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Drivers of Tax Aggressiveness: Evidence from Financial Distress and CSR in IDX Mining Firms

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ABSTRACT

This study examines the effect of financial distress and corporate social responsibility (CSR) on tax aggressiveness in manufacturing companies within the mining sub-sector listed on the Indonesia Stock Exchange (IDX) from 2021 to 2024. This original research employs a descriptive quantitative approach using secondary data obtained from annual reports and sustainability reports. The sample consists of 20 mining manufacturing companies observed over four years. Data analysis was conducted using SPSS version 22, applying t-tests to assess the partial effects of each variable and an F-test to evaluate their simultaneous influence on tax aggressiveness. The t-test results indicate that financial distress has a significant effect on tax aggressiveness, with a significance value of 0.014 (<0.05). Conversely, CSR does not significantly affect tax aggressiveness, as shown by a significance value of 0.074 (>0.05). The F-test demonstrates that financial distress and CSR together significantly influence tax aggressiveness, with an F-value of 3.817 and a significance level of 0.027 (<0.05). Financial distress is a significant determinant of tax aggressiveness, while CSR does not independently reduce aggressive tax practices. Collectively, both variables significantly influence tax aggressiveness among mining manufacturing companies listed on the IDX.

1. INTRODUCTION

Taxes are a source of state revenue, for the public, taxes are a burden because they reduce income, for companies, taxes imposed on company profits after taxes are imposed only on companies established in Indonesia. The definition of tax is a mandatory contribution to the state owed by individuals or bodies that is mandatory based on the law, without receiving direct compensation and is used for state needs for the greatest prosperity of the people. Different from the benefits of taxes for the state, for companies, taxes are a burden. Therefore, in a company, the tax burden must be managed well so that the company's profits are greater. This is what causes companies that carry out*tax aggressiveness* (tax aggressiveness).

Tax aggressiveness is an action carried out by taxpayers (companies) with the aim of engineering profits from a company through tax planning, either using legal methods (*tax avoidance*) and illegal *(tax evation*). Companies tend to do *tax aggressiveness* to reduce taxable income and minimize the company's tax burden (Martinez, 2017). Financial reports are a means of communication between companies and their users (Anita et al., 2023). One user of financial reports is the government. In this case, taxes are one of the levies imposed by the government. In companies, taxes paid can be considered a cost that will reduce profits. The greater the level of profit earned by the company, the greater the tax the company must pay. Companies that are taxpayers consider taxes a burden that will reduce their profits. This encourages companies to find ways to reduce the tax burden they will bear. Thus, companies will be more aggressive in implementing tax payments (Higgins et al., 2015).

In Indonesia, there are several cases or practices related to the occurrence of *tax aggressiveness* that have been revealed. One of them is the case carried out by PT. Adora Energy Tbk in 2019 with the system*transfer pricing*PT Adora Energy Tbk is a very large mining company in Indonesia. Based on the witness report,*Global Witness* about *Taxing Time For Adaro*, Adora Energy Tbk has converted Indonesian coal mining profits into tax-free locations for its subsidiaries *Coaltrade Services*

*International*Singapore-based company. This was done to reduce the tax burden in Indonesia by transferring funds to an affiliated company. The company has reduced its tax liability in Indonesia by US$14 million per year. In addition to this case, another case was carried out by a consumer goods company, British American Tobacco, through PT Bentoel Internasional Investama, which committed tax evasion by diverting half of its income. PT Adaro Energy Tbk has diverted part of its income outside Indonesia through intra-company loans. The impact of this tax evasion is that the state suffers losses of approximately US$11 million per year (*Indonesia Audit Watch Reports Alleged Tax Evasion by Mining Firms to Mahfud Md - News En.Tempo.Co*, n.d.)

The latest case of PT. Timah Tbk in 2024, PT Refined Bangka Tin was also caught up in the alleged corruption PT Timah is implicated in a corruption case involving the trade of tin commodities within its 2015-2022 Mining Business License (IUP). The company is suspected of receiving proceeds of corruption disguised as government funds.*corporate social responsibility*(CSR) from entrepreneurs and Losses from Tin Corruption Reach IDR 271 Trillion (*After Cars, AGO Targets Money Laundering from Tin Mines Such as Smelters*, n.d.)

There are several factors that influence companies to carry out *tax aggressiveness*, that is *financial distress.* This is an early sign of corporate bankruptcy, where the company experiences difficulties in managing its finances and is unable to meet its obligations (Ayem et al., 2020; Reschiwati, 2022). Based on the conclusions of previous research, *financial distress* has a positive impact on *tax aggressiveness* because it can be seen that the calculated t is 2.546 > t table is 2.003 with a significance level of 0.014 < 0.05 meaning H_0rejected and $H_a$accepted. Likewise, research from (Nugroho et al., 2020) stated that *financial distress* has a significant impact on*tax aggressivenes*. *Financial distress* calculated using the (Altman, 1968) Z-model *Score* because this model provides more accurate results. This opinion is supported by research conducted by (EDT & Seriska, 2022) entitled Altman Z-*Score* And *Springate*: Comparative Method in Predicting the Possibility of Bankruptcy of a Company with research results explaining that based on the research results, for further research using the Altman Z-method*Score* In predicting bankruptcy, it can be concluded that the assessment of the company is more accurate because of the level of accuracy of the Altman Z-method.*Score* greater than the method *Springate*.

Besides *Financial distress*, factors *Corporate Social Responsibility* (CSR) or corporate social and environmental responsibility is defined as an action taken by a company as a form of corporate responsibility towards the social and environmental areas surrounding the company's activities. Through the program*Corporate Social Responsibility* (CSR), companies are expected to increase public trust, thereby improving the company's image (EDT et al., 2023). In addition to improving the company's image, the CSR program*Corporate Social Responsibility* (CSR) can also attract public response to the company's products, thereby increasing the company's ability to generate net profit (Saputra et al., 2022). Based on the conclusions of previous studies, namely (Nugroho et al., 2020; Septanta et al., 2023),*corporate social resposibility* has a positive influence on*tax aggressiveness.* This is due to the implementation*corporate social resposibility*The delay in recognizing revenue and the acceleration of recognizing expenses or losses will then impact the profit used to calculate a company's tax obligations. Financial statements often contain estimates.

Based on the phenomena that occur, there are still many companies that do this.*tax aggressiveness*to minimize a company's profits so that the taxes the company pays to the government are lower than they should be. By doing this*tax aggressiveness*by companies causes state revenue from taxes to decrease and the state can even experience losses due to this.*tax aggressiveness* which is conducted. Based on the description above, the researcher was motivated to conduct this study because she wanted to determine whether the results of her research would be the same or different if conducted with different companies and time periods.

This study investigates how financial distress and Corporate Social Responsibility (CSR) influence tax aggressiveness among mining-subsector manufacturing firms listed on the Indonesia Stock Exchange (IDX). Financial distress may increase pressure to minimize tax expenses, whereas CSR practices are often associated with ethical behavior that discourages aggressive tax strategies (Ariff et al., 2023; Lanis & Richardson, 2012; Safitri et al., 2024). The framework of this study reflects the theoretical relationships among these variables.

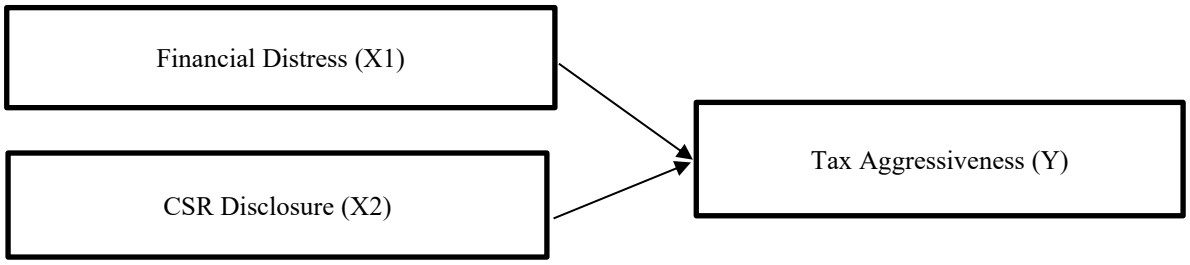


Figure 1. Research Framework

Firms experiencing financial distress often adopt tax strategies that reduce tax obligations to improve short-term liquidity. Prior studies show that financial pressure increases the likelihood of aggressive tax planning (Ariff et al., 2023; Safitri et al., 2024).

H1: Financial distress has a significant effect on tax aggressiveness.

CSR reflects a company's commitment to transparency and ethical behavior. Firms with higher CSR disclosure are less likely to engage in practices perceived as unethical, including aggressive tax strategies. Evidence suggests that CSR reduces tax aggressiveness (Lanis & Richardson, 2012; Pradnyadari & Rohman, 2015).

H2: Corporate Social Responsibility (CSR) has a significant effect on tax aggressiveness.

Financial distress may increase tax aggressiveness, while CSR may moderate or counteract such behavior. The combined influence of financial distress and CSR shapes a firm's overall tax strategy (Ariff et al., 2023; Lanis & Richardson, 2012; Pradnyadari & Rohman, 2015; Safitri et al., 2024).

H3: Financial distress and Corporate Social Responsibility (CSR) simultaneously affect tax aggressiveness.

II. METHOD

This study employs a quantitative research method using descriptive and verificative approaches. The descriptive method is applied to explain the characteristics of the variables—financial distress and corporate social responsibility (CSR)—as they appear in the mining subsector manufacturing companies listed on the Indonesia Stock Exchange (IDX). The verificative approach is used to test the hypotheses and validate the theoretical relationships between financial distress, CSR, and tax aggressiveness. The design enables the researcher to objectively measure numerical data and statistically analyze the causal influence between variables.

The population consists of mining subsector manufacturing companies listed on the IDX during 2020–2023. Using purposive sampling based on specific criteria—such as availability of complete financial reports and CSR disclosures—20 companies were selected, yielding 80 total observations across four years. The data used are secondary data obtained through documentation techniques, collected from audited annual reports and sustainability reports accessed through the IDX official website and the companies' websites. This study uses quantitative data, which were processed and analyzed using SPSS version 22.

The operational definitions include financial distress measured using the Altman Z-score model, CSR measured through the Corporate Social Responsibility Index (CSRI) based on GRI-G4 indicators, and tax aggressiveness measured using the Effective Tax Rate (ETR). Data analysis techniques include descriptive statistics, classical assumption tests (normality, multicollinearity, heteroscedasticity, and autocorrelation), and multiple linear regression analysis. Hypothesis testing was performed using t-tests for partial effects, F-tests for simultaneous effects, and the coefficient of determination (R^2) to assess model accuracy.

III. RESULTS

The mining industry subsector in Indonesia plays a pivotal role in supporting national economic growth, particularly through the extraction and production of mineral and coal commodities. During the 2020–2023 period, companies in this subsector faced dynamic external conditions shaped by fluctuating global commodity prices, shifting demand from major trading partners, and continued policy adjustments in the domestic regulatory environment. Despite the disruptions caused by the COVID-19 pandemic in the early part of the period, many mining firms demonstrated resilience by optimizing operational efficiency, enhancing digitalization in mining processes, and strengthening sustainability practices. These strategic responses allowed mining companies to maintain production stability and capitalize on the rebound in commodity markets beginning in 2021.

From 2021 to 2023, mining subsector companies experienced significant improvements in financial performance as global commodity prices—especially for coal, nickel, and other strategic minerals—reached historical highs. This favorable market environment contributed to increased revenues, stronger profitability, and improved cash flow positions across the industry. At the same time, firms expanded their investment activities, particularly in downstream processing and environmentally responsible mining practices, in alignment with Indonesia's long-term economic transformation agenda. As a result, the mining subsector during this period not only strengthened its contribution to national exports and fiscal revenues but also played a strategic role in supporting the development of value-added industries and sustainable resource management.

This study presents descriptive statistics to provide an initial overview of the characteristics of the research data. Descriptive statistics are used to examine the basic patterns of each variable through minimum, maximum, mean, and standard deviation values. This information is essential for understanding the distribution of tax aggressiveness, financial distress, and Corporate Social Responsibility (CSR) among the sampled companies prior to further analysis.

Table 1: Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Tax Aggressiveness	80	-9.685	1.087	.14474	1.137109
Financial Distress	80	.334	20.407	5.06295	4.468654
Corporate Social Responsibility (CSR)	80	.077	.890	.40250	.246479
Valid N (listwise)	80				

Source: SPSS Processed Results. Version 22.00, 2025

Based on the results presented in Table 4.3, the tax aggressiveness variable has an average value of 0.14474, with a minimum of –9.685 and a maximum of 1.087, and a standard deviation of 1.137109. The financial distress variable shows a mean of 5.06295, ranging from 0.334 to 20.407, with a standard deviation of 4.468654. Meanwhile, the Corporate Social Responsibility (CSR) variable has an average value of 0.40250, a minimum of 0.077, a maximum of 0.890, and a standard deviation of 0.246479. These results provide an initial illustration of the variation and distribution of each variable used in this study.

Several assumptions are made when conducting multiple linear regression analysis, including classical assumptions, including normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests. A brief discussion of these classical assumption tests is as follows:

Normality Test

The normality test aims to examine whether the residuals in the regression model are normally distributed, which is a fundamental assumption of classical linear regression. The test was conducted using the One-Sample Kolmogorov–Smirnov (K–S) test, where a significance value greater than 0.05 indicates normally distributed data (Ghozali, 2018). The initial results show a significance value of 0.000, suggesting that the residuals were not normally distributed due to the presence of extreme values in *tax aggressiveness*, *financial distress*, and *corporate social responsibility (CSR)*.

Table 2: Normality Test Results (After Transformation)

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residues
N		73
Parameter Normala,b	Means	0,0000000
	Standard Deviation	.17931819
The Most Extreme Difference	Absolute	0,083
	Positive	.079
	Negative	-.083
Test Statistics		0,083
Asymptomatic. Significance (2 tails)		.200[cd]

a. The test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Source: SPSS Processed Results. Version 22.00, 2025

To address this issue, data transformation was performed, and extreme observations were excluded, resulting in 73 valid observations. After transformation, the K–S test yielded a significance value of 0.200, exceeding the 0.05 threshold. This result indicates that the residuals follow a normal distribution, thereby satisfying the normality assumption and allowing further regression analysis.

Multicollinearity Test

The multicollinearity test was conducted to assess the presence of correlation among the independent variables, which may distort regression estimates and weaken statistical inference. Multicollinearity was evaluated using Tolerance and Variance Inflation Factor (VIF) values, where tolerance values below 0.10 or VIF values above 10 indicate serious multicollinearity issues (Ghozali, 2017).

Table 3: Multicollinearity Test Results

Coefficient

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Financial distress	.919	1.089
	Corporate Social Responsibility (CSR)	.919	1.089

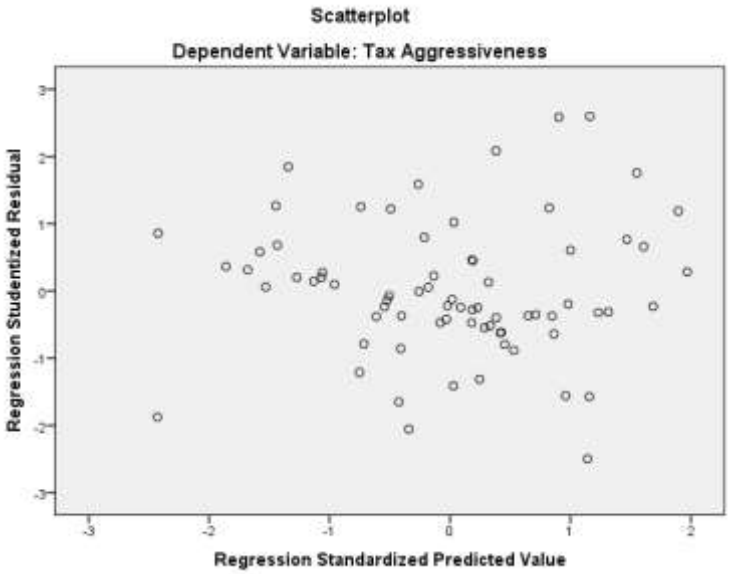
a. Dependent Variable: Tax Aggressiveness

Source: SPSS Processed Results. Version 22.00, 2025

The results show that both *financial distress* and *CSR* have tolerance values of 0.919 and VIF values of 1.089. These values are well within the acceptable range, indicating that the independent variables are not highly correlated. Therefore, the regression model is free from multicollinearity and suitable for hypothesis testing.

Heteroscedasticity Test

The heteroscedasticity test aims to determine whether the variance of residuals is constant across observations. The presence of heteroscedasticity may lead to inefficient and biased standard errors. This study employed a scatterplot analysis by examining the distribution of standardized residuals against predicted values.



Source: SPSS Processed Results. Version 22.00, 2025

Figure 2. Heteroscedasticity Test

The scatterplot reveals that residuals are randomly dispersed above and below the zero line without forming any discernible pattern. This indicates the absence of heteroscedasticity, suggesting that the regression model meets the homoscedasticity assumption and produces reliable parameter estimates.

Autocorrelation Test

The autocorrelation test was performed to detect serial correlation between residuals across time, which is particularly relevant in panel and time-series data. The Durbin–Watson (DW) test was employed, where values between −2 and +2 indicate no autocorrelation.

Table 4: Durbin-Watson Autocorrelation Test Results

Model Summary[b]

Model	R	R Square	Adjusted R Squared	Standard Error of Estimate	Durbin-Watson
1	.314A	0,098	.073	.181862	1.592

a. Predictors: (Constant), Corporate Social Responsibility (CSR), Financial Distress

b. Dependent Variable: Tax Aggressiveness

Source: SPSS Processed Results. Version 22.00, 2025

The results show a Durbin–Watson statistic of 1.592, which falls within the acceptable range. This finding confirms that the regression residuals are not serially correlated, indicating that the model satisfies the independence of errors assumption.

Multiple Linear Regression Analysis

Multiple linear regression analysis was employed to examine the direction and magnitude of the effects of *financial distress* and *CSR* on *tax aggressiveness*. The estimated regression equation is expressed as:

Table 5: Multiple Linear Regression Test Results

Coefficient

Model		Unstandardized Coefficients		Standardized Coefficient	T	Sig.
		B	Standard Error	Beta		
1	(Constant)	0,761	.096		7.911	.000
	Financial distress	-0,062	0,025	-.298	-2.515	0,014
	Corporate Social Responsibility (CSR)	-.196	.108	-.215	-1.814	.074

a. Dependent Variable: Tax Aggressiveness

Source: SPSS Processed Results. Version 22.00, 2025

The multiple regression equation model is stated in the following formula:

TA = 0.761 − 0.062 FD − 0.196 CSR + e

Information:

TA =Tax aggressiveness
FD =Financial distress
CSR =Corporate Social Responsibility(CSR)
e =Standard error

The regression results indicate that *financial distress* exhibit a negative and statistically significant relationship with *tax aggressiveness*. In contrast, *CSR* shows a negative but statistically insignificant coefficient. These findings suggest that financial constraints play a more critical role than CSR disclosure in shaping corporate tax behavior.

Partial Hypothesis Testing (t-test)

The t-test results reveal that *financial distress* significantly affect *tax aggressiveness*, as indicated by a t-value of −2.515 and a p-value of 0.014. This finding supports the first hypothesis and suggests that firms experiencing greater financial distress tend to reduce aggressive tax strategies to avoid additional financial and regulatory risks.

Conversely, *CSR* does not have a statistically significant effect on *tax aggressiveness*, with a p-value of 0.074. This result implies that CSR disclosure may not be a decisive factor in corporate tax planning decisions, possibly due to symbolic reporting or incomplete disclosure of CSR-related expenditures.

Simultaneous Hypothesis Testing (F-test)

The F-test was conducted to evaluate the joint effect of *financial distress* and *CSR* on *tax aggressiveness*. The results indicate an F-statistic of 3.817 with a significance level of 0.027, demonstrating that the regression model is statistically significant.

Table 6: F Test Results

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.252	2	.126	3.817	.027[b]
	Residual	2.315	70	.033		
	Total	2.568	72			

a. Dependent Variable: Tax Aggressiveness

b. Predictors: (Constant), Corporate Social Responsibility (CSR), Financial Distress

Source: SPSS Processed Results. Version 22.00, 2025

These findings suggest that, when considered simultaneously, *financial distress* and *CSR* jointly influence corporate tax aggressiveness. This confirms the appropriateness of the model in explaining variations in tax aggressiveness among manufacturing firms in the mining subsector.

Coefficient of Determination (R^2)

The coefficient of determination was used to assess the explanatory power of the regression model. The results indicate an **Adjusted R^2 value of 0.073**, meaning that approximately 7.3% of the variation in *tax aggressiveness* is explained by *financial distress* and *CSR*.

Table 7: Results of the Determination Coefficient Test (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Squared	Standard Error of Estimate	Durbin-Watson
1	.314[A]	0,098	.073	.181862	1.592

a. Predictors: (Constant), Corporate Social Responsibility (CSR), Financial Distress

b. Dependent Variable: Tax Aggressiveness

Source: SPSS Processed Results. Version 22.00, 2025

Although the explanatory power of the model is relatively modest, this level is acceptable in corporate governance and taxation studies, where tax behavior is influenced by multiple institutional, regulatory, and firm-specific factors beyond the scope of the current model.

IV. DISCUSSION

Financial distress and Tax Aggressiveness

The findings indicate that financial distress have a significant negative effect on tax aggressiveness. From the perspective of Agency Theory, firms experiencing financial distress tend to reduce aggressive tax strategies due to heightened monitoring by creditors and external stakeholders. Increased financial constraints intensify agency conflicts between managers and debt holders, encouraging managers to adopt more conservative financial and tax policies to mitigate default risk and maintain firm credibility (Frank et al., 2009).

Furthermore, Risk Theory provides an additional explanation for this relationship. Tax aggressiveness is inherently associated with regulatory uncertainty, potential penalties, and reputational costs. Firms facing financial distress prioritize liquidity preservation and survival, making them less willing to engage in risky tax planning strategies that could trigger tax audits or legal sanctions. This result supports prior studies suggesting that financially constrained firms avoid tax aggressiveness as part of a broader risk-avoidance strategy (Richardson et al., 2015).

Corporate Social Responsibility and Tax Aggressiveness

The empirical results show that CSR does not have a significant effect on tax aggressiveness. This finding challenges the normative assumption derived from Legitimacy Theory, which suggests that socially responsible firms are more likely to comply with tax obligations as part of ethical business conduct. In practice, CSR disclosure may function primarily as a symbolic legitimacy tool rather than reflecting substantive ethical behavior, particularly in relation to taxation.

Moreover, the insignificant relationship may indicate that CSR disclosure does not fully capture actual CSR expenditures or corporate commitment to social responsibility. Prior studies argue that firms may strategically decouple CSR reporting from tax practices, using CSR disclosure to maintain legitimacy while simultaneously pursuing tax minimization strategies (Lanis & Richardson, 2012). This finding implies that CSR disclosure alone is insufficient to explain corporate tax behavior without considering the quality and credibility of CSR implementation.

Simultaneous Effect of Financial distress and CSR on Tax Aggressiveness

The simultaneous test results reveal that financial distress and CSR jointly influence tax aggressiveness, although the model's explanatory power remains modest. From an integrative theoretical perspective, financial constraints appear to exert a more dominant influence on tax behavior than CSR considerations. This suggests that economic survival considerations outweigh reputational or legitimacy motives when firms determine their tax strategies.

The relatively low adjusted R^2 value is consistent with prior taxation literature, which recognizes that corporate tax aggressiveness is shaped by a complex interaction of governance mechanisms, firm characteristics, regulatory environments, and institutional pressures. Thus, while financial distress and CSR contribute to explaining tax aggressiveness, future studies should incorporate additional variables such as corporate governance quality, political connections, ownership structure, and enforcement intensity to enhance explanatory power (Frank et al., 2009; Richardson et al., 2015).

V. CONCLUSION

This study examines the effects of financial distress and corporate social responsibility (CSR) on tax aggressiveness among manufacturing firms in the mining subsector listed on the Indonesian Stock Exchange during the 2020–2023 period. The empirical results demonstrate that financial distress have a significant negative impact on tax aggressiveness, indicating that financially constrained firms tend to adopt more conservative tax strategies. This finding suggests that firms prioritize liquidity preservation and risk reduction over aggressive tax planning when facing financial distress. In contrast, CSR does not exhibit a statistically significant influence on tax aggressiveness, implying that CSR disclosure alone may not adequately reflect firms' ethical orientation or actual commitment to responsible tax behavior.

Overall, the results highlight the dominant role of economic and financial conditions in shaping corporate tax decisions compared to reputational or legitimacy considerations. The relatively modest explanatory power of the model further suggests that corporate tax aggressiveness is a multifaceted phenomenon influenced by a broader set of governance, institutional, and regulatory factors. These findings contribute to the tax literature by extending empirical evidence from an emerging market context and by emphasizing the importance of financial constraints in understanding firms' tax behavior. Future research is encouraged to incorporate additional governance and institutional variables to provide a more comprehensive explanation of corporate tax aggressiveness.

Limitations and Future Research

Despite its contributions, this study has several limitations that should be acknowledged. First, the explanatory power of the model is relatively modest, indicating that tax aggressiveness is influenced by a wide range of factors beyond financial distress and CSR. Second, the study relies on secondary data and disclosure-based measures, which may not fully capture firms' actual tax planning strategies or CSR implementation. Third, the sample is limited to manufacturing firms in the mining subsector, which may restrict the generalizability of the findings to other industries or institutional contexts.

Future research is encouraged to incorporate additional variables such as corporate governance mechanisms, ownership structure, political connections, and tax enforcement intensity to enhance explanatory power. Longitudinal or cross-country comparative studies could also provide deeper insights into how institutional environments shape corporate tax behavior. Moreover, future studies may benefit from employing alternative measures of CSR quality and tax aggressiveness to better capture the substantive nature of firms' ethical and fiscal decisions.

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VII. DISCLOSURE

The author(s) declare that there are no known financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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