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THE EFFECT OF CORPORATE SOCIAL RESPONSIBILITY (CSR), INSTITUTIONAL OWNERSHIP, AND AUDIT QUALITY ON TAX AVOIDANCE (A STUDY OF BASIC MATERIAL COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE FOR THE PERIOD 2020-2024)

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Abstract
This study aims to examine the effect of Corporate Social Responsibility (CSR), institutional ownership, and audit quality on tax avoidance in basic materials sector companies listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period. Tax avoidance remains a persistent issue in the basic materials sector because of because of its large-scale operations, substantial asset values, and complex transactions, which open opportunities for aggressive tax planning. This research employs a quantitative approach with a causal design using secondary data obtained from annual reports and audited financial statements. The sampling technique used was purposive sampling, resulting in 24 companies with a total of 120 observations after outlier removal. Data were analyzed using panel data regression with EViews 14, where the Random Effect Model (REM) was selected through the Chow Test, Hausman Test, and Lagrange Multiplier Test. The results show that CSR has a positive but insignificant effect on tax avoidance, institutional ownership has a negative and significant effect on tax avoidance, and audit quality has a negative but insignificant effect on tax avoidance. Simultaneously, the three independent variables significantly affect tax avoidance, with an Adjusted R-squared value of 5.1%. These findings imply that institutional ownership functions as an effective monitoring mechanism that discourages aggressive tax planning, while CSR disclosure and audit quality are not the main determinants of corporate tax avoidance behavior in the basic materials sector.
Keywords: Audit Quality; Corporate Social Responsibility; Institutional Ownership; Tax Avoidance

INTRODUCTION

Tax is a mandatory contribution that must be paid by taxpayers, both individuals and organizations, to the state in accordance with the tax regulations stipulated in Law Number 28 of 2007, together with its latest amendment through Law Number 7 of 2021 concerning the Harmonization of Tax Regulations. This levy is legally compulsory and is allocated for state purposes to realize the welfare of society. Therefore, tax revenue has a crucial function in financing national development and the provision of public services.

One of the problems that frequently arises in the taxation system is that tax revenue has not been maximized, which affects the average tax ratio that is still below target. This condition is caused by the difference in objectives between the government and the corporate sector regarding tax obligations. Tax functions as an important source of revenue for the state to finance significant public expenditures, while for business entities, tax is a financial obligation that can reduce profit. These differing motivations encourage business entities to minimize their tax obligations through both legal and illegal mechanisms. The existence of loopholes in tax regulations then often triggers corporate taxpayers to engage in tax avoidance (Yusuf et al., 2025).

Another important reason that motivates a number of companies to apply earnings management is tax motivation, because tax is a crucial expenditure for business entities, thus requiring a fairly large allocation of funds. On this basis, the step of tax avoidance is used by the management of business entities as one of the parameters in implementing earnings management strategies(Budiharto & Fuad, 2024). The more earnings management practices are applied in a company, the more the company has the potential to apply tax avoidance measures.

Although no law is violated, tax avoidance is considered unethical because it causes losses to the state in terms of tax revenue (Yusuf et al., 2025).

The basic materials sector is included among the sectors with the potential to apply tax avoidance measures. Companies included in the basic materials sector consist of mining, coal, metal, cement, and chemical industry companies. Companies in the basic materials sector have relatively large operational activities, asset values, and transactions, so they have the potential to face various taxation problems, including tax avoidance practices (Situmorang et al., 2025). Their complex operational characteristics create distinct challenges in the taxation system, particularly seen in export activities, transfer pricing, and the exploitation of differences in tax regulations between countries, which increases the possibility of more aggressive tax planning.

One transfer pricing phenomenon occurred at PT Adaro Energy Tbk. This case emerged when the Directorate General of Taxes (DGT) found indications of profit shifting to a subsidiary located in Singapore, which applies a lower tax rate than Indonesia. The Global Witness (2019) revealed that during the 2009–2017 period, PT Adaro Energy Tbk, through its subsidiary located in Singapore, Coaltrade Services International, made arrangements so that it paid approximately USD 125 million less than the obligation that should have been imposed in Indonesia. This activity also resulted in the potential reduction of state revenue of approximately USD 14 million per year, which essentially could have been used to support public interests (Melani, 2019).

In addition, beyond being oriented toward maximizing profit, business entities are also committed to maintaining a positive reputation to increase their attractiveness to investors. This commitment is realized through the implementation of Corporate Social Responsibility (CSR) as a form of corporate accountability to stakeholders for the impact of operational activities. Transparent and accountable CSR disclosure indicates regulatory compliance and corporate social responsibility, whereas inadequate or manipulative CSR reporting reflects low social responsibility and is an indication of tax avoidance (Kurniawan & Triyono, 2024). Previous research by Kusdiono and Prasasyaningsih (2021) and Maulinda and Fidiana (2019) concluded that CSR is negatively related to tax avoidance, while Hidayat and Novita (2023) and Almutairi and Abdelazim (2025) found that CSR has a positive effect on tax avoidance. Other research by Faridatunnisa and Ardini (2023); Budiharto and Fuad (2024); and Kurniawan and Triyono (2024) showed that CSR does not affect tax reduction.

The governance structure represented by institutional ownership is also one of the determinants influencing tax avoidance policies. Institutional shareholders generally have a high level of compliance with regulations and apply the precautionary principle in the process of achieving profit, so they are able to implement more effective monitoring functions over management (Afrika, 2021). As a result, an increase in the proportion of institutional ownership is correlated with a decrease in the potential for tax avoidance measures. Fortuna and Herawaty (2022) found that institutional ownership has a negative and significant effect on tax avoidance. Meanwhile, Pratiwi and Purwanto (2025) and Maulina and Mu'arif (2024) found that institutional ownership has a positive effect on tax avoidance, and Septanta (2023) found that institutional ownership does not affect tax avoidance.

Another factor related to tax avoidance is audit quality. Auditors are required to be competent, independent, professional, and prudent in assessing the condition of a company in accordance with Generally Accepted Accounting Principles (GAAP), in the form of an opinion on the financial statements issued by a Public Accounting Firm (KAP). The higher the audit quality, the better the audit results on financial statements, so the company will apply tax avoidance within reasonable limits that are still in line with tax regulations (Fitrianingsih & Wulandari, 2024). The study by Lestari et al. (2023) found that audit quality does not have a significant effect on tax avoidance, but this finding differs from the research of Tahilia et al., (2022), which found that audit quality has an effect on tax avoidance.

This study was conducted to re-evaluate the effect of Corporate Social Responsibility (CSR), institutional ownership, and audit quality on corporate tax avoidance practices, based on the phenomena described and the research gap of previous studies. Specifically, this study aims to: (1) empirically prove the effect of CSR on tax avoidance; (2) empirically prove the effect of institutional ownership on tax avoidance; and (3) empirically prove the effect of audit quality on tax avoidance. This research is expected to provide insights and recommendations for companies regarding tax avoidance practices and their underlying factors, to serve as a consideration for investors before investing in a company, and to provide new insights for future researchers examining similar topics.

LITERATURE REVIEW

Legitimacy Theory

Legitimacy Theory indicates that companies are required to align their business practices with the expectations and social regulations of society in order to obtain and maintain social legitimacy (Suchman, 1995). One important aspect of building legitimacy is through delivering corporate social responsibility in the form of CSR. In the context of tax avoidance, companies that seek to maintain their social reputation tend to avoid actions that would damage their image, such as aggressive tax avoidance. Empirical findings from Ivanda et al. (2024) confirm that transparency in CSR disclosure is correlated with a decrease in the intensity of business entities engaging in tax avoidance practices.

Agency Theory

Based on agency theory developed by Jensen and Meckling (1976), the separation of roles between the owner of capital (principal) and management (agent) in a business entity inherently risks triggering conflicts of interest. In taxation, managers may engage in tax avoidance to maximize profit. To reduce this conflict, companies require external monitoring, one of which is through institutional ownership, independent audits, and transparency in CSR disclosure. Rahmadi and Mujiyati (2024) state that institutional shareholders have the authority to direct management to focus on optimizing corporate financial performance while limiting managerial discretion to engage in opportunistic actions or violations of tax regulations. Rizqia and Lastiati (2021) state that high-quality audits can reduce the possibility of tax avoidance by increasing oversight of tax policies and financial reporting.

Signaling Theory

Signaling Theory explains that companies use available information to provide positive signals to investors and the public in order to enhance reputation and reduce uncertainty (Spence, 1973).In the context of tax avoidance, CSR disclosure, institutional ownership, and high-quality audits can be signals that the business entity operates well and complies with the law, which can reduce tax avoidance behavior. The research of Zoebar and Miftah (2020) states that companies with high CSR disclosure that are audited by Big Four firms tend to have lower levels of tax avoidance.

Tax Avoidance

Tax avoidance in principle is the effort of taxpayers to reduce their tax obligations while still observing the applicable legal corridor. Recent studies define tax avoidance as a step to reduce tax costs or obligations legally by exploiting provisions and weaknesses in tax regulations, without explicitly violating tax laws (Dirman et al., 2025). This practice is not categorized as a legal violation because taxpayers still comply with formal rules, but substantively it can reduce the amount of tax that should be paid to the state (Zuhro & Suwandi, 2023). Nursiam and Kusumawati (2025) emphasize that tax avoidance is carried out by exploiting regulatory weaknesses so that tax obligations become smaller. The measurement used to measure tax avoidance in this study is the Effective Tax Rate (ETR), calculated by comparing the total corporate income tax expense to profit before tax.

Corporate Social Responsibility

In general, Corporate Social Responsibility (CSR) is interpreted as a form of commitment and accountability of a business entity to bear all consequences in the economic, social, and environmental fields arising from corporate operations on stakeholders. Licandro et al. (2023) formulate CSR as a social value that describes corporate responsibility toward the environment and society within the framework of sustainable development. The World Bank views CSR as a form of corporate commitment to support sustainable economic growth, implemented through active collaboration with internal employees, workers' families, local community groups, and the wider public. Wirba (2023), Lartey et al. (2021), Carrera (2022) emphasize that CSR represents the relationship between business and society. Syamsuri et al. (2024) interpret CSR as a company's moral effort to provide benefits to stakeholders and improve the welfare of society and the environment. CSR is measured using a CSR Disclosure Index, which covers the quantity and quality of disclosure in the company's annual financial statements.Aresteria et al. (2025) revealed that companies with higher levels of CSR disclosure tend to minimize tax avoidance practices in order to maintain their social reputation and legitimacy in the eyes of stakeholders.

Institutional Ownership

Institutional ownership can be defined as the ownership of shares by corporate parties, financial institutions, banks, the government, or international investors. Institutional entities have a direct interest in monitoring management to remain consistent in maximizing corporate value for shareholders (Sumekar et al., 2023). According to Afrika (2021), strict control from institutional investors is essential for the effectiveness of organizational governance, as their active participation in determining the company's macro policies results in stricter monitoring, thereby minimizing the risk of operational earnings manipulation by management. Thus, institutional ownership refers to share ownership by institutions such as insurance companies, banks, pension funds, or foreign investors that act not only as capital owners but also as company supervisors, making oversight of management performance stricter, including in tax policy.

Audit Quality

Audit quality is fundamentally related to the auditor's ability to provide reliable assurance regarding the fairness of a client's financial statements. Hapsara et al. (2025) view audit quality as one of the key factors determining the level of credibility of the disclosure of information in a company's annual financial statements. High audit quality indicates that the examination process is carried out carefully and in accordance with professional standards, so that the information produced becomes more accurate, reliable, and trustworthy for users of financial statements.Badlaoui et al. (2021) concluded that audit quality is an examination process carried out by competent, independent, and sufficiently experienced auditors, guided by applicable audit standards. Meanwhile, the classic DeAngelo concept emphasizes that audit quality describes the auditor's ability to identify and report fraud or errors in a client's financial statements (Assegaff, 2024). Audit quality can be measured by examining the characteristics of the Public Accounting Firm auditing the company, namely whether it is included in the Big Four category (Deloitte, PwC, EY, KPMG) or non-Big Four. Prior research by Rizqia and Lastiati (2021) found that the use of Big Four audit firm services is associated with lower tax avoidance in companies, because Big Four auditors are supported by high competence, a strong reputation, and stricter control systems.

The Effect of CSR on Tax Avoidance

From the perspective of agency theory, managers can use CSR programs and disclosures as a tool to reduce political pressure and public scrutiny, while at the same time still engaging in more aggressive tax planning for the benefit of shareholders or personal interests. In this context, CSR becomes a kind of shield that conceals tax avoidance practices. Hidayat and Novita (2023) found that CSR has a positive effect on tax avoidance, andAlmutairi and Abdelazim (2025) concluded that CSR has a significant positive relationship with tax avoidance, strengthened by political connections. Conversely, from the perspective of legitimacy theory and signaling theory, companies disclosing CSR will try to maintain their social legitimacy and reputation, so they tend to reduce tax avoidance practices. Kusdiono and Prasasyaningsih (2021) proved that CSR disclosure has a negative effect on tax avoidance. Aresteria et al. (2025) also found that a high level of CSR disclosure can suppress tax avoidance practices, and Lim and Nugraha (2025) found that CSR disclosure has a negative effect on tax aggressiveness. However, a significant relationship is not always found; Budiharto and Fuad (2024) and Kurniawan and Triyono (2024) reported that CSR has no significant effect on tax avoidance, suggesting that tax decisions are more determined by profitability and capital intensity than by CSR programs.

The Effect of Institutional Ownership on Tax Avoidance

Institutional ownership refers to the proportion of company shares controlled by formal institutions. An increase in ownership concentration by such entities strengthens the intensity of external monitoring and control. According to Fortuna and Herawaty (2022), the effectiveness of this monitoring is positively correlated with full corporate tax compliance, which in turn minimizes the opportunity for management to implement tax avoidance strategies. Based on agency theory, institutional ownership can also strengthen the company's internal control function because institutional investors often have a long-term investment orientation and focus more on the sustainability of company performance. The empirical findings of Rahmadi and Mujiyati (2024) indicate that institutional ownership has a significant effect on tax avoidance. Conversely, Sari and Kinasih (2021) showed contradictory results, in which institutional ownership was deemed not to affect tax avoidance practices.

The Effect of Audit Quality on Tax Avoidance

According to the agency theory framework, high-quality audits should add to the monitoring function over managers, and much empirical evidence supports the view that high audit quality suppresses tax avoidance. Based on legitimacy theory, companies audited by Big Four audit firms tend to maintain tax compliance to preserve their reputation in the capital market and among regulators. Based on the study by Rizqia and Lastiati (2021), the level of tax avoidance in companies using Big Four audit firms services is proven to be lower than in companies choosing non-Big Four audit firms. On the other hand, some research finds that audit quality is positively related to tax avoidance; Afifah and Wahyudi (2024) found that audit quality has a significant positive effect on tax avoidance in LQ45 companies listed on the IDX, and Juwita and Sari (2025) reported a positive effect on manufacturing companies on the IDX for the 2019–2023 period. Meanwhile, Lestari et al. (2023) studied mining sector companies in Indonesia and found that audit quality does not affect tax avoidance, a finding similar to Santoso and Firmansyah (2024).

Various previous empirical studies have examined and analyzed the factors influencing the level of tax avoidance. These studies and their results are presented in Table 1 below.

Table 1. Previous Research

No.	Researcher	Title	Variables	Research Results
1	Felinne Pirenne Kusdiono and Xaveria Indri Prasasyaningsih (2021)	Pengaruh Corporate Social Responsibility, Good Corporate Governance, dan Sales Growth terhadap Penghindaran Pajak	Dependent Variable: Tax Avoidance Independent Variables: CSR, GCG, and Sales Growth	CSR has a negative effect on tax avoidance. GCG and sales growth have no effect on tax avoidance.
2	Indah Pramesty Maulinda and Fidiana (2019)	Pengaruh Corporate Social Responsibility, Profitabilitas dan Good Corporate Governance terhadap Tax Avoidance	Dependent Variable: Tax Avoidance Independent Variables: CSR, Profitability, GCG (Independent Commissioners, Audit Committee, Audit Quality)	CSR and profitability have a negative effect on tax avoidance. GCG (independent commissioners, audit committee, audit quality) has no effect on tax avoidance.
3	Fandi Achmad Hidayat and Santi Novita (2023)	Pengaruh Corporate Social Responsibility Terhadap Tax Avoidance	Dependent Variable: Tax Avoidance Independent Variable: CSR	Corporate social responsibility has a positive effect on tax avoidance.
4	Abdullah Munawir Almutairi and Samir Ibrahim Abdelazim (2024)	The Impact of CSR on Tax Avoidance: The Moderating Role of Political Connections	Dependent Variable: Tax Avoidance Independent Variables: CSR and Political Connections	CSR has a significant positive relationship with tax avoidance. Political connections strengthen this relationship.

No.	Researcher	Title	Variables	Research Results
5	Ria Afrilyani, Ria Karina, and Mardianto (2024)	Pengaruh Corporate Social Responsibility (CSR) Terhadap Penghindaran Pajak dan Manajemen Laba	Dependent Variables: Tax Avoidance (CETR) & Earnings Management (DA) Independent Variable: CSR	CSR has a significant negative effect on earnings management. CSR has a significant positive effect on tax avoidance.
6	Faridatunnisa and Ardini (2023)	Pengaruh Corporate Social Responsibility, Leverage, dan Kompensasi Rugi Fiskal terhadap Tax Avoidance dengan Komite Audit sebagai Pemoderasi	Dependent Variable: Tax Avoidance Independent Variables: CSR, Leverage, fiscal loss compensation Moderating Variable: Audit Committee	1. Corporate Social Responsibility and Leverage have no effect on tax avoidance. 2. Fiscal loss compensation has a positive effect on tax avoidance. 3. The Audit Committee does not moderate the effect of Corporate Social Responsibility and Leverage on tax avoidance. 4. The Audit Committee strengthens the effect of fiscal loss compensation on tax avoidance.
7	Faris Dhana Kurniawan and Triyono (2024)	Pengaruh Corporate Social Profitabilitas, Capital Responsibility, Leverage. Intensity, dan Inventory Intensity, Terhadap Penghindaran Pajak	Dependent Variable: Tax Avoidance Independent Variables: CSR, Leverage, Profitability, Inventory Intensity, Capital Intensity	Profitability and Capital Intensity affect tax avoidance. Corporate Social Responsibility, Leverage, and Inventory Intensity have no effect on tax avoidance.
8	Valentinus Arjuna Budiharto and Fuad (2024)	Pengaruh Corporate Social Responsibility Disclosure dan Manajemen Laba terhadap Penghindaran	Dependent Variable: Tax Avoidance Independent Variables: CSR Disclosure, Earnings Management	Corporate Social Responsibility (CSR), measured using the Global Reporting Initiative (GRI), has no effect on corporate tax avoidance measured by ETR. Earnings management, measured using Discretionary Accruals (DA), has an effect on corporate

No.	Researcher	Title	Variables	Research Results
		Pajak (Studi pada Perusahaan Non-keuangan yang Terdaftar di Bursa Efek Indonesia Tahun 2019-2022)		tax avoidance measured by the Effective Tax Rate (ETR).
9	Pudji Lestari, Usdeldi, and Nurfitri Martaliah (2023)	Tax Avoidance Pada Perusahaan Pertambangan Di Indonesia	Dependent Variable: Tax Avoidance Independent Variables: Profitability, Firm Size, Audit Quality	Simultaneously, profitability, firm size, and audit quality have a significant effect on tax avoidance. The profitability variable (ROA) has an inverse (negative) effect on tax avoidance. The firm size, audit quality, and audit committee variables have no effect on tax avoidance.
10	Dwi Fitrianingsih and Putri Wulandari (2024)	Pengaruh Komite Audit Dan Kualitas Audit Terhadap tax Avoidance di Perusahaan Manufaktur Food And Beverages yang Terdaftar di Bursa Efek Indonesia (BEI) Periode tahun 2018-2022	Dependent Variable: Tax Avoidance Independent Variables: Audit Committee, Audit Quality	The Audit Committee has a significant positive effect on tax avoidance. Audit Quality has a negative but not significant effect on tax avoidance. The Audit Committee and Audit Quality jointly have a significant effect on tax avoidance.
11	Angela Merici S.T. Tahilia, Sulistyowati, and Said Khaerul Wasif (2022)	Pengaruh Komite Audit, Kualitas Audit, dan Konservatisme Akuntansi terhadap Tax Avoidance	Dependent Variable: Tax Avoidance Independent Variables: Audit Committee, Audit Quality, Accounting Conservatism	The Audit Committee and Audit Quality have a significant positive effect on tax avoidance. Accounting Conservatism has no significant effect on tax avoidance.

No.	Researcher	Title	Variables	Research Results
12	Agnes Yunita Sari and Hayu Wikan Kinasih (2021)	Pengaruh Profitabilitas, Leverage, Dan Kepemilikan Institusional Terhadap Tax Avoidance	Dependent Variable: Tax Avoidance Independent Variables: Profitability, Leverage, Institutional Ownership	Profitability affects tax avoidance, while Leverage and Institutional Ownership have no effect on tax avoidance.
13	Novika Dwi Fortuna and Vinola Herawaty (2022)	Pengaruh Corporate Social Responsibility, Kepemilikan Keluarga Dan Kepemilikan Institusional Terhadap Tax Avoidance Dengan Strategi Bisnis Sebagai Variabel Moderasi	Dependent Variable: Tax Avoidance Independent Variables: Corporate Social Responsibility, Family Ownership, Institutional Ownership Moderating Variable: Business Strategy Control Variable: Firm Size	1. Corporate social responsibility has a significant positive effect on tax avoidance. 2. Family ownership has a significant positive effect on tax avoidance. 3. Institutional ownership has a significant negative effect on tax avoidance. 4. Business strategy cannot strengthen the effect of corporate social responsibility on tax avoidance, cannot weaken the effect of family ownership on tax avoidance, and cannot strengthen the effect of institutional ownership on tax avoidance.
14	Diah Retna Sumekar, Sri Mulyani, and Siti Nuridah (2023)	Analisis Pengaruh Thin Capitalization, Komite Audit dan Kepemilikan Institusional Terhadap Tax Avoidance pada Perusahaan Sektor Keuangan di Bursa Efek Indonesia Tahun 2020-2022	Dependent Variable: Tax Avoidance Independent Variables: Thin Capitalization, Audit Committee, Institutional Ownership	Partially, thin capitalization has a negative effect on tax avoidance. The Audit Committee has a positive effect on tax avoidance, and Institutional Ownership has a negative effect on tax avoidance. Simultaneously, thin capitalization, the audit committee, and institutional ownership affect tax avoidance.

No.	Researcher	Title	Variables	Research Results
15	Rizki Afrika (2021)	Kepemilikan Institusional Terhadap Penghindaran Pajak	Dependent Variable: Tax Avoidance Independent Variable: Institutional Ownership	Institutional Ownership has a negative effect on tax avoidance.

Source: processed by the author, 2026

Research Framework and Hypotheses

Based on the existing theories and the results of previous studies, the research hypotheses are formulated as follows. Based on legitimacy theory, companies seek to maintain their social legitimacy by demonstrating actions in line with societal values and expectations; CSR disclosure becomes one mechanism to build public support and a positive reputation, so that companies with high CSR disclosure tend to avoid actions that could damage their image, including tax avoidance. From the perspective of agency theory, CSR can serve as a monitoring mechanism because CSR disclosure increases transparency and reduces information asymmetry between management and stakeholders. Within the framework of signaling theory, CSR becomes a positive signal indicating that the company operates ethically and responsibly. Therefore, the first hypothesis is proposed as follows.

H1: Corporate Social Responsibility has a significant negative effect on Tax Avoidance.

Institutional ownership describes the proportion of company shares held by formal institutions. The larger the number of shares controlled by such institutions, the stricter the monitoring function over management. According to Fortuna and Herawaty (2022), this strict monitoring increases corporate compliance in paying all tax obligations, thus limiting the company's room to engage in tax avoidance. The findings of Rahmadi and Mujiyati (2024) confirm that institutional ownership has an effect on tax avoidance, and Sumekar et al. (2023) explain that this effect is negative. Therefore, the second hypothesis is proposed.

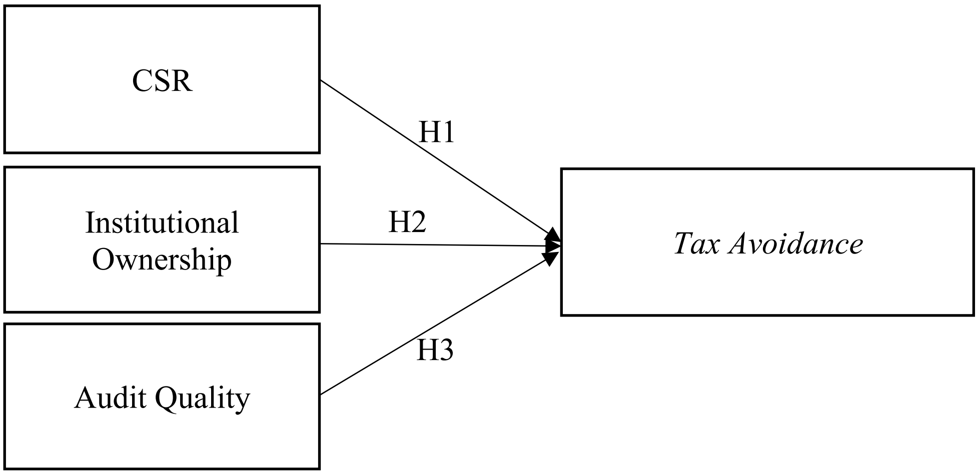
H2: Institutional Ownership has a significant negative effect on Tax Avoidance.

Audit quality is an important factor in reducing the potential for tax avoidance in a company. Independent and competent auditors, such as those from Big Four audit firm (Deloitte, PwC, EY, KPMG), have greater capacity and authority to detect material errors or manipulation of financial statements, including in taxation. In agency theory, audit quality is an external monitoring mechanism to ensure that managers act in accordance with the owners' interests. From the perspective of legitimacy theory, the use of high-reputation auditors is an effort to maintain public legitimacy, while signaling theory views the selection of high-quality auditors as a signal that the company upholds transparency and legal compliance. The findings of Rizqia and Lastiati (2021) show that high-quality audits significantly reduce the level of tax avoidance, and Riguen et al. (2021) concluded that audit specialization has a negative effect on tax avoidance in UK companies during 2005–2017. Therefore, the third hypothesis is formulated.

H3: Audit Quality has a significant negative effect on Tax Avoidance.

The visualization of the relationships among variables based on the formulated hypotheses is presented in the research framework in Figure 1.

Figure 1. Research Framework



Source: processed by the author, 2026

METHODS

This study is designed using a quantitative method with a causality approach to prove whether or not there is a cause-and-effect relationship between the independent and dependent variables. The research data are collected cross-sectionally, meaning that the sampling focuses only on a specific time boundary. The object analyzed in this study covers all annual financial statements of basic materials sector issuers listed on the Indonesia Stock Exchange (IDX) during the 2020–2024 period.

Population and Sampling Technique

The population in this study comprises all basic materials sector issuers listed on the IDX throughout 2020–2024. The sample was determined using the purposive sampling method to filter companies with specific characteristics in accordance with the research objectives. The sample selection criteria are:

- Companies in the basic materials sector actively listed on the IDX during 2020–2024;
- Companies that consistently published annual reports publicly;
- Companies that did not record financial losses during the observation period to maintain the validity of the Effective Tax Rate (ETR) calculation; and
- Companies that provided transparent and complete information about the Public Accounting Firm auditing their financial statements.

Data Collection Technique

The type of data used in this study is secondary data, collected from various publicly accessible sources. The main reference documents include annual reports, audited financial statements, and official information downloaded from the IDX website and the respective companies' websites.

Operationalization of Variables and Instruments

Dependent Variable: Tax Avoidance (Y). Tax avoidance is a corporate strategy to minimize the tax burden legally, by exploiting legal loopholes or grey areas in tax laws to reduce the amount of tax payable (Pohan in Handayani & Murniati, 2023). The level of tax avoidance in this study is calculated using the Effective Tax Rate (ETR) proxy through the following formula.

$$ETR = Tax\ Expense\ /\ Profit\ Before\ Tax$$

Independent Variable: Corporate Social Responsibility (X1). The CSR Disclosure Index (CSRI) measurement is based on the standard guidelines established by the Global Reporting Initiative (GRI). There are 84 performance indicators comprising three main pillars:

social, economic, and environmental. The GRI Standards index value is determined using the following formula.

$$CSRI = \Sigma Xij / Nj$$

where CSRI = Corporate Social Responsibility Index; Xij = 1 if the CSR indicator is disclosed, and 0 if not; and Nj = total CSR items based on GRI Standards.

Independent Variable: Institutional Ownership (X2). Institutional ownership is the number of company shares owned by various institutions. The more shares owned by institutions, the stricter the monitoring and control over corporate activities (Fortuna & Herawaty, 2022). Institutional ownership (Yonathan & Apriwenni, 2025) is measured using the following formula.

KI = Number of Shares Owned by Institutions / Number of Outstanding Shares

Independent Variable: Audit Quality (X3). The reputation of the Public Accounting Firm is used to measure audit quality. A company whose financial statements are audited by a Big Four audit firm is given a value of 1, whereas a company audited by a non-Big Four audit firm is given a value of 0. According to Ramdiani et al. (2023), high-quality auditors have better audit quality due to industry experience, adequate resources, and stronger independence.

Table 2. Operationalization of Variables

Variable	Data Source	Indicator	Scale	Reference
Tax Avoidance	Financial statements, annual reports	Effective Tax Rate (ETR) = Tax Expense / Pre-Tax Income (lower ETR = higher tax avoidance)	Ratio	Handayani and Murniati (2023)
Corporate Social Responsibility	Annual reports, GRI Standards	CSR Disclosure Index = Percentage of CSR disclosure based on GRI	Ratio	Heryanto and Juliarto (2017)
Institutional Ownership	Financial statements, annual reports	Number of institutional shares / Number of shares outstanding	Ratio	Yonathan and Apriwenni (2025)
Audit Quality	Audited financial statements, IDX	Dummy (1 = Big Four audit firm, 0 = Non-Big Four audit firm)	Nominal	Ramdiani, Gunarsih, and Lestari (2023)

Source: processed by the author, 2026

Data Processing Technique

All secondary data collected are processed using statistical software to obtain valid analysis results in accordance with the research objectives. The data processing stages are as follows: (1) Data Cleaning, to ensure there are no missing data or outliers that could affect the analysis results; (2) Descriptive Statistics, by calculating the mean, standard deviation, minimum, and maximum for each variable; (3) Panel data model selection, through the Chow Test (F Test), Hausman Test, and Lagrange Multiplier (LM) Test; (4) Classical Assumption Testing; and (5) Multiple Linear Regression Analysis.

The classical assumption tests consist of the normality test using the Kolmogorov-Smirnov Test; the multicollinearity test, to detect relationships among independent variables through the Variance Inflation Factor (VIF) and Tolerance indicators; the heteroskedasticity test using the Glejser Test; and the autocorrelation test using the Breusch–Godfrey Test (LM Test). The regression model used in this study is as follows.

$$TA = \alpha + \beta^1 CSR + \beta^2 KI + \beta^3 (AUD) + \varepsilon$$

where TA = Tax Avoidance; α = Constant; CSR = Corporate Social Responsibility; KI = Institutional Ownership; AUD = Audit Quality; β^1, β^2, β^3 = Regression coefficients; and ε = Error.

Hypothesis Testing Technique

Hypothesis testing in this study is carried out as follows (Ismanto & Pebruary, 2021): (1) Simultaneous Test (F Test), to verify the feasibility of the regression model; the model is considered to meet the feasibility requirement if the probability of F-count is less than 0.05; (2) Partial Significance Test (t Test), to evaluate the significance of each estimated parameter; an independent variable is considered to have a significant effect if the probability of t-count is less than 0.05; and (3) Coefficient of Determination, proxied using the Adjusted R-Square value of the multiple regression model.

RESULTS AND DISCUSSION

The subject of this study uses companies listed in the basic materials sector on the Indonesia Stock Exchange (IDX) during the 2020–2024 research period. The basic materials sector was chosen because it is a key supplier of raw materials for various industries, thus playing an important role in national economic and industrial activities, and because companies in this sector have relatively large operational activities, asset values, and transactions, so they have the potential to face various taxation problems, including tax avoidance(Situmorang et al., 2025). The sample was selected using purposive sampling based on the criteria previously described. The sample selection results are presented in Table 3.

Table 3. Sample Selection Criteria

No.	Criteria	Total
1	Companies in the basic materials sector actively listed on the Indonesia Stock Exchange (IDX) during 2020–2024.	81
2	Companies suspended/delisted during the 2020–2024 period and with incomplete 2020–2024 financial statements.	(8)
3	Companies that incurred losses during the 2020–2024 period, to ensure the validity of the Effective Tax Rate (ETR) calculation.	(37)
4	Companies that did not fully disclose information regarding the Public Accounting Firm conducting the audit.	(0)
5	Outlier data	(12)
	Total Companies	**24**
	Research period (years)	**5**
	Total research data over 5 years	**120**

Source: processed by the author, 2026

Before further analysis, the research data were first tested to detect the presence of extreme values (outliers), because the presence of outliers can affect regression estimation results, cause bias in parameters, and potentially violate the classical assumptions in the panel data regression model. The identification results showed that there were 12 companies indicated as having extreme data values on one or more variables during the observation period. To avoid bias in the data analysis, companies indicated as outliers were completely removed from the research sample structure so that the distribution of the tested data would meet the assumption of normality.

The final number of samples that could be used in this study was 24 basic materials companies, with a total of 120 observations analyzed during the selection and data cleaning process.

Descriptive Statistics

Descriptive statistical analysis was conducted on all variables used in this study to provide a more complete picture of the characteristics of the research object, including the minimum value, maximum value, mean, and standard deviation.

Table 4. Descriptive Statistics

	Y	X1	X2	X3
Mean	0.222005	0.460418	0.408333	0.727156
Median	0.221400	0.476200	0.000000	0.813350
Maximum	0.401500	1.000000	1.000000	0.998600
Minimum	0.019500	0.083300	0.000000	0.000300
Std. Dev.	0.066554	0.227882	0.493586	0.283196
Skewness	-0.207768	0.420544	0.372989	-1.382382
Kurtosis	4.648402	2.621529	1.139120	4.054702
Jarque-Bera	14.44950	4.253350	20.09677	43.78156
Probability	0.000728	0.119233	0.000043	0.000000
Sum	26.64060	55.25020	49.00000	87.25870
Sum Sq. Dev.	0.527110	6.179692	28.99167	9.543766
Observations	120	120	120	120

Source: processed by the author with EViews 14, 2026

Based on the results of the descriptive statistics calculation, the description is as follows. The CSR variable has a minimum value of 0.083300 and a maximum value of 1.000000. The average CSR is recorded at 0.460418 with a standard deviation of 0.227882. The company with the lowest CSR value is ESIP in 2021, while the highest value is held by INCO in 2022 and 2023. The Audit Quality variable is assessed using a dummy variable; companies audited by Big Four audit firm are given a value of 1, while those that do not use Big Four audit firm services are given a value of 0, so the minimum value is 0 and the maximum value is 1, with an average of 0.408333 and a standard deviation of 0.493586. The Institutional Ownership variable shows a minimum value of 0.000300 and a maximum value of 0.998600, with an average of 0.727156 and a standard deviation of 0.283196. The lowest value is held by BTON during 2020–2023, while the highest value is at ESIP in 2022.

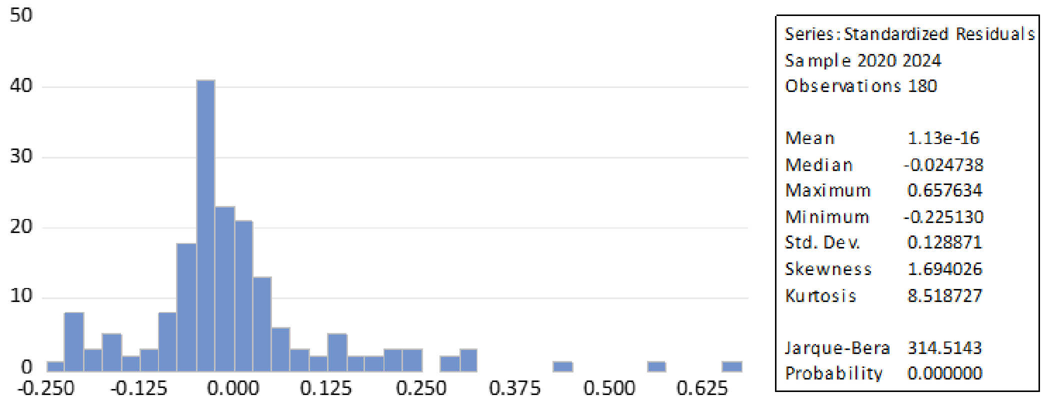
Classical Assumption Test Results

The classical assumption test was conducted before the multiple linear regression was applied to verify that the research model meets the validity criteria and is free from problems of multicollinearity, heteroskedasticity, and autocorrelation.

Normality Test

The first step is to perform a normality test to verify whether the research data are normally distributed. In the classical assumptions of the Ordinary Least Squares (OLS) approach, the normality of the residuals of the linear regression model is tested, not the independent or dependent variables(Ismanto & Pebruary, 2021). The normality test examines the Jarque-Bera (JB Test) value processed through the EViews application; the data are normally distributed if the Jarque-Bera probability value is greater than 0.05.

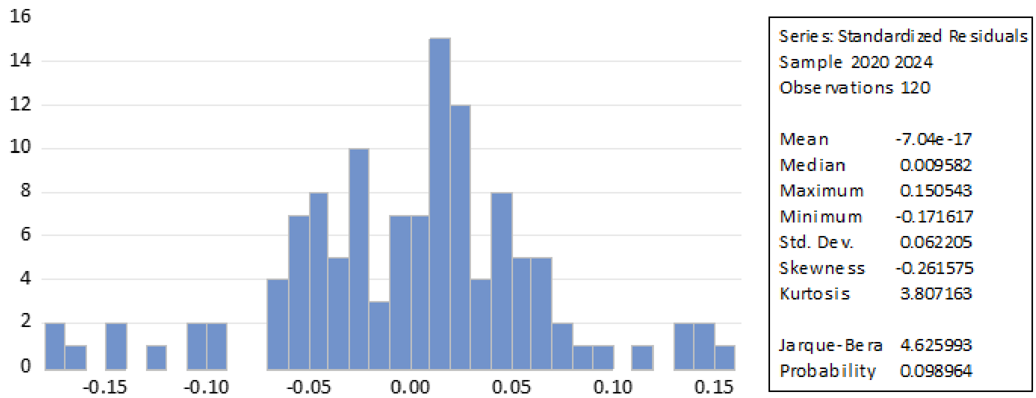
Figure 2. Normality Test Before Outlier Removal



Source: processed by the author with EViews 14, 2026

The initial test using the Jarque-Bera Test obtained a probability (p-value) of 0.00 (< 0.05). This result indicates that the data residuals were not yet normally distributed, so they had not met one of the classical assumptions in linear regression. This was indicated by the presence of extreme values (outliers) in several observations. Therefore, a data adjustment step was carried out by identifying and removing observations indicated as outliers to improve data stability and the quality of the regression model.

Figure 3. Normality Test After Outlier Removal



Source: processed by the author with EViews 14, 2026

The test results after removing the outliers showed a probability (p-value) of 0.09897 (> 0.05). This indicates that the data residuals are normally distributed and meet the normality assumption in linear regression. Thus, after improving the data by eliminating extreme values, the regression model became better and met the required classical normality assumption.

Multicollinearity Test

Table 5. Multicollinearity Test

	Y	X1	X2	X3
Y	1,000000	0,142099	0,331770	0,276220
X1	0,142099	1,000000	0,337010	0,024167
X2	0,331770	0,337010	1,000000	0,231985
X3	0,276220	0,024167	0,231985	1,000000

Source: processed by the author with EViews 14, 2026

The correlation values among independent variables for all variables are below 0.90, as shown in Table 5. This result indicates that there is no excessively high correlation among the independent variables involved in the research model. Therefore, the regression model of this study is presented without a multicollinearity problem and is ready for further testing.

Heteroskedasticity Test

Table 6. Heteroskedasticity Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.064280	0.016668	3.856455	0.000189
X1	-0.013893	0.020315	-0.683857	0.495429
X2	0.015196	0.011725	1.296013	0.197544
X3	-0.023144	0.018236	-1.269116	0.206940

Source: processed by the author with EViews 14, 2026

The results in Table 6 show that the probability value of each variable is above 0.05. This indicates that there is no symptom of heteroskedasticity, so the residual variance can be said to be constant (homoskedastic). With this condition fulfilled, the regression model meets the classical assumption and produces BLUE estimates.

Autocorrelation Test

Table 7. Autocorrelation Test

R-squared	0,074842	Mean dependent var	0,103808
Adjusted R-squared	0,050915	S.D. dependent var	0,049690
S.E. of regression	0,048409	Sum squared resid	0,271837
F-statistic	3,127985	Durbin-Watson stat	1,763445
Prob(F-statistic)	0,028475		

Source: processed by the author with EViews 14, 2026

A value of 1.763445 was obtained based on the Durbin-Watson test. With 120 observations in the sample and 3 independent variables, the lower bound value (dL) is 1.648000, the upper bound value (dU) is 1.757000, and the value of 4 − dU is 2.243000. Based on the Durbin-Watson decision criteria, the Durbin-Watson (DW) value of 1.763445 lies between dU (1.757000) and 4 − dU (2.243000), so it can be concluded that the model does not experience autocorrelation problems and meets the classical assumption of autocorrelation in linear regression.

Panel Data Model Selection

Chow Test (F Test). The cross-section F probability value is 0.000, according to the Chow test shown in Table 8. This value is lower than the significance level of 0.05, so the Fixed Effect Model (FEM) is more appropriate than the Common Effect Model (CEM). The next testing stage is the Hausman test.

Table 8. Chow Test (F Test)

Effects Test	Statistic	d.f.	Prob.
Cross-section F	4.440471	(23.93)	0.0000
Cross-section Chi-square	88.928500	23	0.0000

Source: processed by the author with EViews 14, 2026

Hausman Test. According to the Hausman test, the cross-section random probability (Prob.) is 0.1141, which is greater than the significance level of 0.05 (0.1141 > 0.05). Thus, H0 is accepted, indicating that the Random Effect Model (REM) is selected. To ensure that REM is more appropriate than CEM, the Lagrange Multiplier (LM) test is performed.

Table 9. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.949055	3	0.1141

Source: processed by the author with EViews 14, 2026

Lagrange Multiplier Test. The cross-section probability value of 0.0000 is smaller than the significance level of 0.05 (0.0000 < 0.05), so H0 is rejected and H1 is accepted. This result supports the previous decision through the Hausman test, so the Random Effect Model (REM) is established as the regression model for hypothesis testing and panel data analysis in this study. Based on the series of tests consisting of the Chow test, Hausman test, and Lagrange Multiplier (LM) test, the regression model used in this study is the Random Effect Model (REM).

Table 10. Lagrange Multiplier Test

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	29.86871 (0.0000)	0.799748 (0.3712)	30.66846 (0.0000)
Honda	5.465227 (0.0000)	0.894286 (0.1856)	4.496855 (0.0000)
King-Wu	5.4652271 (0.0000)	0.894286 (0.1856)	2.928956 (0.0017)
Standardized Honda	6.229775 (0.0000)	1.382637 (0.0834)	1.327951 (0.0921)
Standardized King-Wu	6.229775 (0.0000)	1.382637 (0.0834)	0.493589 (0.3108)
Gourieroux. et al.	--	--	30.66846 (0.0000)

Source: processed by the author with EViews 14, 2026

Panel Data Regression Analysis

Based on the calculation using EViews software, the best result is obtained with the Random Effect Model. The following table presents the regression estimation results using the Random Effect Model.

Table 11. Random Effect Model Regression Results

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	0.193671	0.025975	7.455965	0.0000
X1	-0.024803	0.030492	-0.813426	0.4176
X2	0.052459	0.018742	2.798962	0.0060
X3	0.025094	0.028422	0.882911	0.3791

Source: processed by the author with EViews 14, 2026

Based on the test results, this study uses the following panel data regression equation.

$$Y = 0.194 - 0.025*X^1 + 0.052*X^2 + 0.025*X^3$$

Where Y represents Effective Tax Rate (ETR), a proxy for tax avoidance. The regression equation can be interpreted as follows: The constant of 0.194 indicates that if CSR, institutional ownership, and audit quality all have a value of 0, the predicted Effective Tax Rate (ETR) is 0.194. The CSR coefficient of −0.025 means that each one-unit increase in CSR decreases Effective Tax Rate (ETR) by 0.025, which indicates increased tax avoidance, assuming other variables are constant. The institutional ownership coefficient of 0.052 means that a one-unit increase in institutional ownership increases Effective Tax Rate (ETR) by 0.052, which indicates decreased tax avoidance by 0.052, assuming other variables are constant. The audit quality coefficient of 0.025 indicates that companies with better audit quality will increase Effective Tax Rate (ETR) by 0.025, which indicates decreased tax avoidance by 0.025, assuming other variables are constant. However, this effect is not statistically significant (p = 0.3791).

Hypothesis Testing

Simultaneous Test (F Test). The Prob (F-statistic) value is 0.028, which is smaller than the significance level of 0.05, according to the panel data regression analysis shown in Table 16. The result shows that H0 is rejected and H1 is accepted; therefore, institutional ownership, Corporate Social Responsibility (CSR), and audit quality simultaneously have a significant effect on tax avoidance. The significance of the F test also indicates that the regression model is feasible to use in this study.

Table 12. Simultaneous Test (F Test)

R-squared	0.074842	Mean dependent var	0.103808
Adjusted R-squared	0.050915	S.D. dependent var	0.049690
S.E. of regression	0.048409	Sum squared resid	0.271837
F-statistic	3.127985	Durbin-Watson stat	1.763445
Prob(F-statistic)	0.028475		

Source: processed by the author with EViews 14, 2026

Based on the t-test results in Table 12, the CSR variable has a coefficient of −0.024803 with a significance value of 0.4176 (> 0.05), meaning that CSR has a negative but insignificant effect on Effective Tax Rate (ETR), which translates to an insignificant effect on increasing tax avoidance. The institutional ownership variable has a coefficient of 0.052459 with a significance of 0.0060 (< 0.05), meaning it has a positive and significant effect on Effective Tax Rate (ETR), which translates to a significant effect on decreasing tax avoidance. The audit quality variable has a coefficient of 0.025094 with a significance of 0.3791 (> 0.05), meaning it has a positive but insignificant effect on Effective Tax Rate (ETR), which translates to an insignificant effect on decreasing tax avoidance.

Table 13. Partial Test (t Test)

Variabel	Coefficient	Std. Error	t-Statistic	Prob.
C	0.193671	0.025975	7.455965	0.0000
X1	-0.024803	0.030492	-0.813426	0.4176
X2	0.052459	0.018742	2.798962	0.0060
X3	0.025094	0.028422	0.882911	0.3791

Source: processed by the author with EViews 14, 2026

Coefficient of Determination. The test of the coefficient of determination shows an Adjusted R-squared value of 0.051 or 5.1%. This finding indicates that the ability of the independent variables to explain the dependent variable is still relatively low; CSR, institutional ownership, and audit quality only explain 5.1% of the variation in tax avoidance, while the remaining 94.9% is explained by other factors outside the research model, such as profitability, leverage, firm size, tax planning, and external factors such as tax regulations and economic conditions. Nevertheless, the model can still be used because the main purpose of regression is also to test the significance of the effect of the independent variables on the dependent variable.

The Effect of Corporate Social Responsibility on Tax Avoidance

The CSR variable has a coefficient of −0.024803 with a significance of 0.4176 (> 0.05). This shows that CSR has a negative but insignificant effect on the effective tax rate (ETR); since ETR is inversely related to tax avoidance, this corresponds to a positive but insignificant effect on tax avoidance. Thus, the initial hypothesis that CSR has a negative effect on tax avoidance is rejected. Although the correlation is not statistically strong enough to be generalized, the negative coefficient on ETR indicates a tendency that an increase in CSR disclosure may be accompanied by a slight increase in tax avoidance practices rather than a decrease. The insignificance of this result indicates that variation in CSR among the sample companies cannot consistently explain variation in tax avoidance practices during the research period.

Based on Legitimacy Theory (Suchman, 1995), companies seek to maintain legitimacy from the wider community. However, this study finds that CSR has no significant effect on tax avoidance, indicating that CSR disclosure in the basic materials industry tends to be more of a formality or compliance with legal obligations than being integrated into a strategy directly related to corporate tax policy. According to Agency Theory (Jensen & Meckling, 1976), the insignificant effect of CSR on tax avoidance shows that the function of CSR as a mechanism to control managerial behavior in taxation has not been effective in the context of the companies studied. Furthermore, based on Signaling Theory(Spence, 1973), the CSR signal is not strong enough to influence the company's tax avoidance policy, possibly because investors and the market focus more on financial indicators such as profit, growth, and return than on non-financial aspects such as CSR disclosure, especially in the basic materials sector.

This result is supported by previous research conducted by Budiharto and Fuad (2024) and Kurniawan and Triyono (2024), which found that CSR has no significant effect on tax avoidance. Overall, this study illustrates that the relationship between CSR and tax avoidance in basic materials sector companies is insignificant, so CSR disclosure cannot be used as a strong indicator to predict how businesses avoid taxes.

The Effect of Institutional Ownership on Tax Avoidance

The institutional ownership variable has a coefficient of 0.052459 with a significance of 0.0060, which is less than 0.05. This shows that institutional ownership has a positive and significant effect on the effective tax rate (ETR); since ETR is inversely related to tax avoidance, this finding indicates that institutional ownership has a negative and significant effect on tax avoidance, and therefore the research hypothesis is accepted. This finding shows that the higher the institutional ownership in a company, the lower the company's tendency to engage in tax avoidance practices. Theoretically, the presence of institutional investors is expected to strengthen the monitoring function over management performance so as to suppress opportunistic actions, including tax avoidance (Fortuna & Herawaty, 2022), and the findings of this study confirm that, particularly in corporate tax management, institutional investors do function as an effective control mechanism in limiting management actions.

According to Agency Theory (Jensen & Meckling, 1976), institutional investors have greater monitoring capability due to their resources, expertise, and significant ownership stakes, allowing them to oversee management more closely than dispersed individual shareholders. The larger the institutional ownership in a company, the stronger the level of supervision and control exercised by this third party over management, which in turn encourages a higher total tax payment and reduces the opportunity for the company to engage in tax avoidance practices. In other words, institutional investors tend to favor more conservative and compliant tax reporting, viewing it as part of sustainable value creation rather than prioritizing short-term tax savings. In addition, institutional investors generally have sufficient bargaining power and access to information to ensure that management's tax decisions remain within prudent and legitimate boundaries. This result supports the findings of Fortuna and Herawaty (2022) and Sumekar et al. (2023), who similarly found that institutional ownership has a negative and significant effect on tax avoidance, confirming that strong institutional oversight serves as an effective external governance mechanism that constrains opportunistic managerial behavior in tax planning.

The Effect of Audit Quality on Tax Avoidance

The audit quality variable has a coefficient of 0.025094 and a significance value of 0.3791 (> 0.05). This shows that audit quality has a positive but insignificant effect on the effective tax rate (ETR); since ETR is inversely related to tax avoidance, this corresponds to a negative but insignificant effect on tax avoidance. Therefore, the research hypothesis is rejected. This result shows that an increase in audit quality does not necessarily affect or reduce tax avoidance practices in the basic materials sector companies studied, although the direction of the relationship is consistent with the expectation that higher audit quality is associated with lower tax avoidance. Theoretically, in the perspective of Agency Theory (Jensen & Meckling, 1976), high-quality external auditors, such as Big Four audit firm, should be able to reduce information asymmetry between management (agent) and shareholders (principal). However, this study finds that the role of audit quality has not been able to optimally influence tax avoidance practices, because tax avoidance is generally carried out through complex tax planning strategies that are still within tax provisions, making it difficult for auditors to detect directly.

From the perspective of Legitimacy Theory(Suchman, 1995), the use of high-reputation auditors is an effort by companies to maintain legitimacy and build a positive image. However, this finding shows that the effort to maintain legitimacy through quality auditors does not always directly affect the company's decision to engage in tax avoidance. Based on Signaling Theory, the selection of high-quality auditors should be a positive signal for investors, but the result shows that this signal is not strong enough to influence tax avoidance practices, possibly because investors focus more on financial performance indicators. The insignificant effect of audit quality also indicates that external audit mechanisms have not been fully effective in controlling tax avoidance practices, especially in the basic materials sector, which has complex transactions, large asset values, and high cross-regional activities. This result is supported by the research of Lestari et al. (2023) and Santoso and Firmansyah (2024), which found that audit quality does not affect tax avoidance.

CONCLUSION

Research on the effect of CSR, institutional ownership, and audit quality on tax avoidance in basic materials sector companies listed on the Indonesia Stock Exchange for the 2020–2024 period can be concluded as follows. First, Corporate Social Responsibility (CSR) has a positive but insignificant effect on tax avoidance, so CSR disclosure cannot be used as a strong indicator to predict corporate tax avoidance behavior. Second, institutional ownership has a negative and significant effect on tax avoidance; greater institutional ownership is followed by lower tax avoidance practices, which proves that institutional investors function as an effective monitoring mechanism that encourages management to maintain more compliant and conservative tax reporting rather than pursuing aggressive tax planning. Third, audit quality has a negative but insignificant effect on tax avoidance, meaning that audit quality does not have a strong influence in either suppressing or encouraging tax avoidance practices, and the role of external auditors in this study has not been able to significantly influence corporate tax policy.

Limitations

Several limitations can be considered for future research: (1) the conclusions of this study only apply to companies listed on the Indonesia Stock Exchange in the basic materials industry, so the results may not apply to companies operating in other sectors; (2) the independent variables used are only institutional ownership, CSR, and audit quality, while there are other variables that may affect tax avoidance practices; and (3) the research was conducted only over five years, from 2020 to 2024, so the results cannot describe the company's condition over a longer period.

Recommendations

Based on the findings and limitations of the research, several recommendations are offered. Future research is advised to include more industries and extend the research period for more accurate results, and to incorporate other factors suspected of influencing tax avoidance efforts. Companies are expected to improve transparency and the implementation of good governance, especially in tax policy, to reduce excessive tax avoidance practices. Finally, it is hoped that the results of this study will help investors and stakeholders consider the quality of corporate governance, especially in terms of tax compliance and audit.

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