engage in tax avoidance practices that could expose the company to legal and financial risks (Boli & Lestari, 2025).

Managerial ownership had a role in mitigating agency problems because it determines the extent to which manager bear the consequences of the decision they made. Larger number of the firms equity own by the manager, they will make a decision that maximize his utility Jensen & Meckling (1976). So this imply, with a high rate of managerial ownership in a company, the more careful and cautious the manager tend to make decision, because every consequences from the decision they made will also affecting them.

H2: Managerial ownership has a negative effect on tax avoidance practices

Board independence can be defined as the proportion of independent board members in the commissioner board. The greater and stronger level of board independence linked to the reduce of tax avoidance (Salehi et al., 2024). The presence of an independent board aims to ensure the effectiveness of the company's functions and accountability (Widiiswa & Baskoro, 2020). The higher the number of independent board members in a company, the higher its level of independence and the lower the likelihood of tax avoidance. This is because an increased number of independent board members provides tighter oversight of management, leading to more careful decision-making, thus creating transparency

in company management and decision-making, including tax management decisions (Handoyo et al., 2022).

From an agency theory perspective, independent board play a monitoring role that helps reduce agency problems by ensuring that managerial decision is aligned with shareholders interest, thereby limiting tax avoidance. (Junianingsih et al., 2024) stated that based on agency theory, the presences of independent board had a role to monitoring and controlling manager (agent) act to doing something opportunistic. Independent board had an important role to providing an unbiased oversight, ensuring the decision align with the shareholders interest (Pavlou et al., 2025).

Therefor, from the literature above, the more board independent in a company, the higher independency of the board. The more independence the board, will be leading to the higher monitoring and controlling to prevent the manager doing something opportunistic and give the company risk in the future. So this means that board independence has a negative effect on tax avoidance practices.

H3: Board Independence has a negative effect on tax avoidance practices.

2.3.2 The Impact of Corporate Social Responsibility Disclosure on Tax Avoidance

Corporate Social Responsibility is a strategy carried out by companies to improve the company's reputation and can improve the company's image in the eyes of the public (Ivanda et al., 2024). Based on the legitimacy theory, the relationship between Corporate Social Responsibility and tax avoidance practices in a company can be seen through high compliance in Corporate Social Responsibility disclosures because when a company makes compliant disclosures in Corporate Social Responsibility, they aim to gain legitimacy from the public so that the company will not engage in tax avoidance practices (Widianti & Prasetyo, 2023).

Previous researches Junianingsih et al., (2024) stated that the level of tax avoidance tends to decrease along with the increase in CSR initiatives undertaken by companies. In line with it, Firmansyah et al., (2022) stated that disclosure of

corporate social responsibility can act as a mechanism for controlling corporate behavior, particularly in the context of tax avoidance.

H4: **Corporate Social Responsibility Disclosures have a negative effect on tax avoidance practices.**

2.4 Previous Study

Previous studies have been conducted to evaluate the influence of good corporate governance and corporate social Responsibility on tax avoidance. Study conduct by Mosuin & Zakaria, (2025) talk about the impact that Corporate Governance and Corporate Social Responsibility disclosure had on tax avoidance in Malaysia. One of the Corporate Governance indicators used in the research is Institutional ownership while the measurement for the Corporate Social Responsibility Disclosure was by GRI index. The result in the study shows that institutional ownership has no significant impact on Tax avoidance in Malaysia while the disclosure of the CSR shows a weak significant negative result on Tax Avoidance in Malaysia.

Ismail et al., (2024) in the study investigate about the relation between GCG, CSR, and Tax avoidance, but this study highlight more about the relation between GCG and tax avoidance. The result from the study stated that the better the quality of GCG mechanism, like the ownership structure, board characteristic, and auditor, the higher possibility of the company to do the CSR practice and its also shown that GCG had a negative impact on tax avoidance which means the better the GCG mechanism in a company, the lower possibility of the company to involved in tax avoidance activities.

In Indonesia, a few studies already conducted to investigate the relationship between GCG, the disclosure of CSR, and Tax Avoidance. The result in investigate the impact of GCG and Disclosure of CSR on Tax Avoidance still giving mixed result. Firmansyah et al., (2022) stated that the tendency of companies to engage in tax avoidance by using the company's advantages can be reduced by implementing corporate social responsibility, fulfilling moral obligations, and meeting the demands of stakeholders. In line with it, study conduct by Saragih & Adhariani, (2023) also show the same result. The opposite,

study conduct by (Payanti & Jati, 2020) stated that there is no significant from the disclosure of CSR and tax avoidance. It's stated that the disclosure of CSR provided by the company not necessarily reflect the actual conditions, so its cannot be used as a guarantee that socially responsible company has a lower tendency to engage in tax avoidance. Study conduct by Widianti & Prasetyo, (2023) stated that the relation between CSR Disclosure and Tax Avoidance was positive.

The same happens to the result of the relation between GCG and Tax Avoidance. Study conduct by (Junianingsih et al., 2024) stated that institutional ownership, managerial ownership, and board independence in companies had a significant negative effect on tax avoidance, which means that the higher these here indicators, the lower tax avoidance activities from a company. This is in line with study conduct by (Payanti & Jati, 2020) that also investigate the relation between institutional ownership and managerial ownership on tax avoidance. But the study conduct by (Handoyo et al., 2022) stated the opposites. The result of this study shows that institutional ownership, managerial ownership, and board independence, none of these indicators had a significance effect on tax avoidance. In line with it, the study conduct by (Marlinda et al., 2020) also stated that Board independence and institutional ownership had no significance effect on tax avoidance.

From the previous study, it's shown that both GCG mechanism and CSR Disclosure effect on Tax Avoidance still had a mixed result. Mixed results in studies in Indonesia indicate that the influence of GCG mechanisms and CSR disclosure can still be further investigated to find out the actual impact of these two variables on tax avoidance practices in Indonesia. It still needs to be investigated whether the indicators of GCG, namely institutional ownership, managerial ownership, and board independence, as well as the disclosure of CSR activities in Indonesia, have a significant influence, and whether the influence is positive or negative.

In addition, research that addresses this topic in Indonesia has not yet highlighted multinational companies as research samples. This is interesting to investigate

considering the impact that multinational companies have on Indonesia's economy as a developing country.

CHAPTER III RESEARCH METHODOLOGY

3.1 Type and Sources of Data

This research is quantitative. Quantitative research methods are used to examine a specific population or sample. Data collection is carried out using research instruments. Data analysis is quantitative in nature, with the aim of testing a predetermined hypothesis. This research is most suited to the quantitative method because it aims to test the established hypothesis regarding the relationship between independent and dependent variables using a population or sample. The focus on this study is a multinational company that was listed on Indonesia Stock Exchange (IDX) and consistently published their report from 2022-2024 in their official websites or the Indonesia Stock Exchange (IDX) website.

3.2 Population and Sample

3.2.1 Population

Population is a collection of individuals or entities that have certain characteristics and are the target of generalization of results in a study (Salkind, 2018). The population in this study are companies established in Indonesia and listed on the Indonesia Stock Exchange.

3.2.2 Sample

A sample is a part of a population used in research with the aim that the results obtained from the sample can be generalized to the entire population (Salkind, 2018). The sampling technique used in this study was non-probability sampling using purposive sampling. Non-probability sampling is a sampling technique that does not provide an equal opportunity for each element or member of the

population to be selected as a sample. Purposive sampling is a sampling technique that takes into account certain considerations. This study is suitable for using purposive sampling because the characteristics of the sample that can be used cannot be selected randomly but must be selected based on specific, relevant criteria to meet the research objectives.

The criteria set to be part of the sample in this study include:

1. Companies listed on Indoonesia Stock Exchange (BEI)
2. Companies provide a complete and accessible financial report, annual report, and sustainability report from 2022-2024.
3. Companies that are operates in financial, mining, and property/real-estate sector are exclude because the corporation who was in these sectors are having a different kind of tax treatment and regulation compare to other sectors, such as final tax.
4. A company can be said to be a multinational company if it consists of entities established in more than one country and are connected to each other so that it allows for coordination of operations in various ways (OECD, 2023). Therefore, the sample criteria in this study are companies originating from Indonesia that have subsidiaries or branch offices abroad.
5. The companies has an availability data of the amount of tax paid and pre-tax income on Bloomberg

Based on the above criteria, the number of companies that can be used as samples in the research is 47 companies.

Criteria	Elimination
Companies listed on Indonesia Stock Exchange	965
Companies that not provide financial report, annual report and sustainable report	(0)
Company that operates in financial sector	(139)

Company that operates in mining sector	(66)
Company that operates in property/real-estate	(78)
Company that originally from Indonesia and not having subsidiaries	(619)
Companies for which data on the amount of tax paid and pre-tax income is not available on Bloomberg as the source of financial information regarding cash paid for taxes and income before tax	(16)
Total samples	47

3.3 Data Collection Method

The data sources within the companies are secondary data. The data sources in this study are the companies' financial, annual, and sustainability reports for 2022-2024, collected from the Indonesia Stock Exchange and each company's official website for collect regarding annual report and the sustainability report of the company, while for the financial information regarding the calculation for tax avoidance was obtain from Bloomberg.

3.4 Research and Variables Measurement

This research uses 4 independent variables with 3 of them is the representation of good corporate governance indicators which are institutional ownership, managerial ownership, board independence and the other independent variable is Corporate Social Responsibility (CSR) Disclosure. And there only one dependent variable in this research which is Tax Avoidance.

3.4.1 Operational Variables Table

Table 3. 1 Variables Measurement

Variables	Sources	Measurement
Tax Avoidance (Chouaibi et al., 2022)	Tax Avoidance as a dependent variable measured by using Cash ETR	CETR = Cash paid for taxes/Income before Tax
Good Corporate Governance (Ismail et al., 2024).	Good Corporate Governance as independent variable (X1) measured by: • Institutional Ownership • Managerial Ownership • Board Independence	Institutional Ownership= Number of shares owned by institutional investors/ total number of company shares Managerial Ownership = Number of shares owned by directors and managers/ total number of company shares Board Independence = Number of non-executive and independent director/ total number of board members
Corporate Social Responsibility Disclosure (Mosuin et al., 2024; Wilburn & Wilburn, 2013)	Corporate Social Responsibility Disclosure as independent variable (X2) measured by using comprehensive coverage of all economic, environ mental, and social dimensions of corporate	$CSRIj = \sum Xij/ N$ Xij: Score 1 if GRI *index* is disclosed by company *j*, 0 if not

social responsibility (CSR) provided by the GRI Index.	N: Total number of GRI indicators used in the assessment

3.4.2 Dependent Variable

3.4.2.1 Tax Avoidance

Tax Avoidance is a strategy carried out by companies in treating corporate tax policies with the main aim of minimizing the company's tax obligations legally based on tax regulations (Widiiswa & Baskoro, 2020). Tax Avoidance is a strategy carried out by companies in treating corporate tax policies with the main aim of minimizing the company's tax obligations legally based on tax regulations (Boli & Lestari, 2025).

The measurement of the Tax Avoidance variable used is the Cash Effective Tax Rate (CETR) method. Cash ETR is defined as nominal paid by the company for tax on income before tax (Aronmwan & Okaiwele, 2020; Gallemore & Labro, 2015). The CETR method is suitable for describing tax avoidance carried out by companies because the results are not affected by changes in accounting estimates, allowing for the company's tax planning, utilizing both fixed and time differences (Widiiswa & Baskoro, 2020).

Simone et al., (2019) in their study investigating various way to measured tax avoidance such as ETR, Cash ETR, BTD, and GAAP. They stated that Cash ETR has a greater ability to detect hybrid strategies. In addition, in cases where the sampled companies experience losses, this study stated that measurement using Cash ETR. Simone et al. (2019) stated that the test using Cash ETR method have significantly more power to detect all three tax avoidance strategies in the sample that includes loss observations.

The formula for measuring the Tax Avoidance variable by using Cash ETR is:

$$\text{Cash ETR} = \frac{Cash\ Paid\ for\ Taxes}{Income\ Before\ Tax}$$

The data of the amount of cash paid for taxes and income before tax from the sample was received from Bloomberg. The higher value of the Cash ETR rate means that the company paid more cash for their taxes. This indicating that the higher rate of CETR in the corporation, will be leading to the lower tax avoidance practice.

3.4.3 Independent Variables

An independent variable is a factor or condition that can be controlled by researchers, either directly or indirectly, to see its influence on research results (Salkind, 2018). In this study, four independent variables was used, which institutional ownership, managerial ownership, and board independence as the representation of good corporate governance, and corporate social responsibility disclosure.

3.4.3.1 Good Corporate Governance

Good corporate governance in general is a system, which consists of input, process, and output, and a set of rules that regulate the relationship between various interested parties (Orbaningsih, 2022). Good corporate governance is a governance system that aims to protect investors, ensure management acts in accordance with the company's vision, and implements good corporate governance principles such as transparency, accountability, trust, responsibility, fairness, and proper fulfillment of obligations as a guideline for improving business performance (Asyik et al., 2024).

In this study, Good Corporate Governance is proxied by several indicators that are in accordance with the principles of good corporate governance:

1. **Institutional Ownership**

   Institutional ownership is the ownership of shares by institutional parties. In a company, institutional ownership will result in a higher level of oversight by institutional parties (Marlinda et al., 2020). Institutions generally have greater financial resources than individuals. With institutional resources, they can more easily control management actions, such as demanding maximum openness and transparency in every

company report. This ensures that the company is truly compliant with tax regulations and prevents management from arbitrarily evading taxes (Hidayat & Zuhroh, 2023).

Institutional ownership measured by:

$$Institutional\ Ownership = \frac{Shares\ owned\ by\ institutional\ investor}{Total\ shares\ issued}$$

2. **Managerial Ownership**

Managerial share ownership is the percentage of common stock held by management, who are directly involved in corporate decision-making. Managers will be more cautious in running the business and strive to align their decisions with those of other shareholders because this ownership places managers on an equal footing (Handoyo et al., 2022).

Management parties who own shares in the company will tend to pay attention to the long-term sustainability of the decisions they take (Junianingsih et al., 2024). Managers will be cautious in making decisions, including those regarding tax avoidance. This is because managers directly experience the benefits and losses of every decision they make. The greater the manager's share ownership, the greater their motivation to make wise and considered decisions and act in the best interests of shareholders (Handoyo et al., 2022).

Managerial ownership measured by:

$$Managerial\ Ownership = \frac{Total\ management\ shareholding}{Total\ Outstanding\ share}$$

3. **Board Independence**

In a company's internal control, the board is the highest level that has the responsibility to see how well the management is performing. To avoid the risk of internal parties in the company such as the board,

management and controlling shareholders collaborating to carry out reprehensible actions such as tax avoidance, a balance is needed between the internal and external boards (board independence) (Kurniawan & Adrison, 2025).

Board Independence measured by:

$$Independent\ Board = \frac{Number\ of\ independent\ board}{Total\ number\ of\ board}$$

3.4.3.2 Corporate Social Responsibility Disclosure

Corporate Social Responsibility is an action or concept undertaken by a company as a form of corporate responsibility towards the social and natural environment surrounding the company. Corporate Social Responsibility encompasses the entire relationship between a company and all stakeholders, including customers, employees, the community, owners and investors, the government, and even the community at large (Silaban & Purba, 2020).

CSR disclosure was conducted using the Corporate Social Disclosure Index approach. This approach assigns each social responsibility item in the research instrument a value of 1 if disclosed and 0 if not, as published by GRI.

Table 3. 2 GRI Standard Index

GRI INDEX STANDARD	
GRI 200: Economic	
GRI 201: Economic Performance	
201-1	Direct Economic value generated and distributed
201-2	Financial Implication and other risk due climate change
201-3	Defined benefit plan obligations
201-4	Financial assistance received from government
GRI 202: Market Presence	
202-1	Ratio of standard entry level wage by gender compared to local minimum wage

202-2	Proportion of senior management hired from the local community
GRI 203: Indirect Economic Impacts	
203-1	Infrastructure investment and services supported
203-2	Significant Indirect Economic Impacts
GRI 204: Procurement Practices	
204-1	Proportion of spending on local suppliers
GRI 205: Anti-Corruption	
205-1	Operations assessed for risk related to corruption
205-2	Communication and training about anti-corruption policies and procedures
205-3	Confirmed incidents of corruption and actions taken
GRI 206: Anti-Competitive Behaviour	
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices
GRI 207: Tax	
207-1	Approach to tax
207-2	Tax governance, control, and risk management
207-3	Stakeholder engagement and management of concerns related to tax
207-4	Country by country reporting
GRI 300: Environmental	
GRI 301: Materials	
301-1	Materials used by weight or volume
301-2	Recycled Input materials used
301-3	Reclaimed products and their packaging materials
GRI 302: Energy	
302-1	Energy consumption within the organization
302-2	Energy consumption outside of the organization
302-3	Energy Intensity
302-4	Reductions in energy consumption
302-5	Reductions in energy requirements of products and services
GRI 303: Water and Effluents	
303-1	Interactions with water as a shared resource

303-2	Management of water discharge-related impacts
303-3	Water withdrawal
303-4	Water discharge
303-5	Water consumption
GRI 304: Biodiversity	
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
304-2	Significant impacts of activities, products, and services on biodiversity
304-3	Habitats protected or restored
304-4	IUCN Red list species and national conservation list species with habitats in areas affected by operations
GRI 305: Emissions	
305-1	Direct GHG emissions
305-2	Energy Indirect GHG emissions
305-3	Other Indirect GHG emissions
305-4	GHG emissions intensity
305-5	Reduction of GHG emissions
305-6	Emissions of ozone-depleting substances (ODS)
305-7	Nitrogen oxides (NOx), Sulfur oxides (SOx), and other significant air emissions
GRI 306: Waste	
306-1	Waste generation and significant waste-related impacts
306-2	Management of significant waste related impacts
306-3	Waste generated
306-4	Waste diverted from disposal
306-5	Waste directed to disposal
GRI 307: Environmental Compliance	
307-1	Non-compliance with environmental laws and regulations
GRI 308: Supplier Environmental Assessment	
308-1	New suppliers that were screened using environmental criteria
308-2	Negative environmental impacts in the supply chain and actions taken

GRI 400: Social	
GRI 401: Employment	
401-1	New employee hires and employee turnover
401-2	Benefits provided to full-time employees that are not provided to temporary or part time employees
401-3	Parental Leave
GRI 402: Labor/Management Relations	
402-1	Minimum notice periods regarding operational changes
GRI 403: Occupational Health and Safety	
403-1	Occupational health and safety management system
403-2	Hazard identification, risk assessment, and incident investigation
403-3	Occupational health services
403-4	Worker participation, consultation, and communication on occupational health and safety
403-5	Worker training on occupational health and safety
403-6	Promotion of worker health
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
403-8	Workers covered by an occupational health and safety management system
403-9	work-related injuries
403-10	Work-related ill health
GRI 404: Training and Education	
404-1	Average hours of training per year per employee
404-2	Programs for upgrading employee skills and transition assistance programs
404-3	Percentage of employees receiving regular performance and areer development reviews
GRI 405: Diversity and Equal Opportunity	
405-1	Diversity of governance bodies and employees
405-2	Ratio of basic salary and remuneration of women to men
GRI 406: Non-discrimination	
406-1	Incidents of discrimination and corrective actions taken

GRI 407: Freedom of Association of Collective Bargaining	
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
GRI 408: Child Labour	
408-1	Operations and suppliers at significant risk for incidents of child labour
GRI 409: Forced or Compulsory Labor	
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour
GRI 410: Security Practices	
410-1	Security personnel trained in human rights policies or procedures
GRI 411: Rights of Indigenous Peoples	
411-1	Incidents of violations involving rights of indigenous peoples
GRI 412: Human Rights Assessment	
412-1	Operations that have been subject to human rights reviews or impact assessments
412-2	Employee training on human rights policies or procedures
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening
GRI 413: Local Communities	
413-1	Operations with local community engagement, impact assessments, and development programs
413-2	Operations with significant actual and potential negative impacts on local communities
GRI 414: Supplier social assessment	
414-1	New suppliers that were screened using social criteria
414-2	Negative social impacts in the supply chain and actions taken
GRI 415: Public Policy	
415-1	Political Contributions
GRI 416: Customer health and safety	
416-1	Assessment of the health and safety impacts of product and service categories

416-2	Incidents of non-compliance concerning the health and safety impacts of products and services
GRI 417: Marketing and Labelling	
417-1	Requirements for product and service information and labelling
417-2	Incidents of non-compliance concerning product and service information and labelling
417-3	Incidents of non-compliance concerning marketing communications
GRI 418: Customer Privacy	
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data
GRI 419: Socioeconomic Compliance	
419-1	Non-compliance with laws and regulations in the social and economic area

So the measurement for the Corporate Social Responsibility (CSR) Disclosure variable can be described as follows:

$$CSRIj = \frac{\sum Xij}{N}$$

Xij: Score 1 if GRI *index* is disclosed by company *j*, 0 if not

N: Total number of GRI indicators used in the assessme

The total number of GRI indices that will be used as a reference for disclosure is 89, which comes from the Consolidated Set of GRI Sustainability Reporting Standards document published in 2020.

3.4.4 Dependent Variable

The dependent variable is a variable used to measure the results of a study that shows changes or differences that occur as a result of the treatment or influence of the independent variable (Salkind, 2018).

3.5 Descriptive Statistics

Descriptive statistics is a set of data analysis methods used in the initial stages of research that are useful for providing an overview of the data obtained. Descriptive statistics helps to gain an accurate initial understanding of how the data is depicted (Salkind, 2018).

3.6 Classic Assumption Test

The Classic Assumption Test is a set of assumptions underlying the classical linear regression model (CLRM) so that the parameter estimates obtained using the OLS method have good statistical properties and can meet the criteria to become the Best Linear Unbiased Estimator (BLUE) (Gujarati & Porter, 2013).

3.6.1. Normality Test

A normality test is a process carried out to check whether errors in a regression model follow a normal distribution. Some models that can be used in normality tests are histograms of residuals, normal probability plots (NPP), and Jarque-Bera (Gujarati & Porter, 2013). In this study, the model used is the Jarque-Bera (JB) Test.

Gujarati & Porter, (2013) stated that The Jarque-Bera test is a normality test based on regression residuals by calculating the skewness (distribution skewness) and kurtosis (distribution sharpness) values and then conducting a test to find out whether both are in accordance with the normal distribution, namely skewness = 0 and kurtosis = 3. If both are met, then the JB value will be close to zero, while if they are not met then the JB value will be far from zero.

3.6.2. Autocorrelation Test

Autocorrelation is a test that aims to determine whether there is a correlation between period t and the previous period (t-1). Simply defined, regression analysis consists of testing the influence of

independent variables on dependent variables, so there should be no correlation between observations and previous observation data.

Based on Gujarati & Porter, (2013), there are a few models to detecting autocorrelation, consist: Graphical method, the run test, Durbin-Watson d test and The Breusch-Godfrey (BG) Test. In this study, the model used is the Durbin-Watson d test.

The formula for determining is the data is free from autocorrelation through the Durbin Watson test in this research is:

dU < DW < 4-dU

3.6.3. Multicollinearity Test

Multicollinearity refers to a condition where one independent variable has a high correlation with another independent variable in a regression model so that it will be difficult to separate the influence of each variable individually on the dependent variable (Gujarati & Porter, 2013). To detect the level of multicollinearity, the method that can be used is to use the Variance Inflation Factor (VIF) by measuring the extent to which the variance of the regression coefficient increases due to the correlation between independent variables.

Gujarati & Porter, (2013) stated that the large value of VIF, the more troublesome or collinear the variable. The criteria for VIF is:

a. VIF ≤ 10 is considerate that multicollinearity is still tolerable

b. VIF > 10 indicates serious multicollinearity and requires caution.

3.6.4. Heteroscedasticity Test

Heteroscedasticity is a condition in a linear regression model where the variance of the error term (disturbances) is not constant across all observations (Gujarati & Porter, 2013). There are several ways to test

heteroscedasticity, and in this study the method that will be used is the Glejser Test. Glejser Test is a method used by regressing the absolute value of the residuals from the original regression model on the explanatory variables. The criteria used in this test are:

a. If $n.R^2$ > critical value of chi-square, there is heteroscedasticity

b. If $n.R^2$ < critical value of chi-square, there is no heteroscedasticity

3.7 Coefficient of Determination (R^2)

The Coefficient of Determination is a measure of the goodness of fit of a regression model or can be simply defined as a measure that shows how large a proportion of the variation in the dependent variable can be explained by the independent variables in a regression model (Gujarati & Porter, 2013).

The R^2 value ranges from 0 to 1, with the condition that if the R^2 value is closer to 1, it means that the influence of the independent variable on the dependent variable is getting stronger (Gujarati & Porter, 2013).

3.8 Hypothesis Test

3.8.1 Multiple Linear Regression Analysis

Multiple linear regression is a regression model in which the dependent variable is influenced by two or more independent variables and is called linear not because the variables must be in the form of a straight line, but because the model is linear with respect to the parameters (regression coefficients) that are estimated. In simple terms, multiple linear regression is an extension of simple regression which is used when researchers want to explain the variation of the dependent variable with more than one independent variable, in the form of a model which is linear with respect to the parameters (Gujarati & Porter, 2013).

$$Y = \alpha + \beta_1 INST + \beta_2 MAN + \beta_3 BIND + \beta_4 CSRD + \varepsilon$$

Y	= Tax Avoidance
α	= Constanta
$\beta_1...\beta_6$	= Regression Coefficient
INST	= Institutional Ownership
MAN	= Managerial Ownership
BIND	= Board Independence
CSRD	= Corporate Social Responsibility Disclosure
ε	= Error term

3.8.2 Simultaneous significance Test (F-Test)

The F-test can be defined as a statistical test used to evaluate the significance of a regression model as a whole or to test a specific hypothesis involving several regression coefficients simultaneously. The F-test functions more broadly because it is able to test whether all slope coefficients are simultaneously equal (Gujarati & Porter, 2013). The criteria set for this test are:

a. If p-value $\leq$ 0,05 = Independent variable shows a significant effect on dependent variable.
b. If p-value > 0,05 = Independent variable does not show a significant effect on dependent variable.

3.8.3 Individual Significance Test (t-Test)

The t-test is a hypothesis testing procedure that uses the t-distribution to assess the significance of regression parameters. This test is used to determine whether an individual partial regression coefficient is significantly different from a given value (Gujarati & Porter, 2013). The criteria set are:

a. If p-value $\leq$ 0,05 = The model is statitistically significant.
b. If p-value > 0,05 = The model is not statitistically significant.

CHAPTER V CONCLUSION, LIMITATION, AND RECOMMENDATION

5.1. Conclusion

From the research analysis that examine the effect of Good Corporate Governance, with indicators Institutional Ownership, Managerial Ownership, Board Independence, and Corporate Social Responsibility (CSR) Disclosure on Tax Avoidance practices with sample of multinational companies in Indonesia, several conclusion can be drawn. From the testing, it can be concluded that the independent variables simultaneously have an effect on tax avoidance practices. However, when tested individually, the only variable that having significant effect on tax avoidance practice is Institutional Ownership.

From the study, it can be concluded that the ownership structure, particularly institutional ownership had an negative effect on tax avoidance. Although the variable managerial ownership show a insignificance negative effect. This means that the higher number of stocks owned by institutional and managerial, it can help in decrease company intention to involved in tax avoid practice. In contrast, both board independence and Corporate Social Responsibility had a insignificant positive effect on tax avoidance practices.

The low explanatory power of the independent variable on tax avoidance suggest that the practices of tax avoidance in multinational companies are influenced by various factors outside the independent variables, including international operations, regulatory environments, and cross-border tax strategies.

Empirically, this study contributes evidence on tax avoidance determinants in multinational companies listed in Indonesia. The findings indicate that governance structures driven primarily by regulatory compliance exhibit a weak explanatory power compared to mechanism grounded in ownership-based control. Additionally, this study provides empirical evidence that CSR disclosure operates in a domain separate from fiscal outcomes, reinforcing the notion that legitimacy-oriented disclosure do not necessarily translate into substantive tax behavior. The result also highlight the complexity of tax avoidance in multinational companies suggesting that the internal governance mechanisms alone are insufficient to capture the broader determinants of tax strategies in cross-border business context.

5.2. Limitation

This Research has several limitations:

1. The value of Adjusted R square in this study relatively low, indicating that the indicators of Good Corporate Governance used in this research, and CSR Disclosure explain only a small portion of variations in tax avoidance practice, this suggest that others factor not included in the model play more significant role.
2. The study focus solely on multinational companies in Indonesia, limits the generalizability of the findings to other type of firms or countries.

5.3. Recommendations

Based on the findings and the limitations of this study, several recommendations can be proposed:

1. Future research recommended to investigate other indicators in Good Corporate Governance such as audit quality, executive incentives, foreign ownership, family ownership, and board

structure, and other factors such as firm size, political connections that may better explaining tax avoidance practices.

2. Future studies may also consider using alternatives proxies for tax avoidance such as GAAP-ETR or BTD to provide more comprehensive understanding of corporate tax behaviour.

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