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## Vol 11, No 1 (2019)

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## Transparency as Anticipation of Tax Avoidance Behavior through Corporate Social Responsibility

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### Abstract

*The motivation of CSR is not always based on the company's ethical principles in conducting business. Sometimes, corporate CSR is done to cover up the opportunistic behaviour of companies that tend to act to meet the interests of the company itself. On the other hand, as a public company, it is required to conduct transparency as part of good corporate governance. Based on the foundation of thinking above, this study aims to determine whether transparency affects the relationship of CSR to tax avoidance. This study uses 162 samples of the manufacturing companies listed on the Indonesia Stock Exchange with a period of observation in 2015-2017. With multiple regression analysis through SPSS, this study proves that CSR and transparency affect tax avoidance actions. This study proves that transparency is able to mediate the relationship between CSR and tax avoidance.*

**Keywords:** CSR; transparency; tax avoidance

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## INTRODUCTION

Companies are not only responsible for maximizing profits for the benefit of shareholders only, but are obliged to provide added value to the environment where the companies are, as a form of counterpart to externalities arising from the company's business activities. Efforts to improve the quality of life of the environment where the company is located are the concept of the emergence of Corporate Social Responsibility (CSR). Article 74 of Law on the Limited Liability Company Law No. 40 of 2007 describes the obligation of companies to implement Social and Environmental Responsibility. The emergence of CSR obligations aims to create a harmonious, balanced, and in accordance with the environment, values, norms and culture. To realize this social responsibility, companies must budget and account for company costs.

This issue of costs then raises an ethical dilemma for the company. Park (2017) explained that CSR is often a tool to improve the company's positive image before investors. However, in order that CSR activities attract investors, companies must balance efforts to maximize economic value and the realization of social values contained in CSR principles. The consequence is that companies need a large amount of CSR investment to achieve both economic and social goals (Park, 2017). One of the funding sources that can be used to meet CSR funding needs is tax

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avoidance. Davis, Guenther, Krull, and Williams (2016) explained that corporate CSR and tax avoidance activities could replace each other. Huseynov and Klamm (2012) also viewed that tax-paying compliance is part of CSR, however, tax avoidance is deemed necessary from the economic point of view of the company in the context of cost efficiency and increasing profitability and shareholder wealth.

Tax avoidance action will reduce the amount of cash to pay taxes, so that cash savings can be used for the interest of corporate CSR. Rational logic states that companies that implement CSR should not take actions that violate business ethics including tax avoidance. The argument of Landry, Deslandes, and Fortin (2013) supports this statement by saying that tax behaviour is not always in harmony with corporate social responsibility, meaning that corporate CSR is not a driving force that can control aggressive tax behaviour of companies. (Prayoga and Almilia, 2013) The main objective of the company is to maximize shareholder value, so that the company has a financial incentive to adopt a tax strategy that allows obtaining large amounts of profit (Prayoga and Almilia, 2013)

CSR is a part of a business strategy that is implemented not only as a form of corporate social responsibility but also as a promotional tool for companies to win competition before parties interested in the company. Prayoga and Almilia (2013) emphasized the increasingly tight business competition, encouraging every company to be more transparent in disclosing its information with the quality which must be understandable, trusted, relevant, and transparent. This is because this information is the basis of decision-making for users of information, especially investors. Transparency in agency theory concepts is an effort to bridge the conflict between management and principals so that information asymmetry does not occur which leads to acts of management opportunism that can harm shareholders (Jensen and Meckling, 1976). Corporate transparency in the broad sense means the availability of specific information about the company to people outside the company, including the public. Hamudiana and Achmad (2017) proved that investor stakeholder groups have strong pressure on the company so that companies tend to produce more transparent sustainability reports not only financial information but also non-financial information.

Wang (2010) explained that transparency plays a central role in efficient allocation of corporate resources. Opportunist managers will take advantage of the complexity of the provisions of the tax law to hide important corporate information in the context of aggressive tax avoidance actions. Companies with low information transparency actually have a great opportunity to conduct aggressive tax avoidance (Balakrishnan, Blouin, and Guay, 2011). Transparency is part of the company's strategy. Transparency enables companies to communicate actively with parties interested in the company, but on the other hand, transparency is an ethical dilemma when companies try to exploit scarcity of information as an opportunity to carry out opportunistic actions. Therefore, based on the background above, this study focuses on the role of corporate transparency in mitigating the opportunistic behaviour of companies by utilizing CSR to conduct aggressive tax avoidance.

## **Development of Hypotheses**

### ***Corporate Social Responsibility and Transparency***

CSR for companies is a promotional tool to get a positive image of the company because it is able to create synergies with stakeholders in the corporate environment to create sustainable life. However, (Tao, 2016) asserted that companies need to provide more disclosure and transparency to CSR activities, because transparent and detailed CSR reports avoid the assumption that management hides their opportunistic behaviour to get personal benefits.

[Dubbink, Graafland, and Liedekerke \(2008\)](#) explained that through transparency, companies are able to communicate with interested parties, including employees, the government, and the community. In addition, some of the benefits of corporate transparency, regarding the efficiency, innovation, and activity programs of conducting CSR as a form of corporate ethical

responsibility towards the environment can also be communicated through transparency. Dubbin et al. also explained that transparency is a demand of the market itself so that it is natural for the company to report its transaction activities completely. However, not all view that transparency is relevant, [Quaak, Aalbers, and Goedee \(2007\)](#) have a different view. Transparency in disclosure of CSR is considered irrelevant, because each stakeholder has its own way of getting information about the company. Transparency in CSR activities through continuous reporting does not mean that the company has been transparent. Based on the background above, the hypothesis in this study is:

**H1. Corporate social responsibility has an effect on transparency**

#### ***Corporate Social Responsibility on Tax Avoidance***

CSR is a concept of thinking with a social perspective. This means that the company's CSR activities are actions as a sense of social responsibility to all stakeholders, including employees, consumers, shareholders, the government, and the community. Including part of CSR is the payment of taxes made by the company in accordance with tax provisions. [Tao \(2016\)](#) viewed that paying taxes without motivation for tax avoidance is a way for companies to be actively involved with society. The research result of [Tao \(2016\)](#) then explained that companies with low governance but with high CSR index values are even more obedient in paying taxes.

[Gribnau and Jallai \(2017\)](#) does not deny that there is still ambiguity in understanding tax avoidance. There is no clear law that regulates that tax avoidance is not permitted, because the tendency that occurs is that many multinational companies are aggressive in tax avoidance. It is just [Gribnau and Jallai \(2017\)](#) emphasized the importance of moral ethical factors that must be considered, because taxes contain the principle of solidarity, togetherness and reciprocity.

Research conducted by [Lanis and Richardson \(2015\)](#) proved that companies with high CSR performance are considered more responsible because they tend not to do tax avoidance. Tax avoidance is considered as an activity that is not socially responsible and is against the law. The owner of capital in the context of the research is able to carry out effective supervision to reduce the practice of tax avoidance. Investors expect companies to generate profits based on actual conditions not because of legal manipulation ([Evertsson, 2016](#)). Based on the background above, the hypothesis in this study is:

**H2. Corporate social responsibility has an effect on tax avoidance.**

#### ***Transparency on Tax Avoidance***

Tax avoidance practices aim to reduce the tax expense borne by the company by minimizing corporate taxable profits. However, tax avoidance is a dilemma, because investors trust in companies decreases if it is detected committing fraud through the practice of tax avoidance. Therefore, there are demands from interested parties for the company to carry out qualified information transparency, as a tool for business decision-making.

According to [Anggoro & Septiani \(2015\)](#), transparency can be interpreted as the availability of information for outside parties. A high level of transparency in the company can lead to high ratings from the investor. Transparency is the key to reducing a company's ability to conduct tax avoidance behaviour ([Wang and Zhang, 2009](#)). Transparency makes business activities more open to the government, reduces capability in tax avoidance actions ([Kurniawan & Syafruddin, 2017](#)). In financial reporting, transparency requires reporting of financial information that can be used as an effort to prevent financial data errors. Based on the background above, the hypothesis in this study is:

**H3. Transparency affects on tax avoidance**

#### ***Transparency as Mediator for Corporate Social Responsibility and Tax Avoidance***

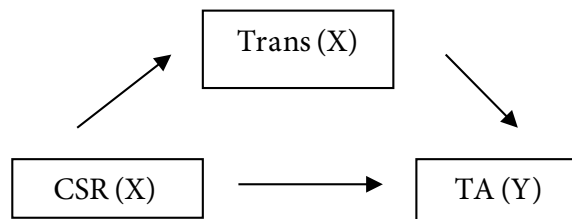
The issue of transparency is difficult for companies, because it discusses the costs incurred

and benefits accepted. The higher the information disclosed, the greater the costs required. Thus, information is an indicator of the company's ethical actions relating to tax obligations. [Dharma and Noviari \(2017\)](#) revealed that the wider the disclosure of information about corporate CSR, the smaller the level of aggressiveness of tax avoidance. [Turilli and Floridi \(2009\)](#) provide qualifications so that disclosure of information can be useful for decision-making and fulfil ethical principles, namely validity, usefulness, accessibility, and understandable by users. [Fung \(2014\)](#) focused on transparency functions as part of good corporate governance implementations and tools to ensure that management will not engage in unlawful actions. In addition, the volatility of stock market transactions has put pressure on companies to provide wider and timely disclosure of information to reduce investors, fear and panic in particular. ([Fung, 2014](#)).

In general, parties interested in the company continue to encourage management to provide enough valuable information in the context of making business decisions, including in the context of risk management in the future. As part of a business strategy that can increase company value, CSR requires large amounts of investment (Reinhardt and Stavins, 2010). The consequence is that the company will make economic sacrifices by accepting smaller profits and the risk of the company's stock price decreased and even losing market share. In anticipation of large-scale CSR investments, Davis et al. (2016) proved that CSR and tax avoidance can replace each other. Tax avoidance will reduce the amount of cash that will be issued by the company which can then be used to finance the company's CSR activities. In other aspects, the company is faced with the demands of transparency by the stakeholders for business decisions. Transparency in this situation is an important key for anticipating CSR as a way for companies not to do tax avoidance. Based on the background above, the hypothesis in this study is:

**H4.** *Transparency mediates the effect of corporate social responsibility on tax avoidance.*

Based on the explanation above, the theoretical framework of this study is as follows:



**Figure 1.** Theoretical Framework

## RESEARCH METHOD

The research variables in this study are corporate social responsibility (CSR), transparency and tax avoidance. The type of data used in this study was quantitative data obtained from corporate financial statements. The data source used was secondary data obtained from the annual financial statements of the manufacturing sector companies listed on the Indonesia Stock Exchange for the period 2015-2017, which are documented on the website ([www.idx.co.id](http://www.idx.co.id)) and Bloomberg database. To analyse the effect of corporate social responsibility, transparency and tax avoidance, this study used a multiple linear regression analysis model. Processing data used the SPSS (Statistic for Social Science) program. The Sobel test in this study was used to prove the influence of mediation.

## Operational Definition

### Corporate Social Responsibility (CSR)

Corporate social responsibility is an effort made by the company to be responsible for balance and integration between environmental and social interests in its business environment, with the economic interests which had by the company ([Brown and Forster, 2013](#)). Corporate

social responsibility activities are an effort to bridge the meeting of company interests and participating stakeholders to create an increase in the company's performance. It was measured using CSR Score, obtained from the corporate social responsibility index which had 91 items. CSR Score is formulated as follows:

$$CSRIj = \frac{\sum X_{ij}}{N_j}$$

### Transparency

Transparency can be interpreted as a corporate openness, where initially, transparency can be applied to financial disclosures and as a means of examining stakeholder actions that can harm the company. Transparency requires reporting financial information to prevent errors in financial data and transactions. Responsible companies must try to disclose the information needed, hide information that will arouse suspicion for stakeholders (Coombs & Holladay, 2013).

Ferrell & Gresham (1985) stated that transparency must function as a basic tool to overcome stakeholder distrust. With transparency, stakeholders will find out the results of the performance that has been carried out by management whether it is in line with their expectations or not. According to Coombs et al. (2013), transparency as a process that requires stakeholders to make decisions. Transparency must function as a basic tool to overcome stakeholder distrust and improve responsible management practices (Ferrell & Gresham, 1985). Transparency is measured using a transparency score that has 68 indicators of assessment. Transparency scores are formulated as follows:

$$Transparency = \frac{n}{k}$$

Where:

n = the number of disclosure items fulfilled

k = the number of items that may be fulfilled

### Tax Avoidance

Tax avoidance can be defined as tax reduction activities that have illegal indications. This is included in tax activities that directly violate the law, which intentionally does not state taxable assets. According to Sikka (2010), the problem begins with the lack of information disclosure about tax issues in financial reporting. Tax avoidance topics are sensitive and can cause a sense of injustice for other people. Besides that, there are other reasons, namely the expertise and availability of tax management options that are only available to high-income individuals and multinational companies (Russell & Brock, 2016). So that the existence of negative sanctions and significant assessments towards the company caused by the practice of tax avoidance. This is caused by opportunistic behaviour that conflicts with the interests of the community and is detrimental to other communities. Through a survey that has been carried out, states that tax executives are sensitive to the negative sanctions imposed when deciding which tax avoidance strategies must be applied (Graham, Hanlon, Shevlin, & Shroff, 2014).

Tax revenue is an important part of the functions of government and society, and therefore, (Bird & Davis-Nozemack, 2018) considered tax avoidance as a matter of sustainability. The consequences of tax avoidance can affect the environmental, social and economic aspects of society so that demands change in value towards long-term responsibility. The country's dependence on tax revenues is important for developing countries with less powerful institutions and few sources of funding (Jenkins & Newell, 2013). Tax avoidance activities are traditionally viewed as tax-saving devices that divert resources from the state to shareholders and thus must increase corporate value after tax. Tax avoidance is measured using the effective tax rate by comparing the amount of tax paid by the company with the company's profit before tax. The effective tax rate is formulated as follows:

$$Effective\ Tax\ Rate = \frac{Current\ Tax\ Expense}{Pre\ Tax\ Income}$$

## RESULTS AND DISCUSSIONS

This study uses data from the annual financial reports available on the IDX, the selected sector is the manufacturing, service and trade sectors. The total number of data is 456 manufacturing companies. Based on the population selection criteria, the research sample is the companies as shown in Table 1.

**Table 1.** Sample Selection Process

| Purposive Sampling  | Total Sample |
|---|--------------|
| Data of the go public manufacture company listed in the IDX between 2015-2017     | 468          |
| Companies that do not meet the criteria :   |              |
| Manufacture company go public that did not have full information of CSR           | 102          |
| Manufacture company go public that did not have full information of transparency  | 96           |
| Manufacture company go public that did not have full information of tax avoidance | 108          |
| Description of criteria :   |              |
| Have 3 years annual report  |              |
| Have full information of CSR  |              |
| Have full information of transparency   |              |
| Have full information of tax avoidance  |              |
| Total sample that meet the criteria   | 162          |

**Table 2.** Descriptive Statistics

|                     | N   | Minimum | Maximum | Mean     | Std. Deviation |
|---------------------|-----|---------|---------|----------|----------------|
| CETR                | 162 | 0.0000  | 54.7574 | 1.034503 | 4.9259936      |
| CSR                 | 162 | 0.0375  | 0.4500  | 0.191049 | 0.0759831      |
| TRANSP              | 162 | 0.0689  | 0.8971  | 0.657288 | 0.1312343      |
| Valid N (list wise) | 162 |         |         |          |                |

Source: Processed secondary data, 2019

In table 2, the mean value must be greater than the standard deviation value, if the mean value is greater than the standard deviation then the data is fluctuating which means the data is declared stable. Whereas, if the mean value is not greater than the standard deviation, then the variable is not volatile stable. From the data in Table 2, the CSR and transparency variables have mean values that are greater than the standard deviation values so that it can be concluded that these two variables have volatile data variances with stability. However, for tax avoidance variable, it can be seen that the mean value is smaller than the standard deviation value, so it can be concluded that this variable has high fluctuating data variance.

### Result of the Classical Assumption Test

The classical assumption test consists of normality test, multicollinearity test, heteroscedascity test and autocorrelation test. The classical assumption test results are presented in table 3.



**Table 3.** Result of the Classical Assumption Test, Structure I and Structure II

| Variable | Classical Assumption Test |        |                        |        |       |        |
|----------|---------------------------|--------|------------------------|--------|-------|--------|
|          | Normality Test            |        | Multicollinearity Test |        |       |        |
|          | Sig. 2 tailed             |        | Tolerance              |        | VIF   |        |
|          | I                         | II     | I                      | II     | I     | II     |
| CSR (X)  |                           |        |                        |        |       |        |
| TA (Y)   | 0.3266                    | 0.1999 | 1.000                  | 0.9499 | 1.000 | 1.0544 |
| TR (Z)   |                           |        |                        |        |       |        |

Source: Processed secondary data, 2019

Normality test is done to find out whether a data distribution follows or approaches normal distribution. The normality test was carried out by kolmogorov-smirnov test. The Normality test results in table 3 of structure I and II show that the value of sig. 2 tailed are 0.326 and 0.199 which means the variable data tested is normally distributed because of the value of sig. 2 tailed greater than 0.05

The multicollinearity test results in table 3 show that there is no multicollinearity between variables because the VIF values for structure I is 1.00 while Structure II is 1.054. Meanwhile, the tolerance value for Structure I is 1.00 while Structure II is 0.949. It is stated that there is no correlation because the VIF values are not more than 10 and the tolerance values are not less than 10% or 0.1 so that the I and II structure regression models are free from multicollinearity.

Heteroscedasticity test is done to examine whether in the regression model occurs inequalities variance from residual to one observation to another observation. If the variant of the residual observations to other observations remains, then it is called Homocedasticity and if it is different, it is called heteroscedasticity. The results of heteroscedasticity test in Table 3, known the value of sig. in structures I and II are more than 0.05. Thus, this research model is free from the symptoms of heteroscedasticity.

**Table 4.** Result of Classical Assumption Test, Structure I and Structure II

| Variable | Classical Assumption Test |       |                      |       |
|----------|---------------------------|-------|----------------------|-------|
|          | Heteroscedasticity Test   |       | Autocorrelation Test |       |
|          | Sig.                      |       | DW                   |       |
|          | I                         | II    | I                    | II    |
| CSR (X)  |                           |       |                      |       |
| TA (Y)   | 0.331                     | 0.795 | 1.581                | 1.402 |
| TR (Z)   |                           | 0.064 |                      |       |

Source: Processed secondary data, 2019

The autocorrelation test in this study uses the Durbin Watson Test (DW test). If the DW test value is -2 then negative autocorrelation is indicated, whereas if the DW value of the test between -2 to 2 means that it can be interpreted there is no autocorrelation and if the DW value above 2 means it can be interpreted there is positive autocorrelation. The result of Autocorrelation Test in Table 3 shows that the DW values of structures I and II are 1.581 and 1.402 which are in the category between -2 to 2. Thus, it can be concluded that this model is free from symptoms of autocorrelation.

Path Analysis Test aims to analyse the hypothesis of the direct and indirect effects of corporate social responsibility on tax avoidance with transparency as a mediating variable.

$$\text{Structure I} \quad : \quad \text{TR} = \beta_{\text{CSR}} + e_1 \quad \dots\dots\dots(1)$$

$$\text{Structure II} \quad : \quad \text{TA} = \beta_{\text{CSR}} + \beta_{\text{TR}} + e_2 \quad \dots\dots\dots(2)$$

**Table 5.** Result of Path Analysis, Structure I and Structure II

| Structure | Unstandardized Coefficients |            | Standardized Coefficients | t     | Sig.   |      |
|-----------|-----------------------------|------------|---------------------------|-------|--------|------|
|           | B                           | Std. Error | Beta                      |       |        |      |
| I         | CSR → Trans                 | -.259      | .088                      | -.226 | -2.940 | .004 |
| II        | CSR → TA                    | -.493      | .174                      | -.217 | -2.826 | .005 |
| II        | Trans → TA                  | -.599      | .153                      | -.302 | -3.928 | .000 |

Source: Processed secondary data, 2019

Based on the results of the path analysis in table 5, it is known the values of the direct effect coefficient (PL), indirect effect (PTL) and the total effect (PT). The direct effect of the CSR variable on TA is -0.217; the indirect effect of CSR variable on TA through transparency as much as  $-0.226 \times -0.302 = 0.068252$ ; so the total amount of effect produced is  $-0.217 + 0.068252 = -0.148748$ . The estimation of the total determination coefficient to check the validity of a model, with the following results:

$$\begin{aligned}
 R^2 m &= 1 - (e_1)^2 - (e_2)^2 \\
 &= 1 - (0.974)^2 - (0.944)^2 \\
 &= 1 - (0.948676 + 0.891136) \\
 &= 1 - 0.8453993359
 \end{aligned}$$

From the variations below, the data variation influenced by the model is 15.46% so that means the information contained in the data is 15.46% can be explained by the model, while the remaining 84.54% is explained by other variables outside the model.

## RESULT OF HYPOTHESIS TESTING

The feasibility test model (Test F) is used to examine whether this research model is feasible to be used. It is said to be feasible, if the sig. value of the F test must be 0.000 or less than 0.05 ( $0.000 \leq 0.005$ ). Based on table 5, it can be seen that the CSR, transparency and tax avoidance variables have sig. values of the F test are less than 0.05 so this research model is feasible to be used.

The results of the first hypothesis test of this study prove that CSR has a negative influence on transparency with a coefficient of -0.226 with a significance level of  $0.00 < 0.05$ . The results of this study indicate that the higher the corporate social responsibility activities of a company, the more the company will not be transparent in reporting its business activities to interested parties. In accordance with the research conducted by [Quaak, Aalbers, and Goedee \(2007\)](#) that transparency in CSR activities through continuous reporting does not mean that the company has been transparent. Transparency in CSR disclosure is also considered irrelevant, because each stakeholder has their own way of analysing the level of transparency in a company. Companies that disclose high CSR activities do not mean that they have been transparent.

The second hypothesis in this study shows that corporate social responsibility does not affect on tax avoidance with a coefficient value of -0.217 and a significance level of 0.05. The result shows that CSR activities carried out by the company does not affect on tax avoidance actions. Tax avoidance is considered as an activity that is not socially responsible and is against the law. The results of this study are in line with [Kim, Park, and Wier \(2012\)](#) and [Dharma and Noviari \(2017\)](#) who asserted that there is no relationship between the company's CSR activities and tax avoidance, meaning that CSR carried out by companies is purely an ethical way to realize corporate social responsibility to the stakeholders. ([Zicari and Renouard, 2018](#)) emphasized the absence of a relationship between companies paying less tax with corporate CSR activities, because CSR activities are a form of social responsibility that is directly felt by the community,

while tax payments are related to obligations to the government.

The third hypothesis in this study shows that transparency is negatively related to tax avoidance with a coefficient of -0.302 and a significance level of  $0.00 < \alpha < 0.05$ . The results of this study indicate that if a company carries out transparency it will be able to reduce tax avoidance. Anggoro & Septiani (2015) had the understanding that transparency can be interpreted as the availability of information for outsiders, so that a high level of transparency in a company can lead to high valuation from the investors. Investors can assume that companies with high transparency tend to be healthy by not doing tax avoidance. Exchange of information is part of company transparency (Simone, Lester, and Markle, 2017). Research conducted by Simone et al. (2017) explains the tendency of offshore companies to move assets to other countries that provide secrecy which allows investors to avoid tax obligations. The more non-transparent the company, there is a tendency for acts of non-compliance through tax avoidance practices.

The result of the fourth hypothesis test for the mediating variable indicates that the transparency variable is able to mediate the relationship of corporate social responsibility and tax avoidance with a coefficient of -0.302 and -0.217. This research is certainly in line with Dharma and Noviari (2017) that the wider the disclosure of information regarding corporate CSR, the smaller the level of tax avoidance that is carried out by the company. The results above show that the higher the number of CSR activities of a company will allow a high level of transparency so that it will minimize tax avoidance activities. Combining transparency as the mediating variable between CSR and tax avoidance seems to be a good relationship. With the existence of transparency, especially transparency in CSR activities, it will reduce the indication that companies conduct tax avoidance.

#### **Result of Sobel Test**

The Sobel test is conducted to ascertain whether transparency is able to mediate the relationship between corporate social responsibility and tax avoidance. Based on Table 4, it shows the value of the regression coefficient that is significant so that to find a significant value then the Sobel test is carried out as follows:

The results of the Sobel test explain that transparency mediates the relationship between CSR and tax avoidance. Mediating means that transparency is considered the main focus in reducing tax avoidance, so that the company strictly conducts supervision and transparency to avoid tax avoidance. Transparency is considered important as a way for companies to communicate with shareholders to increase the value of the company's shares. If CSR activities increase, the company's information disclosure will decrease, this is due to CSR not being relevant enough to transparency because CSR is only an ethical obligation of the company.

#### **CONCLUSIONS**

Based on the results of testing in the discussion section, the first hypothesis is accepted that CSR has a negative effect on transparency because the increasing role of CSR will reduce the level of corporate information disclosure. The second hypothesis is accepted that CSR has a negative effect on tax avoidance which means that the company's focus on corporate social responsibility which is getting increase will reduce tax avoidance. The third hypothesis is accepted that transparency has a negative effect on tax avoidance. The more companies conduct information disclosure, the less tax avoidance will be. Transparency is associated with corporate governance. Transparency cannot be used as a reference because transparency is an obligation that must be done by the company for long-term impact. This long-term impact can increase public trust in the company. The fourth hypothesis is done through the Sobel test. It can be concluded that transparency is able to mediate the relationship between CSR and tax avoidance which means that if the company focuses on transparency and supervision of financial governance, it will reduce tax avoidance. Transparently disclosed CSR is intended to reduce tax avoidance practices.

The practical implications of this research are through the role of transparency as a way for

companies to communicate with parties interested in the company to find out how the long-term vision and mission of a company's sustainable life. In addition, the government as a regulator must regulate the company's transparency standards, so that interested parties avoid business decisions that can be detrimental. Further research can examine the sample of publicly traded companies, not limited to the manufacturing sector companies.

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