# CHAPTER V

# CONCLUSION

## 5.1 Conclusion

This study aimed to look at how factors like CSR performance, environmental performance, and political connections affect how aggressively a company takes advantage of tax policies. The sample included every company that was listed on the Indonesia Stock Exchange during the three year study period, which ran from 2022 to 2024.

The study's conclusions describe the various ways in which each variable affects corporation tax policy based on the findings of the hypothesis testing and the discussion in the preceding chapter. The Effective Tax Rate (ETR) was found to be significantly positively impacted by CSR performance, suggesting that when CSR performance rises, the ETR likewise tends to rise. This result suggests that corporate social responsibility performance has a substantial negative impact on tax aggressiveness since ETR operates in the opposite way in relation to tax aggressiveness. This suggests that upholding a strong ethical position by obtaining a high ESG score can act as an internal safeguard against tax manipulation and guaranty the company's continued credibility and dependability to its stakeholders.

On the other hand, when testing the second variable, it is shown that Environmental Performance does not significantly affect Tax Aggressiveness. This means that when management makes decisions about tax policy, they do not mainly focus on whether a company gets a proper rating. Operational nature conservation policies work on their own because they are seen as just things that must be followed, so they don't change how the finance team decides to focus on smart economic factors when making tax plans.

Finally, the Political Connection variable was also found to have no significant influence on corporate tax aggressiveness. These results indicate that the presence or absence of management's closeness to the circle of power is no longer the primary determining factor in corporate tax policy. Instead, this phenomenon illustrates that strong public oversight and the demands for transparency in the modern tax system are able to make all corporations act more professionally, so that political privileges are no longer effectively used as an instrument for aggressive tax management.

## 5.2 Implication

The study's conclusions draw attention to a number of important issues that are pertinent to many different domains, including theoretical frameworks, real world applications, and policy formulation. All of these issues are related to how Indonesian corporation tax laws, political influence, and sustainability performance interact. The results of this study theoretically add substantial empirical evidence to the field of tax accounting, especially with regard to the influence of a company's non financial attributes on its degree of tax aggression. Compared to simply following stringent environmental standards, this research suggests that a company's performance in corporate social responsibility serves as a more effective internal mechanism for preventing opportunistic tax strategies. These results contribute to the tax literature by demonstrating that when social, governance, and environmental factors are fully integrated into an ESG score, it can help establish strong internal controls that increase the Effective Tax Rate (ETR).This, in turn, results in reduced tax aggressive behavior.

In contrast, the literature on environmental performance has been shown to operate independently of a company's core financial policies that is achieving a PROPER rating by management is considered merely to fulfill mandatory compliance and is therefore not a consideration for the finance division when formulating tax strategies. Furthermore, the results of this study provide an important redefinition of the literature on Political Connections in developing countries by demonstrating that political privilege no longer has bargaining power or direct influence on the level of corporate tax aggressiveness. This phenomenon enriches the treasury of modern tax theory, stating that strict regulatory transparency and oversight of the current tax system can neutralize political privilege, so that all corporations stand equal before the law regardless of their political networks.

In practice, this research will be very useful for company management in Indonesia to understand that pursuing a reputation for sustainability cannot be done partially. Management must realize that achieving high CSR scores must be consistently aligned with ethical and transparent tax policies, because tax aggressive practices that contradict sustainability claims can at any time trigger scandals that damage long term stakeholder trust.

From a policy perspective, these findings emphasize the need for regulators and tax authorities, such as the Directorate General of Taxes, to strengthen oversight of companies that demonstrate a low commitment to ESG integration. Since strict regulatory oversight has proven successful in suppressing the negative influence of political connections, institutional policies and transparency of external oversight must be maintained and directly linked to tax compliance standards in order to accelerate the creation of a more accountable and fair business ecosystem in Indonesia.



## 5.3 Limitation

This study is expected to contribute valuable practical insights to the area of tax accounting in Indonesia, although there are certain limitations that should be acknowledged, and these can also highlight potential directions for future research. In this study, the assessment of CSR performance is heavily reliant on secondary data supplied by a third party source known as the Refinitiv Eikon database. This limits the number of companies we can analyze since not all companies listed on the Indonesia Stock Exchange (IDX) have complete ESG scores accessible through this global platform. Second, the measure used for Environmental Performance only includes the government's proper rating, which does not fully reflect all types of green investments or the extent to which a company contributes to environmental protection.

Third, the Political Connection variable is assessed through a dummy variable that examines the background of board members or directors who have ties to the military, government bureaucracy, political parties, or significant shareholders within the company. It doesn't really explain how strong the informal relationships are or how political influence actually functions within corporate environments. Fourth, the study's observation period is relatively short, as it only spans the years 2022 to 2024. This indicates that the results cannot reveal long term trends in how managers behave in their own interest or completely explain the impact of changes in tax rules following the pandemic. This study does not consider several other significant factors related to internal governance, such as the quality of audits, the compensation of managers, or the structure of ownership by institutions, which may also have a major influence on or decrease the level of aggressive tax behavior in Indonesia.

## 5.4 Suggestion

Based on the limitations above, here are some recommendations for further research:



1. Further researchers are advised not to rely solely on the Refinitiv database, but to include other data sources, such as companies' independent sustainability reports, to increase the sample size.
2. For the Environmental Performance variable, future research could include proxies other than PROPER, such as the amount of a company's budget allocated to environmental matters.
3. The Political Connections variable in this study was measured using a dummy variable based on whether or not any commissioners, directors or

shareholders had a political or military background. This method cannot accurately measure the extent of political intervention, informal ties, or lobbying power that actually occurs within a company's operations. Further researchers are expected to explore more specific and in depth methods for measuring political connections. For example, measuring the percentage of board members with political connections.

4. It is recommended to extend the research period so that the results can more accurately capture the upward and downward trends in corporate tax aggressiveness.
5. Future research could add other variables related to corporate governance, such as audit committee size or institutional ownership, to identify other factors that may mitigate tax aggressiveness.