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Tax Avoidance: CSR and Capital Intensity with Firm Size as a Moderating Variable

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Abstract

Purpose: This study aims to analyze the effect of Corporate Social Responsibility and Capital Intensity on Tax Avoidance, moderated by Firm Size, in energy sector companies listed on the Indonesia Stock Exchange for the 2021–2023 period.

Design/Methodology/Approach: The research population consists of 87 companies, and using the purposive sampling method, 18 companies were selected as samples. The research method employed is Moderated Regression Analysis.

Findings: The results of this study indicate that Corporate Social Responsibility affects Tax Avoidance, while Capital Intensity does not affect Tax Avoidance. Firm Size is unable to moderate the effect of Corporate Social Responsibility and Capital Intensity on Tax Avoidance.

Practical Implications: This study provides valuable insights for companies, especially in the energy sector, regarding the relationship between Corporate Social Responsibility (CSR), capital intensity, and tax avoidance. The findings suggest that CSR activities can significantly influence tax avoidance practices, highlighting the importance of incorporating social responsibility into corporate strategies to build public trust and minimize reputational risks associated with aggressive tax planning.

Originality/Value: This study provides a unique focus on the energy sector, which is highly regulated and scrutinized for its environmental and economic impacts. It explores firm size as a moderating variable, offering new insights into whether firm size influences the relationship between CSR, capital intensity, and tax avoidance. These findings enhance our understanding of how various internal and external factors of firms interact to shape tax decisions, particularly in an industry that is critical to national development and global sustainability.

Paper Type: Research Paper.

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INTRODUCTION

Taxes are considered an expense that reduces net profit, which contradicts the primary goal of every business entity that strives to maximize profit (Oktavia et al. 2020). Therefore, companies tend to seek ways to minimize their tax burdens. Tax avoidance is one of the issues that often draws attention in the fields of taxation and corporate management. Tax avoidance is a strategy employed by companies to legally minimize their tax burdens by exploiting loopholes or uncertainties in tax regulations. Although legal, this practice often raises ethical debates as it can harm the state in terms of tax revenue and affect public trust in companies. The state suffers significant losses in tax revenue due to tax avoidance practices (Lolana and Dwimulyani 2019).

To measure the tax performance of a country, the tax ratio can be used. The tax ratio is an indicator that measures the comparison between tax revenue and total gross income. However, interpreting a low tax ratio solely as a reflection of poor tax compliance may be misleading. In reality, the tax ratio is influenced by various macroeconomic and policy-related factors. These include the size and role of the public sector in the economy, the overall tax burden imposed on economic agents, the extent of tax incentives provided, the breadth of the tax base, and other legislative measures that affect tax collection. Therefore, a low tax ratio does not automatically indicate low levels of compliance with tax laws (Septiani and Sastradipraja 2023).

According to the Ministry of Finance, Indonesia's tax ratio was 9.76% in 2019, dropped to 8.33% in 2020 at the height of the pandemic, rose to 9.11% in 2021, increased further to 10.38% in 2022, and slightly declined to 10.32% in 2023. These fluctuations underscore the complexity of interpreting tax ratio trends and the necessity of considering macroeconomic contexts when analyzing tax performance. Moreover, the tax ratio is determined by two key components: total tax revenue and GDP. While tax revenues may be affected by legal or illegal tax avoidance behavior, the size of GDP is influenced by broader economic conditions, which are not necessarily tied to tax compliance. For instance, during the 2019–2023 period, Indonesia experienced several extraordinary events, most notably the COVID-19 pandemic, which had a significant impact on both tax revenues and GDP growth. The economic slowdown and fiscal relief policies implemented during the pandemic likely affected the overall tax ratio, making it an unreliable standalone indicator of tax compliance during this time.

Tax avoidance carried out by companies can be influenced by several factors. Nabila and Kartika (2023) and Hasanah and Febriyanto (2024) use Corporate Social Responsibility (CSR) and Capital Intensity as models in tax avoidance. In the context of companies, CSR is often seen as an effort for companies to demonstrate their commitment to social responsibility and environmental sustainability. However, there are differing views on the relationship between CSR and tax avoidance. On one hand, companies committed to CSR tend to have more transparent tax practices to maintain their reputation. On the other hand, there is also a view that CSR can be used as a tool to cover up tax avoidance practices.

There is an inconsistency in the research results regarding the effect of CSR on tax avoidance. Research conducted by Setiawati and Adi (2020) and Putri and Lastanti (2024) suggests that Corporate Social Responsibility (CSR) influences tax avoidance. On the other hand, studies by Ardini (2023) and Lestari et al. (2024) indicate that CSR has no effect on tax avoidance.

In addition to CSR, another factor influencing tax avoidance is capital intensity (Nabila and Kartika, 2023). Capital intensity refers to the amount of capital used to support operational activities with the aim of generating revenue (Hutabarat and Yuliati 2023). Capital intensity can be measured through a ratio that reflects the amount of investment in fixed assets. Fixed assets, such as buildings and equipment (excluding land), can be recognized as a deduction in value through depreciation (Agustyo and Arianti 2024). Companies with high capital intensity tend to have large amounts of fixed assets, which can be used to benefit from tax depreciation. The higher the capital intensity a company has, the greater the tendency for the company to engage in tax avoidance, as companies with fixed assets have depreciation expenses that reduce pre-tax profits (Kurniawati 2023). This can become a strategy to reduce the company's tax burden.

There is an inconsistency in the research results regarding the effect of capital intensity on tax avoidance. Research conducted by Agustyo and Arianti (2024) and Nabila and Kartika (2023) suggests that capital intensity influences tax avoidance. However, studies by Putra et al. (2025) and Agustina and Arisanti (2020) indicate that capital intensity has no effect on tax avoidance.

Firm size is another factor that is believed to play a role in moderating the relationship between CSR, capital intensity, and tax avoidance. Firm size reflects a company's ability to influence tax-related decisions (Rani et al. 2023). Large companies tend to attract more attention from the public and regulators, which may make them more cautious in applying tax avoidance strategies. In contrast, smaller companies may have greater flexibility in adopting such strategies due to lower levels of oversight.

The energy sector is one of the strategic sectors that makes a significant contribution to the national economy, but it also faces intense scrutiny regarding its environmental impact. Companies in this sector often have high capital intensity and are involved in CSR programs as part of efforts to comply with regulations and improve their public image. Therefore, it is important to analyze how CSR and capital intensity affect tax avoidance in energy companies, and whether firm size can moderate this relationship. This study focuses on energy companies listed on the Indonesia Stock Exchange (IDX) during the period of 2021-2023. By using this approach, the study aims to contribute to understanding the dynamics between CSR, capital intensity, firm size, and tax avoidance, particularly within the context of energy companies in Indonesia.

LITERATURE REVIEW

Agency Theory

Agency theory was first introduced by two economists, Michael Jensen and William Meckling, in their article titled *"Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure"*, published in 1976. They developed this theory to explain the relationship between principals (owners) and agents (managers) within a company, as well as how conflicts of interest between the two can affect the decisions made, including in tax management.

In the context of tax avoidance, agency theory is used to understand how conflicts of interest between company owners and managers can influence tax-related decisions. The owners of the company (principals) aim to maximize the firm's value, including optimizing after-tax profits. However, managers (agents) may have different personal interests, such as reducing tax burdens to increase net income or improve short-term financial ratios that benefit them. Managers may use tax avoidance strategies to reduce the company's tax liabilities, which in turn can increase reported profits and bonuses. However, this may not always be beneficial for the owners in the long term, especially if the consequences of tax avoidance harm the company's reputation or trigger penalties from tax authorities.

Legitimacy Theory

Legitimacy theory was first proposed by Dowling and Pfeffer (1975). This theory explains that organizations seek to gain social legitimacy by aligning their practices and values with the expectations and norms that prevail in society. Legitimacy is crucial for the survival and stability of an organization because society, stakeholders, and the government are more likely to support companies that are considered to meet social expectations. Legitimacy theory is related to a company's efforts to enhance public trust in its operations (Rani et al. 2024).

Legitimacy theory helps explain how companies strive to maintain or gain legitimacy by demonstrating that they are acting in accordance with accepted social norms, including in terms of tax compliance. Aggressive tax avoidance risks damaging a company's legitimacy, as society and governments increasingly demand companies to be responsible in fulfilling their tax obligations. Therefore, companies that want to maintain their reputation and legitimacy are likely to avoid tax avoidance practices that could decrease public trust.

Tax avoidance

Tax avoidance reflects a company's efforts to manage its tax obligations efficiently by exploiting existing legal loopholes. According to Firmansyah and Triastie (2021), tax avoidance is a series of tax planning actions taken by a company to reduce its tax burden by utilizing opportunities or gaps in the applicable laws and regulations. In this study, tax avoidance is measured using CETR (Cash Effective Tax Rate). A high CETR percentage indicates that the company has a low level of tax avoidance, and conversely, if the CETR percentage is low, it suggests a higher potential for tax avoidance practices by the company (Dewinta and Setiawan 2016). The CETR formula is as follows (Amiah 2022):

$$\mathrm{CETR} = \frac{\text{Cash tax paid}}{\text{Pre} - \text{tax income}} \tag{1}$$

Corporate Social Responsibility

Corporate Social Responsibility (CSR) represents the deep commitment of the business world to sustainability and ethics. According to Rosyati et al. (2023), "Social responsibility (CSR) is an organization's business operation that not only aims to generate financial profit but also demonstrates a commitment to social, economic, and environmental development, as well as to the surrounding community, in a holistic, institutionalized, and sustainable manner."

CSR disclosure is guided by applicable standards, namely the Global Reporting Initiative (GRI). In this study, the researcher used the GRI Standards 2021 guidelines as a reference for CSR reporting disclosure. The sustainability report encompasses economic, social, and environmental aspects, while highlighting performance and activities related to sustainable product development. Corporate Social Responsibility (CSR) disclosure is measured by assigning a score of 1 for each CSR disclosure item that meets the specified criteria. The scores for each item are then summed to obtain the total score for each company. The formula for calculating CSR is as follows (Ardini 2023):

$$\mathrm{CSRI_j} = \frac{\sum \mathrm{X_{ij}}}{\mathrm{n_j}} \tag{2}$$

Explanation:
$CSRI_j$ - Corporate Social Responsibility Disclosure Index-j
ΣX_{ij} - A dummy variable assigns a value of 1 if an item is disclosed and a value of 0 if the item is not disclosed.
n_j - The number of items per indicator disclosed by company j

Capital Intensity

According to Wardila et al. (2023), capital intensity refers to the capital investment activities undertaken by a company, which are then associated with investments in fixed assets. Meanwhile, Firmansyah et al. (2021) describe capital intensity as a representation of the proportion of fixed asset investment relative to the company's total assets. Capital intensity reflects how effectively a company utilizes its assets to generate revenue. With high profitability, a company can implement tax management strategies to reduce its tax liabilities, including leveraging assets to enhance corporate earnings (Marsahala et al.2020). The formula for capital intensity used in this study (Amiah 2022) is as follows:

$$\mathrm{CI} = \frac{\text{Fixed assets}}{\text{Total assets}} \tag{3}$$

Firm Size

Samhuri et al. (2023) define firm size as the representation of a company's size, referring to the criteria or specific factors used to assess the scale or magnitude of an organization or corporate entity. Similarly, Hery (2017) defines firm size as a measure of a company's scale, which can be classified based on total assets, market capitalization, share value, and other factors. The formula for firm size in this study (Amiah 2022) is as follows:

$$\text{SIZE} = \text{Ln (Total Assets)} \tag{4}$$

Hypothesis

The Effect of Corporate Social Responsibility on Tax Avoidance

Corporate Social Responsibility (CSR) is a concept in which organizations, especially companies, have an obligation to be responsible to various parties involved, such as consumers, employees, shareholders, society, and the environment. This obligation covers various aspects of the company's operations, including economic, social, and environmental dimensions (Zoebar and Miftah 2020).

Companies that are active in CSR activities tend to be more transparent in their business practices, thus having an incentive to comply with tax obligations and reduce tax avoidance in order to maintain a good image in the eyes of the public and stakeholders. The study conducted by Mardianti and Ardini (2020), Setiawati and Adi (2020), and Putri and Lastanti (2024) states that there is an influence between Corporate Social Responsibility and tax avoidance.

$\mathbf{H_1}$: Corporate Social Responsibility influences tax avoidance.

The Effect of Capital Intensity on Tax Avoidance

Companies with a high level of capital intensity tend to have large fixed assets, which can be used to reduce tax liabilities through depreciation or other tax deductions. This provides an incentive for companies to engage in tax avoidance by optimally utilizing their fixed assets. The study conducted by Hutabarat and Yuliati (2023), Putri and Lastanti (2024), and Nabila and Kartika (2023) states that there is an influence between capital intensity and tax avoidance.

$\mathbf{H_2}$: Capital intensity influences tax avoidance.

The Effect of Firm Size on Tax Avoidance

Larger companies may have more opportunities to engage in tax avoidance because they often have access to more complex tax planning strategies and can exploit existing tax loopholes. Additionally, larger companies tend to have more tax consultants and resources to minimize their tax liabilities. The company size attracts significant attention from the government regarding its compliance with the appropriate tax obligations (Aryani and Crystha 2024). Studies by Hutabarat and Yuliati (2023), Putri and Lastanti (2024), and Nabila and Kartika (2023) show that firm size influences tax avoidance.

H$_3$: Firm size influences tax avoidance

The Effect of Corporate Social Responsibility on Tax Avoidance with Firm Size as a Moderating Variable

Firm size refers to the dimensions of a company, whether small or large, and can be measured in various ways, such as annual revenue, number of employees, market value, and total assets (Hasanah and Febriyanto 2024). Companies classified as large typically have significant total assets and are more likely to generate profits (Putra et al. 2025). In general, higher corporate profits result in a greater nominal tax liability when a proportional or progressive tax system is applied. However, this does not necessarily indicate a higher effective tax burden, especially if companies implement various tax planning strategies to manage their taxable income. High profits often prompt companies to take steps toward engaging in tax avoidance practices. Firm size may moderate the relationship between CSR and tax avoidance. In large companies, which have more resources to manage regulations and tax avoidance, the effect of CSR on tax avoidance may be weaker due to stricter oversight and more opportunities to utilize tax avoidance strategies. In contrast, smaller companies may be more susceptible to tax avoidance despite their involvement in CSR, as they lack sufficient resources to effectively manage taxes. The study conducted by Azis et al. (2024) and Ulinuha and Nurdin (2024) states that firm size can strengthen the effect of Corporate Social Responsibility on tax avoidance.

H$_4$: Firm size moderates the effect of Corporate Social Responsibility on tax avoidance

The Effect of Capital Intensity on tax avoidance with Firm Size as a Moderating Variable

The capital intensity ratio describes how a company finances its activities, including through fixed assets (capital intensity) and inventory intensity. Depreciating fixed assets are often used by managers as a component of business expenses, which can ultimately reduce the amount of tax the company has to pay. Firm size can moderate the relationship between capital intensity and tax avoidance. In large companies, which have more resources and tighter oversight, the effect of capital intensity on tax avoidance may be weaker, even though they have large fixed assets. On the other hand, smaller companies may be more susceptible to tax avoidance despite having high capital intensity, as they may lack the capacity to effectively manage their tax obligations. Research conducted by Nabila & Kartika (2023) and Amiah (2022) suggests that firm size can strengthen the effect of capital intensity on tax avoidance.

H$_5$: Firm size moderates the effect of Capital Intensity on tax avoidance

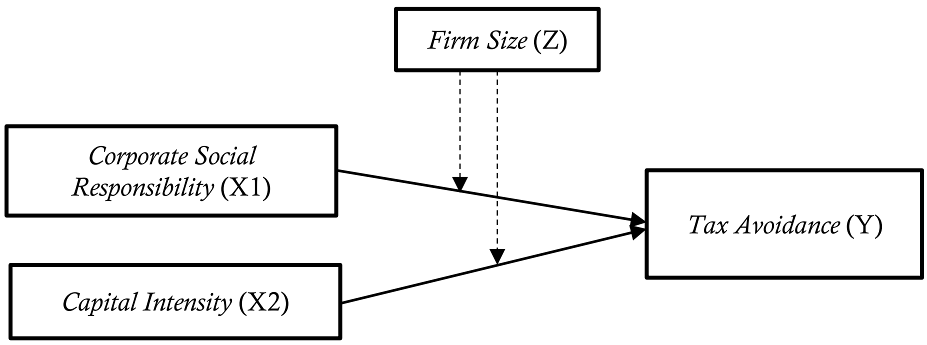

Figure 1. Conceptual framework

METHODS

This study employs a quantitative approach with a causal-comparative design. The researcher will analyze the relationship between independent variables (CSR and capital intensity), moderating variables (firm size), and dependent variables (tax avoidance). The population of this study was 87 energy sector companies listed on the Indonesia Stock Exchange (IDX). The sampling technique used was purposive sampling with the following criteria:

1. Energy sector companies listed on the Indonesia Stock Exchange consecutively during the 2021-2023 period.
2. Energy sector companies that present complete annual reports and sustainability reports

consecutively during the 2021-2023 period.

This study analyzed 18 energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. The sample selection was conducted using purposive sampling based on the criteria previously described. For transparency and replicability, the full list of analyzed companies is provided in Appendix 1.

This study employs annual panel data from 2021 to 2023. The three-year period was selected based on the availability of sustainability and financial reports following the updated GRI Standards 2021 and the economic impact of the COVID-19 pandemic, which significantly influenced corporate tax behavior and disclosures in the energy sector. While the selected period captures recent and relevant dynamics, the limited timeframe results in a smaller number of data points (three observations per company). As such, the findings should be interpreted with caution and considered as an initial exploration into the relationship between CSR, capital intensity, firm size, and tax avoidance. Future research is encouraged to extend the observation period to enhance the robustness of the model and allow for more generalizable conclusions

Data analysis will be conducted using multiple regression analysis, and to test the moderating effect of firm size, the researcher will use the moderated regression analysis technique. The model in this study is as follows:

$$\text{Model 1: } TA = \alpha + \beta_1 CSR + \beta_2 CI + \beta_3 FS + e \tag{5}$$

$$\text{Model 2: } \alpha + \beta_1 CSR + \beta_2 CI + \beta_3 FS + \beta_4 (CSR*FS) + \beta_5 (CI*FS) + e \tag{6}$$

Explanation:
TA - tax avoidance
α - Constant
β - Regression Coefficient
CSR - Corporate Social Responsibility
CI- Capital Intensity
FS - Firm Size
e - Error

In addition to regression analysis, this study also conducted a descriptive analysis of the evaluation indicators, including the mean, median, standard deviation, minimum, and maximum values for the key variables: CETR (Cash Effective Tax Rate), CSR Index, Capital Intensity, and Firm Size. The results of the descriptive statistics provide insights into the distribution and variability of each variable before inferential testing. To ensure the adequacy of the regression model, classical assumption tests were conducted. These include: Normality test, Homoscedasticity test, Multicollinearity test, and Autocorrelation test.

RESULT AND DISCUSSION

Descriptive Statistics Test Result

Here are the results of the Descriptive Statistics test in this study:

Table 1. Descriptive Statistics Test

	N	Min	Max	Mean	Std. Deviation
Tax Avoidance	54	0.02	0.88	0.2481	0.20876
CSR	54	0.08	0.97	0.4324	0.24223
Capital Intensity	54	0.01	0.83	0.3077	0.25758
Firm Size	54	18.90	31.45	23.5601	4.09120

Source: Data is processed (2025)

The average tax avoidance (CETR) value of 0.2481 indicates that the companies in the sample tend to engage in relatively high levels of tax avoidance (since a lower CETR implies higher tax avoidance). The minimum value of 0.02 suggests that some companies pay only 2% of their cash-based income in taxes, reflecting aggressive tax avoidance practices. In contrast, a maximum CETR of 0.88 demonstrates that some companies demonstrate high tax compliance. The standard deviation of 0.20876 reflects considerable variation among firms in terms of their tax behavior.

The mean CSR disclosure index of 0.4324 indicates a moderate level of CSR reporting. A minimum score of 0.08 implies that some companies disclose only 8% of the CSR indicators, highlighting significant inconsistency in sustainability reporting. Companies with a CSR score of 0.97 disclose almost all required CSR items, suggesting strong compliance. These findings reveal heterogeneous CSR engagement within the energy sector.

The average capital intensity of 0.3077 suggests that fixed assets account for roughly 30% of total assets. A maximum value close to 0.83 indicates that some companies are highly capital-intensive, which is typical for the energy sector that relies heavily on physical infrastructure. Conversely, the minimum value of 0.01 demonstrates that certain companies have minimal fixed assets. This variation is important in understanding depreciation strategies and potential for tax planning.

Firm size varies widely. The mean logarithm of assets is 23.56. The minimum and maximum values indicate the presence of small to very large firms in the sample, reflecting the diversity of operating scales in the energy sector. The high standard deviation value (4.09) indicates substantial variation in firm size.

Results of the Coefficient of Determination Test.

Here are the results of the coefficient of determination test in this study:

Table 2. Determination Coefficient Test

	R^2
Model 1	0.432
Model 2	0.445

Source: Data is processed (2025)

The first model, which tests the influence of CSR, Capital Intensity, and Firm Size on tax avoidance, explains 43.2% of the variation in tax avoidance. The remaining 56.8% is influenced by other factors not explained by this model. In the second model, which modifies the relationship by adding firm size as a moderating variable, the R-Square increases to 44.5%. This indicates that the second model can explain 44.5% of the variation in tax avoidance, with firm size serving to enhance the explanation of the observed phenomenon.

Normality Test Result

The results of the normality test in this study:

Table 3. Normality Test Result

		Unstandardized Residual
N		54
Normal Parameters[a,b]	Mean	0.0000000
	Std. Devation	0.15852029
Most Extreme Differences	Absolute	0.093
	Positive	0.093
	Negative	-0.054
Test Statistic		0.093
Asymp. Sig. (2-tailed)		0.200[c,d]

Notes:
[a] Test distribution is Normal
[b] Calculated from data
[c] Lilliefors Significance Correction
[d] This is a lower bound of the true significance
Source: Data is processed (2025)

The results of the Normality Test using Kolmogorov-Smirnov have a p-value of 0.200 > 0.05, so it it can be concluded that the residual data is normally distributed. This demonstrates that the regression model meets the normality assumption.

Multicollinearity Test Result

The results of the multicollinearity test in this study:

Table 4. Multicollinearity Test Result

Model	Collinearity Statistics	
	Tolerance	**VIF**
CSR	0.929	1.076
Capital Intensity	0.931	1.074
Firm Size	0.998	1.002

Source: Data is processed (2025)

There is no multicollinearity problem because all VIF values are <10 and tolerance >0.1. This means that the independent variables in the model are not highly correlated with each other, and the regression results can be interpreted well individually.

Heteroscedasticity Test Result

The results of the heteroscedasticity test in this study:

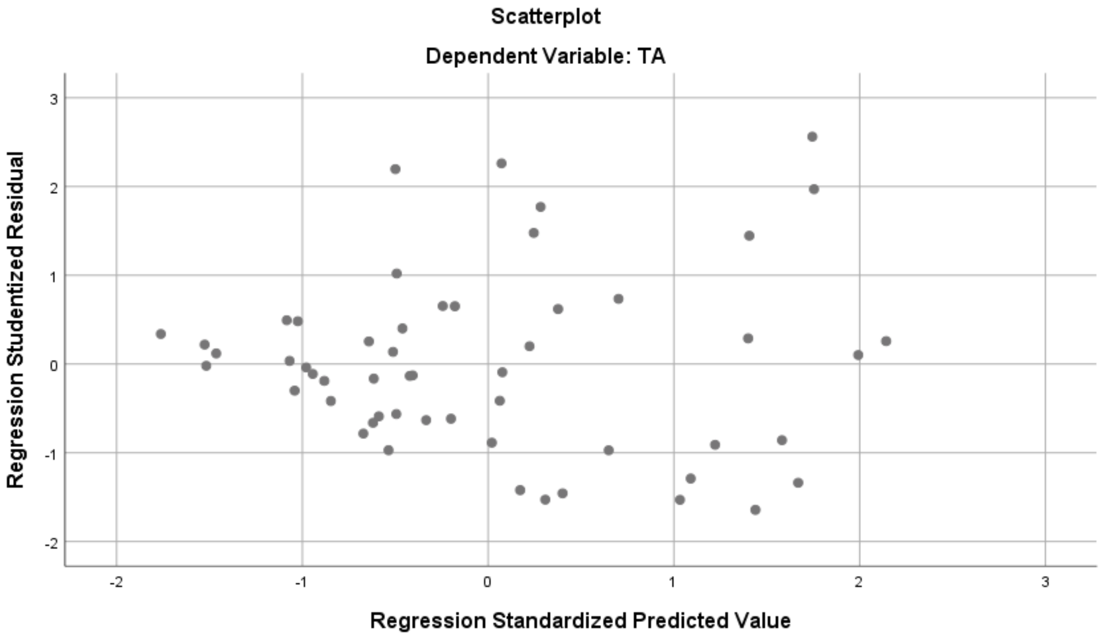

Figure 2. Heteroscedasticity Test Result

The test was conducted using the visual method (scatterplot/Glejser), but no distinct pattern was observed, based on the graph in Figure 2. Because there is no systematic pattern visible between the residual and the predicted Y value, it can be concluded that there is no heteroscedasticity.

Autocorrelation Test Result

The results of the autocorrelation test in this study:

Table 5. Autocorrelation Test Result (Runs Test)

	Unstandardized Residual
Test Value[a]	-0.01022
Cases < Test Value	27
Cases >= Test Value	27
Total Cases	54
Number of Runs	26
Z	-0.550
Asymp. Sig. (2-tailed)	0.583

Source: Data is processed (2025)

The results of the Runs Test show a p-value of 0.583 > 0.05, so there is no autocorrelation in the residual data. This means that the error (residual) in one observation is not correlated with the error in other observations, and the model does not violate the assumption of residual independence.

F-Test Results

The F-test is also known as the Model Suitability Test. This test is used to assess whether the regression model used is feasible or acceptable, by testing whether the independent variables jointly affect the dependent variable. F-Test Results in this study:

Table 6. F-Test Result

	F	Sig.	Description
Model 1	12.238	0.000	Fit Model
Model 2	7.697	0.000	Fit Model

Source: Data is processed (2025)

The F-test results for both model 1 and model 2 show a p-value (Sig.) of 0.000 < 0.05. This model collectively explains the variation in tax avoidance and indicates that CSR, Capital Intensity, and Firm Size have a significant effect on tax avoidance. Therefore, the relationship between these variables is valid, and the regression model used can be accepted as an appropriate model to describe this phenomenon.

Multiple Linear Regression Analysis Results

The following are the results of the Multiple Linear Regression Analysis in this study:

Table 7. Multiple Linear Regression Analysis Results (Model 1)

	Coefficient
Constant	-0.273
CSR	0.509
Capital Intensity	0.003
Firm Size	0.013

Source: Data is processed (2025)

The regression equation obtained in Model 1 is:

$$TA = -0.273 + 0.509CSR + 0.003\ CI + 0.013\ FS + e \quad (7)$$

Table 8. Multiple Linear Regression Analysis Results (Model 2)

	Coefficient
Constant	0.196
CSR	-0.242
Capital Intensity	-0.521
Firm Size	-0.007
CRS*Firm Size	0.031
Capital Intensty*Firm Size	0.022

Source: Data is processed (2025)

The regression equation obtained in Model 2 is:

$$TA = -0.196 – 0.242CSR – 0.521CI – 0.007FS + 0.031CSR*FS + 0.022CSR*FS + \varepsilon \quad (8)$$

t-Test Results

Here are the results of the t-test in this study:

Table 9. t-Test Results (Model 1)

	t	Sig	Hypothesis
Constant			
CSR	5.301	0.000	Accepted
Capital Intensity	0.003	0.974	Rejected
Firm Size	2.319	0.025	Accepted

Source: Data is processed (2025)

Based on the t-test results, it was found that CSR and Firm Size have an effect on tax avoidance (0.000 < 0.05 and 0.025 < 0.05), while Capital Intensity has no effect (0.945 > 0.05).

Table 7. t-Test Results (Model 2)

	t	Sig	Hypothesis
CRS*Firm Size	1.275	0.209	Rejected
Capital Intensty*Firm Size	0.924	0.360	Rejected

Source: Data is processed (2025)

Based on the t-test results in Model 2, firm size does not strengthen or weaken the influence of CSR and Capital Intensity on tax avoidance. This means that the company size does not have a significant moderating effect on the relationship between CSR and Capital Intensity with tax avoidance (0.209 > 0.005 and 0.360 > 0.005).

The Effect of Corporate Social Responsibility on Tax Avoidance

Based on the t-test results, it was found that CSR influences tax avoidance. These research results are consistent with studies conducted by Mardianti and Ardini (2020), Setiawati and Adi (2020), and Putri and Lastanti (2024), which concluded that corporate social responsibility partially affects tax avoidance. The coefficient from the t-test results shows a positive influence. This means that the higher the CSR value, the higher the CETR value, which serves as a proxy for tax avoidance. A high CETR value indicates a lower level of tax avoidance. Based on these findings, it is concluded that the higher the company's involvement in CSR activities, the lower the level of tax avoidance undertaken by the company.

Based on agency theory, CSR can function as a mechanism to reduce agency costs and improve tax compliance. Managers committed to CSR tend to focus more on long-term sustainability and transparency, which aligns with the interests of shareholders. Therefore, companies with a higher level of CSR tend to avoid tax avoidance due to reputational risks, social compliance, and increased agency costs.

This finding is also supported by legitimacy theory. According to legitimacy theory, companies strive to align their business practices with social norms and public expectations in order to maintain operational legitimacy (Suchman 1995). Although the statistical analysis in this study does not show a moderating effect of firm size, companies that are strongly committed to CSR may still perceive aggressive tax avoidance as misaligned with principles of transparency and accountability. This indicates a potential reputational concern rather than a consistent behavioral outcome across all firms.

Companies with higher CSR levels tend to have a higher Cash Effective Tax Rate (CETR), indicating better tax compliance (Dwilopa and Jatmiko 2023; Lanis and Richardson 2012). Companies engaged in social activities are more likely to pay taxes fairly, compared to companies that are less focused on CSR. Hoi et al. (2013) found that companies with low CSR are more likely to engage in aggressive tax avoidance practices. This is because companies without a social orientation tend to focus more on short-term financial gains, including reducing their tax burden through tax avoidance strategies.

On the other hand, governments and society are increasingly paying attention to tax transparency as part of their evaluation of corporate sustainability. Therefore, companies that implement CSR as a business strategy are likely to avoid tax avoidance practices to maintain public trust and mitigate reputational risks. CSR plays a role in reducing tax avoidance, as companies that care about social responsibility are more focused on tax compliance than companies that only focus on short-term profits.

The Effect of Capital Intensity on tax avoidance

Based on the t-test results, it was found that Capital Intensity does not have an impact on tax avoidance. This is in line with the research conducted by Ulinuha and Nurdin (2024) and Sobarudin and Ruhiyat (2022), which concluded that capital intensity does not affect tax avoidance.

According to agency theory, companies consist of two parties with different interests, namely shareholders (principals) and managers (agents). Managers may have incentives to pursue tax avoidance through the use of fixed assets to reduce tax burdens, but this does not always occur. Companies may tend to focus more on long-term investments in capital-intensive assets and concentrate more on business operations and growth rather than tax avoidance.

This finding also aligns with legitimacy theory, which suggests that companies seek to obtain and maintain social legitimacy by acting in accordance with accepted social norms. Companies with many fixed assets may use depreciation as a tool for tax avoidance, but they are less likely to engage in aggressive tax avoidance due to potential reputational risks and stricter regulations (Sikka et al. 2009). Companies with high capital intensity tend to avoid tax avoidance practices because it can damage their reputation in the eyes of the public and the government. Companies that have substantial fixed assets and operate in sectors such as energy, which rely heavily on physical infrastructure, may prefer to comply with their tax obligations transparently in order to maintain their legitimacy.

The Effect of Firm Size on tax avoidance

Based on the results of the t-test, it was found that firm size has an impact on tax avoidance. The t-test results show that firm size has a positive coefficient. This means that the larger the company, the higher its CETR value, indicating that the company is more compliant with its tax obligations. This finding is supported by agency theory and legitimacy theory. Larger companies typically have more stakeholders and higher external oversight, both from regulators and the public. Larger companies are more likely to avoid aggressive tax avoidance and focus on transparent tax compliance. This is because larger companies are more concerned with reputational risks and government oversight, which motivates them to maintain a higher CETR (Boni and Levendis 2023; Hassan and Jha 2021; Lanis and Richardson 2012). Furthermore, larger companies are not only subject to greater scrutiny but also have the financial capacity to meet their tax obligations in a legal manner, which enhances tax transparency and reduces tax avoidance (Nugroho and Rachmawati 2022). Larger companies are better able to manage efficient tax planning legally, without resorting to aggressive tax avoidance strategies.

The Effect of Corporate Social Responsibility on tax avoidance with Firm Size as a Moderating Variable

The results of the t-test indicate that firm size does not moderate the effect of CSR on tax avoidance. These findings are consistent with the research conducted by Komara et al. (2022), and Sulaeman and Surjandari (2024). The level of CSR disclosure activity does not indicate a direct relationship between the company size and the level of tax avoidance, whether the company is large or small. Both large and small companies with good CSR disclosure do not necessarily show a lower or higher level of tax avoidance. This suggests that firm size does not play a significant role in strengthening or weakening the relationship between CSR and tax avoidance.

Firm size is not able to moderate the relationship between CSR and tax avoidance because managers in larger companies, who have greater power, tend to prioritize financial gains, which may lead to more aggressive tax avoidance, even if they are involved in CSR. This indicates that the company size does not always ensure that compliance with CSR will directly correlate with lower tax avoidance. This aligns with agency theory, which explains the relationship between the principal (shareholders) and the agent (managers), where managers may act in their own interests, which can sometimes conflict with the interests of the shareholders. Although larger companies have more stakeholders and oversight, their influence on CSR and tax avoidance does not always show a strong relationship, as managers in large companies may still focus on short-term profitability rather than considering the long-term impacts of CSR on taxes.

Legitimacy theory suggests that companies strive to gain and maintain social legitimacy by aligning their business practices with societal norms and expectations. While large companies often engage in CSR to maintain their reputation and legitimacy in the eyes of the public, this does not always directly influence tax avoidance, especially if the company believes that tax avoidance can enhance its financial gains in the short term. Although CSR can enhance tax compliance, firm size may not serve as a strong moderating factor. This can occur because, in some large companies, the goal of maximizing profits may be more dominant, meaning aggressive tax avoidance may still occur despite their participation in CSR activities. Even large companies with robust CSR programs may engage in tax avoidance strategies that are legal but still within legal boundaries. Companies, even large ones involved in CSR and more closely monitored by the public, are not guaranteed to have lower tax avoidance. They argue that large companies may manage tax avoidance in more subtle ways that are harder to detect (Sikka et al. 2009).

The Effect of Capital Intensity on Tax Avoidance with Firm Size as a Moderating Variable

Based on the t-test results, it was found that firm size is insufficient to moderate the effect of capital intensity on tax avoidance. This finding aligns with the research conducted by Azis et al. (2024), Andoko and Prabowo (2024), and Ulinuha and Nurdin (2024), which states that firm size cannot moderate the relationship between capital intensity and tax avoidance. Firm size may not be able to moderate this effect because larger companies often have more complex policies related to tax planning, as well as a greater focus on legal compliance and legitimate tax avoidance, even with substantial fixed assets. The company size is not sufficient to moderate the relationship between capital intensity and tax avoidance, because larger firms may still engage in more subtle tax avoidance practices despite having significant fixed assets (Boni and Levendis 2023).

Large companies may prioritize tax compliance and transparency, as aggressive tax avoidance risks damaging the company's legitimacy in the eyes of the public and regulators. However, in terms of moderation, firm size does not always play a role in strengthening or weakening the relationship between capital intensity and tax avoidance. This is because large companies with high capital intensity may focus more on efficient tax planning and regulatory compliance, meaning that capital intensity is not fully linked to tax avoidance, even for large firms. Although larger firms have greater potential to use fixed assets for tax planning, they are more likely to adopt legitimate and transparent tax strategies due to stricter oversight from the public and government (Sobarudin and Ruhiyat 2022).

CONCLUSION

The conclusion of this study demonstrates that Corporate Social Responsibility (CSR) and Firm Size have an influence on tax avoidance, while Capital Intensity does not have a significant effect on tax avoidance. The findings indicate that companies with higher CSR levels tend to engage less in tax avoidance, as they are more concerned with their reputation and social compliance, which enhances tax transparency. On the other hand, larger companies tend to be more compliant with their tax obligations, possibly due to greater scrutiny from stakeholders and regulators.

However, this study also finds that firm size does not moderate the effect of CSR and Capital Intensity on tax avoidance. Although larger companies have more resources and tend to focus more on lawful tax compliance, firm size is insufficient to weaken or strengthen the relationship between CSR and tax avoidance, nor between Capital Intensity and tax avoidance. This suggests that other factors, such as internal company policies and external oversight, may be more influential in determining the level of tax avoidance practiced by companies, regardless of their size.

Thus, larger companies and those with high CSR involvement tend to be more compliant with their tax obligations, while companies with high capital intensity do not necessarily engage in lower levels of tax avoidance. Firm size, although influencing tax avoidance, does not serve as a strong moderating variable in the relationship between CSR, Capital Intensity, and tax avoidance.

One of the limitations of this study lies in the short research period (2021–2023), which provides only three years of data per company. Although this period captures critical post-pandemic financial behavior and aligns with the implementation of updated sustainability reporting standards, the small time dimension limits the ability to draw broader generalizations. Panel regression models generally benefit from longer time series to improve statistical power and reduce the influence of year-specific anomalies. Therefore, the results of this study should be seen as indicative rather than definitive. Further research using extended time frames is recommended to validate and deepen these findings.

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APPENDIX 1 – LIST OF SAMPLED COMPANIES

This study analyzed 18 energy sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. The companies selected using purposive sampling are listed below:

No.	Company Code	Company Name
1	ABMM	PT ABM Investama Tbk
2	ADRO	PT Adaro Energy Indonesia Tbk
3	AKRA	PT AKR Corporindo Tbk
4	BESS	PT Batulicin Nusantara Maritim Tbk
5	BSSR	PT Baramulti Suksessarana Tbk
6	BYAN	PT Bayan Resources Tbk
7	GEMS	PT Golden Energy Mines Tbk
8	HRUM	PT Harum Energy Tbk
9	ITMG	PT Indo Tambangraya Megah Tbk
10	MBSS	PT Mitrabahtera Segara Sejati Tbk
11	PGAS	PT Perusahaan Gas Negara Tbk
12	PSSI	PT Pelita Samudera Shipping Tbk
13	PTBA	PT Bukit Asam Tbk
14	SHIP	PT Sillo Maritime Perdana Tbk
15	SMMT	PT Golden Eagle Energy Tbk
16	TCPI	PT Transcoal Pacific Tbk
17	TEBE	PT Dana Brata Luhur Tbk
18	TOBA	PT TBS Energi Utama Tbk