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The Effect of Accounting Conservatism and Cost of Debt on Tax Avoidance with CSR as a Moderation Variable

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ABSTRACT

This study examines the impact of accounting conservatism and the cost of debt on corporate tax avoidance, with Corporate Social Responsibility (CSR) considered as a moderating factor. The research is based on secondary data obtained from annual and sustainability disclosures of firms operating in the energy sector and listed under the IDX-IC classification on the Indonesia Stock Exchange. A purposive sampling technique was employed, yielding 105 firm-year observations from 35 companies spanning the 2021–2023 period. The analytical framework employed is moderated regression analysis. The findings reveal that accounting conservatism plays a significant role in influencing tax avoidance behavior, whereas the cost of debt does not demonstrate a measurable impact. Additionally, CSR effectively strengthens the link between accounting conservatism and tax avoidance, but fails to moderate the relationship between the cost of debt and tax avoidance.

Keywords: Accounting Conservatism, Cost of Debt, CSR, Tax Avoidance.

INTRODUCTION

Tax is a financial obligation imposed on individuals and business entities as a form of support for the state budget. Tax is the main source of state funding for national development and improving public welfare. One of the tax collection systems used is the self-assessment system, where taxpayers are given the freedom to fulfill their tax obligations. However, this system often opens up opportunities to legally reduce the tax burden, which will benefit the taxpayer because they can pay their obligations at a lower rate than what they would have paid (Salmawanti and Irawati, 2024). In the taxation process, there are differences of interest between the government and taxpayers. The state expects sources of funds from tax revenues to finance many expenses. On the other hand, for taxpayers or entrepreneurs, taxes are considered cost elements that reduce the profits obtained by the company. (Hanum et al., 2022). The efforts used by companies to avoid taxes involve using the limitations of applicable tax laws and regulations so that the practices carried out are still legally valid and legal and do not violate applicable tax laws. (Kusumaningsih and Mujiyati, 2024). Although legal, tax avoidance is often considered unethical because it can reduce state revenues needed to finance development and public services. Based on the findings of a report released by the Tax Justice Network, tax avoidance practices in Indonesia affect state revenues with an estimated loss of $4.86 billion or around Rp68.7 trillion each year. These actions are generally carried out by exploiting legal loopholes in applicable tax provisions, so that even though they appear manipulative, these practices are often still within the realm of formal law and are considered legally valid. A real example of tax avoidance practices is a company that uses loans from its affiliates abroad to finance its operations. This scheme allows the company to reduce its tax burden in Indonesia because the interest on the loan can be recognized as a tax deduction, even though its activities do not explicitly violate the law. Previous studies have examined how accounting conservatism and cost of debt affect tax avoidance, but the results are still inconsistent. This study adds the Corporate Social Responsibility (CSR) variable as a moderating factor in the relationship between accounting conservatism and cost of debt with tax avoidance.

Conservatism in accounting practice refers to a principle of caution in preparing financial reports, which companies tend to recognize losses and liabilities earlier than profits, especially in situations of uncertainty (Mira and Situmorang, 2021). Applying this principle causes companies to present net income and asset values in smaller amounts, as a form of caution. In this context, if a company adheres to accounting conservatism, the tax burden imposed also tends to decrease. (Mira and Situmorang, 2021). Sa'ad et al. (2023) concluded that accounting conservatism influences tax avoidance. However, different findings were reported by Hanum et al. (2022) who stated that conservatism.

Another aspect that is also in the spotlight is the cost of debt, which is a reward in the form of interest that must be paid by the company to creditors for loans received. This interest is a form of compensation given to the party providing funds for the risks they bear. If creditors expect a high rate of return, then the cost of debt that must be borne by the company will be even greater (Salmawanti and Irawati, 2024). Research conducted by Salmawanti and Irawati (2024) found that the cost of debt correlates with tax avoidance. In contrast, the findings of the studies by Arianti et al. (2023) and Farina (2021) showed that the cost of debt did not affect tax avoidance. The company's commitment to providing positive contributions to society, as well as preserving the environment, is carried out in line with the company's efforts to achieve its economic goals, which is known as corporate social responsibility (CSR). CSR plays an important role in demonstrating the company's seriousness towards the principles of sustainability, compliance with social values, and concern for the environment. (Prayogi et al., 2024). In this context, CSR can act as a moderating variable that affects the relationship between accounting conservatism and the cost of debt on tax avoidance practices. CSR is thought to moderate the impact of accounting conservatism and cost of debt on tax avoidance. When a company has a positive CSR assessment, it will affect the principle of prudence in financial statements and the interest costs that will be imposed by creditors on the company. When a corporate entity obtains a high CSR score, its tendency to engage in tax avoidance can be minimized due to reputational pressures and public expectations of corporate transparency and ethics.

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Based on the background, phenomena, and inconsistencies of previous research results, this study aims to examine whether there is an influence of accounting conservatism and cost of debt on tax avoidance and how CSR plays a role in moderating the influence of accounting conservatism and cost of debt on tax avoidance. This study is expected to help tax authorities decide on stricter policies to address tax avoidance and strengthen weak laws and regulations so that tax avoidance activities can be minimized.

LITERATURE REVIEW

Accounting Conservatism and Tax Avoidance

Positive accounting theory posits that managers are free to select accounting methods and principles that align with the firm's specific circumstances. One of the key explanations for such managerial discretion is the political cost hypothesis, which suggests that when managers aim to minimize political costs, they tend to adopt accounting principles or methods that defer current-period profit recognition (Januarti, 2004). One such principle is accounting conservatism, which embodies managerial prudence in financial reporting. This prudence is reflected in the tendency to recognize expenses and liabilities more readily than revenues and assets. Gains are deferred until sufficient verifiable evidence is available, whereas losses and expenses are recognized immediately upon the occurrence of a transaction, even in the absence of verifiable proof (Sa'ad et al., 2023). This approach is intended to mitigate adverse outcomes arising from transaction-related uncertainties (Ardiansyah, 2023).

Firms that apply conservative accounting principles typically report lower profits and assets, or conversely, higher expenses and liabilities. This has direct implications for the calculation of taxable income, as lower reported profits reduce taxable income and, consequently, corporate tax liabilities. By lowering political costs through reduced tax obligations, conservative firms are less inclined to engage in tax avoidance practices. This is consistent with findings by Zahrani et al. (2023), which indicate that accounting conservatism significantly influences corporate tax avoidance behaviour.

Cost of Debt and Tax Avoidance

The political cost hypothesis under Positive Accounting Theory explains managerial incentives to reduce reported earnings to lower a firm's political costs. Political costs refer to expenses borne by firms as a result of government regulations, such as tax obligations (Januarti, 2004). One strategy for minimizing corporate tax liabilities is through the use of the cost of debt. Cost of debt refers to the expenses incurred by firms from borrowings from creditors. It represents the compensation owed to creditors for providing external financing and is typically reflected as interest expense, which is tax-deductible in the calculation of taxable income.

For firms, the cost of debt plays a crucial role in financial planning. A lower cost of debt reduces the company's financial burden, thereby positively impacting net earnings, and vice versa (Farina, 2021). Given the tax-deductibility of interest expenses, companies often leverage debt financing as a mechanism for tax avoidance. When firms have a strong incentive to minimize tax payments, they may increase their reliance on debt financing, leading to a higher cost of debt. This perspective aligns with the findings of Salmawanti and Irawati (2024), who report a positive association between the cost of debt and tax avoidance.

Accounting Conservatism, Tax Avoidance, and Corporate Social Responsibility (CSR)

Accounting conservatism is employed by firms as a means to manage uncertainty and risks associated with business activities, thereby ensuring corporate sustainability in the future. This principle involves selecting accounting methods that defer revenue recognition while accelerating the recognition of expenses. Such accounting choices influence the figures presented in financial statements. The application of accounting conservatism often results in more volatile reported earnings, potentially reducing the firm's ability to predict future cash flows based on reported profits (Andini et al., 2020, as cited in Agata et al., 2021).

According to legitimacy theory, one way firms can gain societal approval and maintain legitimacy is through the disclosure of Corporate Social Responsibility (CSR) initiatives (Ramadhani and Maresti, 2021). CSR is believed to influence the relationship between accounting conservatism and corporate tax avoidance behaviour. CSR disclosure serves as a strategic tool for companies to build a positive public image, attract stakeholder attention, and demonstrate compliance with applicable regulations (Caniago and Serly, 2022). Firms that actively disclose CSR tend to exercise greater caution in their decision-making to avoid eroding stakeholder trust. One such cautious approach is the implementation of accounting conservatism, which can curb managerial opportunism by preventing the overstatement of earnings for personal or short-term gain (Arumningtyas et al., 2016, as cited in Caniago and Serly, 2022). Therefore, the extent of CSR disclosure may influence the degree to which firms adopt conservative accounting principles in preparing their financial statements.

Cost of Debt, Tax Avoidance, and Corporate Social Responsibility (CSR)

Companies require external funding to sustain and expand their operations. One common method of obtaining such funding is through borrowing from creditors. When a company secures external financing via debt, it incurs an obligation to pay interest expense as a return to the creditors who have provided the funds. This interest expense is referred to as the cost of debt, which represents the expense a firm must bear to access a specified amount of capital. Importantly, the cost of debt can have a positive impact on the firm by reducing its taxable income. This is because interest expenses are tax-deductible and are subtracted in the calculation of net income, which in turn lowers the taxable income and reduces the firm's tax liability. According to legitimacy theory, companies are considered to hold a social contract with society, whereby they are expected to operate by societal norms and values, including fairness and justice (Badjuri et al., 2021). As part of this social responsibility, firms are required to disclose their Corporate Social Responsibility (CSR) activities in their annual reports, ensuring transparency and accountability to stakeholders. When a company achieves a high CSR disclosure score, its reputation improves in the eyes of stakeholders, including creditors. This enhanced reputation may lead to lower perceived risk, prompting creditors to offer financing at a reduced cost of debt. This assertion is supported by the findings of Darmawati (2019), who demonstrated that creditors and other stakeholders perceive CSR disclosure as a signal of reduced risk, which in turn contributes to lower borrowing costs for the firm.

DATA AND METHODOLOGY

Population and Sample

This study focuses on companies included in the energy sector listed on the IDX with IDX-IC classification in the period 2021-2023 and uses a descriptive quantitative approach. The sampling method uses purposive sampling with certain criteria, as shown in the following table 1:

Table 1: Selection of Sample

No	Description	Amount
1	Companies listed on the IDX in the energy sector during 2021-2023	85
2	Energy sector companies not listed on the IDX consistently during 2021-2023	(27)
3	Companies reporting losses during 2021-2023	(23)
4	Number of samples	35
5	Number of observations (x 3 years)	105

Type and Source of Data

This study utilizes quantitative data, which refers to data expressed in numerical or measurable form. The data source employed is secondary data, which is defined as pre-existing data that has been collected, processed, and published by other parties. Secondary data are typically available in published formats and include variables relevant to the research. In this study, the secondary data are obtained from the annual reports of companies in the Energy sector listed on the Indonesia Stock Exchange (IDX) under the IDX-Industrial Classification (IDX-IC) for the period 2021–2023. These reports were downloaded from the official website of the Indonesia Stock Exchange (IDX) and/or the official websites of the respective companies.

Data Collection Technique

This study uses secondary data obtained from the annual reports of companies in the Energy sector listed on the Indonesia Stock Exchange (IDX) under the IDX-Industrial Classification (IDX-IC) for the period 2021–2023. The data were sourced from the official website of the Indonesia Stock Exchange at www.idx.co.id or from the respective companies' official websites. The data collection technique used in this study is documentation, which involves gathering, recording, and reviewing secondary data in the form of financial statements published by the Indonesia Stock Exchange (IDX) through www.idx.co.id or the official websites of the related companies.

Research Methods

This study is conducted using a quantitative research methodology. Specifically, it will include the use of descriptive statistical analysis and panel data regression techniques. Researchers analyzed statistics using statistical software STATA version 17. This tool is used by researchers to find out the relationship between dependent variables and independent variables moderated by moderation variables. The method used to test the moderating variable regression is Moderated Regression Analysis (MRA), also known as the interaction test. According to Ghozali (2016), Moderated Regression Analysis is a specific application of multiple linear regression in which the regression equation includes an interaction term, namely the product of two or more independent variables. This study aims to examine the effect of accounting conservatism and cost of debt on tax avoidance, as well as whether Corporate Social Responsibility (CSR) strengthens or potentially weakens the influence of accounting conservatism and cost of debt on tax avoidance. To test whether CSR acts as a moderating variable, the interaction between the variables is analyzed using Moderated Regression Analysis (MRA), with the following regression equation (1):

$$Y = \alpha + \beta X_1 + \beta X_2 + \beta Z + \beta X_1{*}Z + \beta X_2{*}Z + e \tag{1}$$

Where:

- Y : Tax Avoidance
- α : Constant
- β : Coefficients of Regression
- X1 : Accounting Conservatism
- X2 : Cost of Debt
- Z : Corporate Cost of Debt Social Responsibility (CSR)
- X1*Z : The Interaction of Accounting Conservatism with Corporate Social Responsibility (CSR)
- X2*Z : Interaction of Cost of Debt with Corporate Social Responsibility (CSR)
- e : error

The dependent variable in this study is tax avoidance. Tax avoidance refers to a transaction scheme aimed at minimizing tax burdens by exploiting loopholes in a country's tax regulations. Although such practices do not violate tax laws, they are considered legal by tax professionals. In this study, tax avoidance is measured using the Cash Effective Tax Rate (CETR) proxy, consistent with previous research by Puspitasari et al. (2022), as CETR provides a clear representation of the extent to which a company pays taxes in cash relative to its pre-tax income. The formula used to calculate tax avoidance based on the CETR proxy is as follows (2):

$$\text{CETR} = \frac{\text{Cash Tax Paid}}{\text{Pre-tax Income}} \tag{2}$$

The first independent variable is Accounting Conservatism (AC), which refers to a principle of managerial prudence in the preparation of financial statements. This principle emphasizes the recognition of expenses and losses earlier than revenues and assets. Specifically, gains are deferred until sufficient verifiable evidence is available, while losses and expenses are recognized immediately upon the occurrence of a transaction, even in the absence of such evidence (Sa'ad et al., 2023). According to Mira and Situmorang (2021) and Zahrani et al. (2023), the formula used to measure accounting conservatism is as follows equation (3):

$$\text{AC} = \frac{\text{Net Income + Depreciation Expense – Operating Cash Flow}}{\text{Total Asset}}\,(-1) \tag{3}$$

A higher negative value of the result indicates a more conservative financial report, as it reflects lower reported earnings relative to the company's received cash flows.

The second independent variable is Cost of Debt (COD). Cost of debt refers to the return in the form of interest that must be paid by the company to creditors for the debt provided. In this study, the cost of debt is proxied by dividing interest expense by the average total debt. This proxy is consistent with previous research conducted by Arianti et al. (2023) and Salmawanti and Irawati (2024). The formula used is as follows equation (4):

$$\text{COD} = \frac{\text{Interest Expense}}{\text{Average Short-Term and Long-Term Debt}} \tag{4}$$

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The moderating variable in this study is Corporate Social Responsibility (CSR). According to the World Business Council for Sustainable Development (WBCSD), CSR is defined as a company's commitment to contribute to sustainable economic development through engagement between employees or company representatives and the local community to improve overall quality of life (Saragih et al., 2023). In this study, the measurement of CSR follows previous research by Kilay et al. (2024), which assesses CSR disclosure based on the Global Reporting Initiative (GRI) Standards 2021. The total number of disclosure items required by the GRI 2021 Standards is 117 items.

CSR measurement is conducted by examining the disclosure items included in the company's sustainability report. The assessment of each disclosure item is carried out using a scoring method (Ananda et al., 2023). In this study, the scoring criteria for each sustainability report indicator are as follows:

1. A score of 1 is assigned if the GRI Standard 2021 indicator is disclosed in the company's sustainability report.
2. A score of 0 is assigned if the GRI Standard 2021 indicator is not disclosed in the company's sustainability report.

The proxy used to measure this variable is the Corporate Social Responsibility Disclosure Index (CSRDI), as represented in equation (5):

$$\text{CSRDi} = \frac{\text{Number of Published Items}}{\text{Total GRI Standard 2021 Indicators}} \tag{5}$$

RESULT AND DISCUSSION

Descriptive Statistical Test

Descriptive statistical techniques are used to explain the condition of the research data. The following is a summary of the descriptive results of the variables of accounting conservatism, cost of debt, tax avoidance, CSR, the interaction of accounting conservatism and CSR, and the interaction between cost of debt and CSR. The descriptive results of these variables can be shown in table 2:

Table 2: Descriptive Statistical Analysis Results

Variable	Obs	Mean	Std. dev.	Min	Max
Y	105	.2898048	.2277645	.0249	.9521
X1	105	-.0075962	.0837964	-.2568	.3174
X2	105	.069099	.0543273	.0003	.2457
Z	105	.4524248	.2451217	.094	.9658
X1Z	105	-.0067628	.0484431	-.2536665	.2002671
X2Z	105	-1.447868	1.022183	-4.157833	-.1807413

Resource: Output STATA 17, 2025

Based on Table 2, the results of descriptive statistics of the dependent variable of tax avoidance using descriptive statistics obtained that the average tax avoidance seen from the CETR value in 2021-2023, was 0.2898048 with a standard deviation of 0.2277645. The lowest value of 0.0249 was at PT Golden Eagle Energy Tbk (SMMT) in 2021, and the highest value of 0.9521 was at PT Petrosea Tbk (PTRO) in 2022. The first independent variable, accounting conservation, showed an average score in 2021-2023 of -0.0075962 with a standard deviation of 0.0837964. The lowest value of the accounting conservatism variable is -0.2568, namely at PT Bumi Resources Tbk (BUMI), and the highest value is 0.3174 at PT Medco Energi Internasional Tbk (MEDC) in 2022. The average score of the second independent variable, cost of debt in 2021-2023, is 0.069099, and the standard deviation is 0.0543273. The lowest value is 0.0003 at PT Bayan Resources Tbk (BYAN) in 2022 and has the highest value of 0.2457 at PT Batulicin Nusantara Maritim Tbk (BESS) in 2023. Meanwhile, the CSR moderation variable shows an average score of 0.4524248 and a standard deviation of 0.2451217. The lowest value of 0.094 is PT Sigma Energy Compressindo Tbk (SICO) in 2021, and has the highest value of 0.9658, namely at PT Bukit Asam Tbk (PTBA) in 2022 and 2023. The interaction variable between accounting conservatism and CSR has an average score of -0.0067628 and a standard deviation of 0.0484431. The lowest value is -0.2536665 and has the highest value of 0.2002671. The interaction variable between cost of debt and CSR has an average score of -1.447868 and a standard deviation of 1.022183. The lowest value is -4.157833 and has the highest value of -0.1807413.

Best Regression Model Selection Test

Chow Test:

Table 3: Chow test result

F	test	that	all	u_i=0:	F (34,	68)	=	2.63	Prob	>	F	=	0.0013

Source: Output STATA 17, 2025

Based on Table 3, the probability value of F is 0.0013, which is smaller than 0.05. So the best method is the FEM method.

Hausman Test:

Table 4: Hausman Test Result

chi2(2)	=	(b-B)'[(V_b-	V_B)^(	-1)](b -	B)
	=	12.18			
Prob > chi2	=	0.0023			

Source: Output STATA 17, 2025

Based on table 4, the probability value is 0.0023<∝0.05 so that the selected method is the FEM method. Because the results of the Hausman test indicate that the selected method is the Fixed Effect Model (FEM), the Lagrange Multiplier (LM) Test is not carried out. This is because the LM Test is only used to compare the OLS model and the REM model. Based on these results, this study will be conducted using the Fixed Effect Model (FEM) approach.

Normality and Classic Assumption Test

Normality Test:

Table 5: Normality Test Result

Variable	Obs	W	V	z	Prob>z
resid	105	0.89923	8.666	4.803	0

Source: Output STATA 17, 2025

The Shapiro-Wilk W test is used to test the normality of data distribution. Table 5 shows a probability value of 0.0000 <∝0.05, which indicates that the data is not normally distributed.

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Data transformation, which changes data into logarithmic form, is a way to overcome non-normally distributed data (Meilani and Pardistya, 2020). The following are the results of the residual normality test after data transformation into logarithmic form:

Table 6: Normality Test Results after Transform

Variable	Obs	W	V	z	Prob>z
resid	105	0.99308	0.595	-1.153	0.72373

Source: Output STATA 17, 2025

After logarithmic transformation, based on Table 6 shows the probability value of 0.72373>∝0.05. This shows that the research regression model has met the normality requirements.

Multicollinearity Testing:
The multicollinearity test is used to detect whether there is a strong linear relationship between the independent variables in the regression model of this study.

Table 7: Multicollinearity Test Result

Variable	VIF	1/VIF
X1	1.02	0.983255
X2	1.02	0.983255
Mean VIF	1.02	

Source: Output STATA 17, 2025

Based on the results of the multicollinearity test in Table 7, the tolerance value is greater than 0.1 and the Variance Inflation Factor (VIF) is less than 10, which is 1.02. This means that the research regression model data is free from the influence of multicollinearity.

Autocorrelation Testing:
In this study, the Wooldridge Test for Serial Autocorrelation is used to identify the presence of serial autocorrelation in the residuals of the panel data regression model. With the provision that autocorrelation occurs if the probability value is <∝0.05, otherwise it is free from autocorrelation if the probability value is > 0.05. (Sholihin and Anggraini, 2021).

Table 8: Autocorrelation Test Result

Wooldridge test for autocorrelation in panel data
H0: no first order autocorrelation F (1, 34) = 1.350
Prob > F = 0.2534

Source: Output STATA 17, 2025

Based on the results of the autocorrelation test in table 8, the prob value > F is 0.2534 > ∝0.05. Therefore, it can be concluded that there is no autocorrelation in this research model.

Heteroscedasticity Testing:
In this study, heteroscedasticity was tested using Breusch-Pagan, namely free from symptoms of heteroscedasticity if the probability value > ∝0.05, while heteroscedasticity occurs if the probability value < ∝0.05 (Sholihin and Anggraini, 2021).

Table 9 : Heteroscedasticity Test Result

Modified Wald test for groupwise heteroskedasticity
in fixed effect regression model H0: sigma(i)^2 = sigma^2 for all i chi2 (35) = 6055.05
Prob > chi2 = 0.0000

Source: Output STATA 17, 2025

Table 9 shows the results of the heteroscedasticity test specifically for the Fixed Effect Model (FEM with a probability value of 0.0000 < ∝0.05. Based on this, there are symptoms of heteroscedasticity in the regression model of this study. One way to overcome the regression model that experiences heteroscedasticity is to use the robust standard errors approach. (Napitulu et al., 2021). In this study, the robust standard errors approach is used in the fixed-effects regression model to overcome the potential problem of heteroscedasticity. According to Wooldridge, (2010) robust standard errors are a correction method used in panel data-based research to produce consistent parameter estimates even though there is heteroscedasticity. By using this approach, the standard error model becomes resistant to heteroscedasticity disturbances, so that the results of hypothesis testing remain valid and reliable.

Hypotheses Testing

Moderated Regression Analysis (MRA) Testing:

Table 10: MRA Test Result

Y	Coefficient	Robust std. err.	t	P>t	Note
X1	-4.627368	1.385147	-3.34	0.002	Significant
X2	-.3637598	.1795509	-2.03	0.051	Not Significant
Z	-.3265389	.6148521	-0.53	0.599	Not Significant
X1Z	-2.217306	1.207513	-1.84	0.075	Not Significant
X2Z	-.2300068	.1492538	-1.54	0.133	Not Significant
_cons	-2.404707	.733662	-3.28	0.002	-

Source: Output STATA 17, 2025

Based on the MRA test results in Table 10, the CSR variable functions as a homologizer moderator in influencing the relationship between accounting conservatism and cost of debt on tax avoidance, in which CSR does not have a significant individual effect on tax avoidance, nor does it significantly moderate the effect of accounting conservatism and cost of debt on tax avoidance. According to Sharma *et al.*, (1981) if the moderating variable acts as a moderator homologizer, then a subgroup analysis test needs to be carried out. Ghozali (2018) also stated that if the data is quantitative or continuous, grouping can be done based on the average value. In this study, the CSR moderation variable will be divided into two parts based on the average value (mean), a nominal scale of 1 (one) if the value is smaller or equal to the average value and a nominal scale of 2 (two) if the value is greater than the average value.

Table 11: Sub Group Analysis Test Results

Sub-Group Analysis of CSR moderated Accounting Conservatism	
Z Group = 1	**Z_group = 2**
Fixed-effects (within) regression	Fixed-effects (within) regression
R-squared:	R-squared:

Within = 0.0140	Within = 0.2151
Sub-Group Analysis of CSR moderated Cost of Debt	
Z_group = 1	**Z_group = 2**
Fixed-effects (within) regression	Fixed-effects (within) regression
R-squared:	R-squared:
Within = 0.0124	Within = 0.0002

Source: Output STATA 17, 2025

Based on the results of the subgroup analysis in table 11, the effect of accounting conservatism moderated by CSR on tax avoidance obtained R-squared subgroup 1 of 0.0140 or 1.4% and R-squared value subgroup 2 of 0.2151 or 21.5%. Based on these results, there is a significant difference between the two. According to Sharma *et al*., (1981) if there is a difference in R-squared results between subgroups, then the variable is classified as a homologizer moderator. Based on this, it can be concluded that the CSR moderation variable acts as a homologizer moderator in influencing the relationship between accounting conservatism and tax avoidance. Furthermore, the results of the subgroup analysis of the effect of cost of debt on tax avoidance moderated by CSR, the R-squared value from the regression results of subgroup 1 is 0.0124 or 1.24%. Furthermore, the R-squared value from the regression results of subgroup 2 is 0.0002 or 0.02%. Based on these results, the R-squared value between subgroup 1 and subgroup 2 is not much different, where both are included in the very weak category in explaining the effect of cost of debt on tax avoidance. Therefore, it can be concluded that the CSR moderating variable does not play a role as a moderating variable in influencing the relationship between cost of debt and tax avoidance.

Determination Coefficient Testing:

Table 12: R^2 Test Result

R-*squared*:	Value
Within	0.2105

Source: Output STATA 17, 2025

Based on Table 12, the R2 value is 0.2105 or 21.05%. Based on this, it is known that 21.05% of the tax avoidance variable is influenced by accounting conservatism and cost of debt, and accounting conservatism is moderated by CSR, and cost of debt are moderated by CSR. Then the remaining 78.95% is influenced by other variables besides the variables used in this research model.

DISCUSSION

The Effect of Accounting Conservatism on Tax Avoidance

Table 10 shows the significance value of accounting conservatism, which is 0.002 <0.05. The regression coefficient value shows a value of -4.627368, which means that the regression coefficient is negative. Therefore, it can be concluded that the accounting conservatism variable is negatively related to tax avoidance. Based on these results, hypothesis 1 is accepted, which means that there is an effect of X1 on Y.

The results of this study support positive accounting theory, which explains that managers are free to choose accounting methods and principles according to the expected company conditions. One of the hypotheses in positive accounting theory that provides an explanation of the reasons for managers in choosing methods is the political cost hypothesis. When managers want low political costs, they tend to choose accounting principles or methods that can slow down the recognition of current period profits, with the principle of accounting conservatism (Januarti, 2004). The results of the study prove that the practice of implementing accounting conservatism by company managers causes tight profit management and profit recognition, so that reported profits are low and the tax burden to be paid is naturally low. In line with the results of the study Windaryani and Jati, (2020) shows that a company that previously had a naturally low tax burden will comply more with tax obligations by applicable rules and ethics, or in other words, the company will reduce tax avoidance practices.

This findings in line with Zahrani *et al.*,(2023) and Alfian *et al.*, (2022) namely, accounting conservatism affects tax avoidance. On the other hand, the results of this study are not in line with the results of the study Mira and Situmorang, (2021) which states that accounting conservatism has no effect on tax avoidance.

The Effect of Cost of Debt on Tax Avoidance

Based on Table 10, the significance value of the cost of debt variable is 0.051 > 0.05. The regression coefficient value shows a value of -0.3637598, which means that the regression coefficient is negative. Based on these results, it is concluded that there is no significant relationship between cost of debt and tax avoidance as proxied by CETR. Thus, hypothesis 2 is rejected, indicating that there is no effect of X2 on Y.

Meanwhile, Article 6 paragraph (1) of the Income Tax Law states that debt interest costs can be deducted from gross income and are included in the category of Taxable Income (PKP). This applies to all loan costs, including interest that is directly related to business activities that have the potential to reduce the tax burden. The provisions regarding the deduction of debt interest from profit before tax are further regulated in Article 18 paragraph 1 of the Income Tax Law and the Regulation of the Minister of Finance Number 169/PMK.03/2015, which discusses the provisions on the comparison between the amount of debt and company equity in calculating income tax. This provision aims to prevent tax avoidance practices by taxpayers by relying on debt-based financing to reduce profits and tax burdens. This regulation stipulates that the cost of debt that may be deducted from taxable income is the amount of interest on debt that has a ratio to capital of no more than 4 to 1 (4:1). Thus, companies are required to be very careful in managing their funding structure. Therefore, not all companies that avoid taxes have a high proportion of cost of debt (Zamifa et al., 2022).

The results of this study prove that energy sector companies listed on the IDX in 2021-2023 no longer use cost of debt as a means of tax avoidance because they are very careful in managing debt following PMK Number 169 / PMK.03 / 2015. With this regulation, energy sector companies in this study no longer use cost of debt as a means of tax avoidance, as evidenced by the absence of cost of debt on the tax avoidance of energy sector companies in this study. The results of this study are in line with the results of the study of Farina, (2021) and Yunianti *et al*. (2024) which states that there is no significant relationship between cost of debt and tax avoidance. However, this is not in line with the results of the study by Salmawanti and Irawati, (2024) which states that cost of debt affect tax avoidance.

The Influence of Accounting Conservatism on Tax Avoidance with CSR as a Moderating Variable

Based on the results of the subgroup analysis of Table 11, the R-squared results were quite different. Therefore, the CSR variable in moderating the influence of accounting conservatism is a potential moderating variable or also called a homologizer moderator. The regression coefficient value is -2.217306, which means that if the accounting conservatism variable moderated by CSR (X1Z) increases by 1 unit, the tax avoidance variable will decrease by -2.217306. The coefficient value is negative, meaning that there is a negative relationship between the accounting conservatism variable, moderated by CSR and tax avoidance. Based on the legitimacy theory, companies that disclose CSR to the maximum will certainly be careful in making decisions so as not to lose the trust of stakeholders. One way is to apply accounting conservatism. This is because accounting conservatism can limit selfish management actions to report excessive profits for their interests. (Caniago and Serly, 2022). Companies that fulfil CSR disclosure tend to apply the principle of conservatism in financial reporting. This is because CSR disclosure requires transparency and ethics in company management, so companies that have high CSR will be more conservative in presenting financial reports (Agata et al. 2021). Companies that are active in CSR are more likely to implement accounting conservatism to avoid excessive expectations from shareholders and maintain financial stability. This is because companies with high CSR commitments tend to be more transparent and careful in presenting financial information.

Accounting conservatism is applied to reduce information asymmetry, reduce litigation risks, and increase stakeholder trust by avoiding overly optimistic profit reporting. Therefore, the broader the CSR disclosure reported by the company, the application of conservative principles in financial statements also increase (Ikma and Syafruddin, 2019). The higher the level of conservatism of a company, the lower the reported profit will be, so that the company's tax will be. The lower the tax costs that must be paid, the company will tend to reduce tax avoidance because its tax burden is naturally low. (Windaryani and Jati, 2020).

The Effect of Cost of Debt on Tax Avoidance with CSR as a Moderating Variable

The results of the subgroup analysis of Table 11 explained that the CSR moderation variable does not act as a moderation variable in moderating the effect of cost of debt on tax avoidance. Based on this, Hypothesis 4 (H4) in this study is rejected, where CSR is unable to moderate the effect of cost of debt on tax avoidance.

The results of this study indicate that high or low levels of CSR disclosure will not moderate the effect of cost of debt on tax avoidance. This is because the companies in this study follow the applicable regulations regarding the amount of interest that can be deducted in calculating Income Tax, so that they no longer use cost of debt as a means of tax avoidance.

Based on the Regulation of the Minister of Finance (PMK) Number 169 / PMK.03 / 201,5, which regulates the Determination of the Amount of the Ratio between Debt and Company Capital to calculate Income Tax. This regulation regulates the cost of debt that can be deducted as an expense is the amount of interest on debt that has a ratio of capital of at most four to one (4:1). Due to this, energy sector companies in this study no longer engage in tax avoidance through cost of debt. Consistent with the results of the second hypothesis test that cost of debt does not affect tax avoidance, CSR also cannot control the impact of cost of debt on tax avoidance. Therefore, the disclosure of CSR disclosed in the company's Sustainability Report also cannot moderate the effect of cost of debt on tax avoidance because the company has followed the regulation.

CONCLUSION

The results of this study prove that the application of the principle of accounting conservatism has an impact on the tendency of companies to practice tax avoidance. The more conservative the financial statements prepared, the smaller the potential tax payable becomes, thus reducing the incentive for managers to actively avoid taxes. In addition, the findings of this study indicate that CSR can moderate the relationship between accounting conservatism and tax avoidance. Conversely, the relationship between cost of debt and tax avoidance is not significant, and CSR is not able to moderate the relationship. The limitations of this study can be seen from the R2 value of only 21.05%, which explains that the variables studied in this study are only able to explain a small part of the variation in tax avoidance actions. For further researchers, further research is needed by including other variables that will provide a more comprehensive understanding and increase the accuracy in explaining the factors that influence tax avoidance. The results of this study have implications for increasing understanding of the factors related to tax avoidance, as well as providing additional information for policymakers and practitioners in designing more effective tax policies.

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