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LEVERAGE, AUDIT QUALITY AND SUSTAINABILITY REPORTING EFFECTS ON TAX AVOIDANCE: CORPORATE REPUTATION MODERATION

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ABSTRACT

State tax revenue continues to show fluctuating development, influenced in part by corporate behavior in managing tax obligations through tax avoidance practices. This study aims to examine the effect of leverage, audit quality and sustainability report on tax avoidance, with company reputation as a moderating variable. This study uses a quantitative method with an explanatory research approach. The sampling technique used in purposive sampling, resulting in 23 companies with a total of 115 sample data. Data were analyzed using the Structural Equation Modeling (SEM) approach based on Partial Least Square (PLS) with the assistance of SmartPLS software. The results show that leverage and audit quality have a significant effect, while sustainability report has no significant effect. In addition, company reputation is not proven to moderate the relationship between leverage, audit quality and sustainability report on tax avoidance.

Keywords: Leverage, Audit Quality, Sustainability Report, Company Reputation, Tax Avoidance

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INTRODUCTION

Taxes play an important role as one of the main sources of state revenue. Taxes contribute to the country's economic development and finance various government activities, such as infrastructure development and public services aimed at serving the public interest (Arinda et al., 2022). Nevertheless, tax revenue performance continues to show fluctuating developments. Based on the 2010 series Gross Domestic Product data published by Badan Pusat Statistik on its official website, the taxes less subsidies on products component in 2025 experienced a year on year decrease of 3.31% in the first quarter, followed by an increase of 9.26% in the second quarter, before declining again by 1.05% in the third quarter.

Table 1. Tax Realization of Manufacturing Companies Listed on the Indonesia Stock Exchange

NO	Nama Perusahaan	Periode				Pertumbuhan (%)		
		2021	2022	2023	2024	2022	2023	2024
1	PT Mayora Indah Tbk	338.595.908.733	535.992.979.785	848.843.741.591	813.426.817.929	58%	37%	-4%
2	PT Nippon Indosari Corpindo Tbk	75.561.290.420	127.596.375.555	92.456.712.920	103.306.321.770	69%	-38%	11%
3	PT Akasha Wira International Tbk	71.835.000.000	101.354.000.000	109.976.000.000	143.226.000.000	41%	8%	23%
4	PT Indofood Sukses Makmur Tbk	3.258.958.000.000	3.126.196.000.000	4.121.651.000.000	3.962.286.000.000	-4%	24%	-4%
5	PT Unilever Indonesia Tbk	7.635.376.000.000	7.435.261.000.000	6.291.875.000.000	4.517.123.000.000	-3%	-18%	-39%

Source: Indonesia Stock Exchange, data processed in 2026.

Based on the table above, tax realization in food and beverage subsector companies from 2021 to 2024 fluctuated, which was generally influenced by the sales and profit performance of each company. PT Mayora Indah Tbk experienced a decline in 2024 due to an increase in the cost of goods sold. Meanwhile, PT Nippon Indosari Corpindo Tbk faced pressure in 2023 due to weakening consumer purchasing power and an increase in operating expenses (Bisnis.com, 2024). Incontrast, PT Akasha Wira International Tbk experienced consistent growth, driven by the post pandemic growth in the bottled drinking water segment and distribution expansion, which contributed to continued growth in sales and profit each year (Investor.id & EmitenNews.com, 2023)

PT Indofood Sukses Makmur Tbk experienced a decline due to investment losses in an associate entity in Nigeria 2022 and increased financial expenses in 2024, although its operational performance continued to grow (Snips.stockbit.com, 2023). Meanwhile, PT Unilever Indonesia Tbk experienced the most consistent decline in tax realization over three consecutive years, attributed to increasingly intense market competition, negative consumer sentiment resulting from geopolitical issues, and prolonged weakening of purchasing power, accompanied by business transformation costs (Kompas.com, 2024). Overall, these conditions indicate that companies tax payment realization is not stable from year to year and may be influenced by the characteristics and operational policies of each company.

Tax planning is basically aimed at controlling the amount of tax burden. Tax planning should be carried out for other types of taxes the involve the imposition of taxes on other parties. Errors in its implementation may result in taxpayers beig requires to pay taxes that should have been withheld or collected, as well as bearing the associated penalties. Such planning is known as tax avoidance (Arinda et al., 2022). Tax avoidance refers to actions taken by companies to legally reduce their tax burden by exploiting loopholes in tax regulations. Although legally permissible, such practices are not ecouraged by the government because they have the potential to harm the state through a significant reduction in tax revenue (Arinda et al., 2022). The objective of taxpayers in engaging in tax avoidance is to minimize their tax payments as much as possible. Taxpayers take advantage of weakness in tax laws to reduce their after tax profits (Utami & Alliyah, 2022).

Leverage indicates the extent to which a company uses debt relative to its own capital to finance its assets and operational activities. Debt is one of the alternative sources of financing, however it may also encourage tax avoidance practices because loan interest can be recognized as a deductible expense from taxable income (Utami & Alliyah, 2023). Previous studies have revealed that leverage has a significant effect on tax avoidance, as companies with high levels of debt can obtain tax savings through interest expenses. Thus, the greater the proportion of debt, the greater the opportunity for companies to reduce their tax liabilities (Mukhtaruddin, 2025). In contrast, other studies have found that leverage does not affect tax avoidance, as companies, on average, do not fully utilize debt as a means of reducing their tax burden (Febrilyantri, 2022).

Audit quality refers to the ability of external auditors to detect and report misstatements, violations, or irregularities in a company's financial statements. Companies may have incentives to minimize their tax burden in order to increase reported profits; therefore, audit quality serves as a monitoring mechanism for tax avoidance practices (Budiman, 2023). (Afifah & Wahyudi, 2024) stated that audit quality has a positive effect on tax avoidance. Their findings indicate that improvements in audit quality encourage companies to avoid tax avoidance practices. Conversely, (Wiwik & Umaimah, 2023) concluded that audit quality does not have a significant effect on tax avoidance. The use of Big Four or non-Big Four Public Accounting Firms does not result in differences in their influence on tax avoidance, as Big Four status merely represents the general reputation of a Public Accounting Firm.

Sustainability reports are prepared by companies to demonstrate their accountability in environmental, social, and economic aspects. In relation to taxation, sustainability report disclosures can help companies establish a positive image among the public and stakeholders as responsible entities (Stefani et al., 2022). A sustainability report is a report whose disclosures are measured using the Global Reporting Initiative (GRI) standards because they are comprehensive and widely used by companies worldwide, including issuers listed on the Indonesia Stock Exchange (Ananda et al., 2023). Sustainability reports may also influence tax avoidance practices (Muhlis et al., 2024). Stated that companies that disclose sustainability reports tend to have lower levels of tax avoidance. To support sustainable development goals for internal and external stakeholders, companies are encouraged to actively prepare sustainability reports. Meanwhile, (Rafzanjani, 2025) found that sustainability reports do not have a significant effect on tax avoidance practices.

Based on the research gap, the inconsistent findings regarding the effects of leverage, audit quality, and sustainability reports on tax avoidance provide a basis for conducting further research. The inconsistency in the findings regarding the effects of leverage, audit quality, and sustainability reports on tax avoidance indicates the need for other variables that may strengthen or weaken these relationships. One relevant factor is corporate reputation, as it is closely related to a company's efforts to maintain a positive image in the eyes of stakeholders. Corporate reputation is selected because it is closely associated with efforts to maintain a positive image among stakeholders. As an intangible asset, reputation can enhance the company's perceived value and foster the confidence of external parties, including investors, to invest in the company (Achmadi, 2021).

RQ1 : How does leverage affect tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange during 2021-2025 period?

RQ2 : How does audit quality affect tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange during the 2021-2025 period?

RQ3 : How does sustainability reporting affect tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange during the 2021-2025 period?

RQ4 : Does corporate reputation moderate the effect of leverage on tax avoidance?

RQ5 : Does corporate reputation moderate the effect of audit quality on tax avoidance?

RQ6 : Does corporate reputation moderate the effect of sustainability reporting on tax avoidance?

LITERATURE REVIEW, FRAMEWORK AND HYPOTHESIS

Theory of Planned Behavior (TPB)

Ajzen (1991), as cited in (Purwanto et al., 2022), explains through the Theory of Planned Behavior (TPB) that individual and organizational behavior begins with intention. This intention is influenced by three main elements, namely attitude, subjective norms, and perceived behavioral control. Attitude reflects an individual's assessment of the benefits or disadvantages of an action. Subjective norms are related to social pressure and the views of other parties that influence decision-making. Meanwhile, perceived behavioral control describes the extent to which an individual feels capable of and has control over performing a particular action (Harsono et al., 2023).

TPB explains that individuals can make deliberate decisions, including decisions made by company management regarding the company's financial conditions. In the context of corporate financial decisions, TPB explains that management actions are influenced by attitudes, subjective norms, and perceived behavioral control. Management's attitude is formed by beliefs regarding the benefits and drawbacks of making such decisions (Hagger & Hamilton, 2025). Management's attitude is reflected in its belief in the benefits of tax avoidance, particularly through the use of leverage as a means of reducing taxes resulting from interest expenses on debt. Subjective norms are reflected when management considers the expectations of investors, regulators, and society, one of which is through the disclosure of sustainability reports as a form of corporate responsibility.

Perceived behavioral control is related to the extent of management's discretion in engaging in tax avoidance, which may be constrained by audit quality as a monitoring mechanism for tax-related decisions. Corporate reputation is positioned as a moderating variable because it has the potential to strengthen or weaken the influence of attitudes, subjective norms, and perceived behavioral control in shaping management's intention to engage in tax avoidance. Companies with strong reputations tend to consider potential threats to their image and public trust before making decisions that could negatively affect their reputation in the eyes of stakeholders (Harinurdin et al., 2024).

Leverage

Franco Modigliani and Merton H. Miller (1958) explain leverage as a company's decision to use debt as a source of financing. This decision is based on the consideration that debt can provide tax savings because interest expenses on debt can reduce the tax burden. Thus, leverage measures the proportion of assets and operational activities financed through debt. A high level of leverage can reduce a company's tax burden, making debt-based financing potentially one of the forms of tax avoidance (Pabean et al., 2023). Financing for operational activities does not solely come from equity but can also be obtained through debt. The use of debt creates fixed obligations that must be fulfilled by the company. The Debt-to-Equity Ratio (DER) is used to assess the extent to which a company's financing is sourced from debt. A high DER reflects a large amount of short-term and long-term debt while also indicating the company's level of obligations to creditors. The increase in interest expenses associated with such debt can reduce the tax burden payable by the company (Prasetya, 2022).

Audit Quality

DeAngelo (1981) defines audit quality as the auditor's ability to identify and report errors or violations in a company's financial statements, ensuring that the resulting information is reliable and accurate. Auditors from large Public Accounting Firms (KAP) tend to be associated with lower levels of tax avoidance because they have a reputation to maintain. The risk of reputational loss in the event of audit failure has led many studies to use Big Four Public Accounting Firms as a proxy for audit quality. In general, audit quality reflects the probability that auditors will detect errors or violations when examining their clients' financial statements and subsequently disclose them in the audit report. Audit transparency also requires information to be presented accurately and appropriately (Nihayah & Oktaviani, 2022).

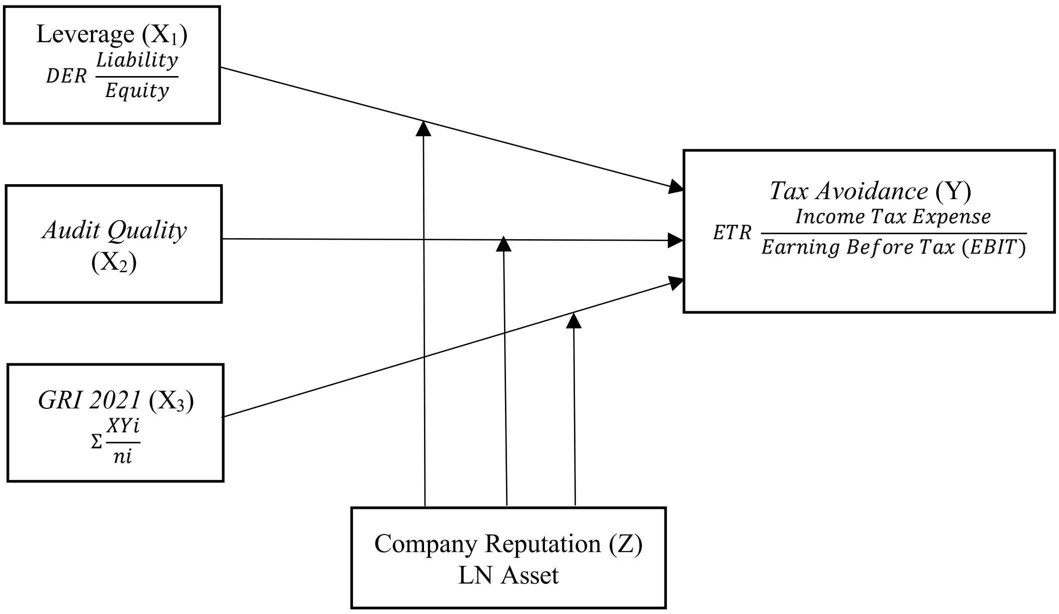
Sustainability Report

A sustainability report is a voluntary report prepared by a company to demonstrate its contributions to society through economic, social, and environmental aspects. Its preparation has developed into both a trend and a necessity because companies need to communicate information regarding their economic, social, and environmental performance to all stakeholders. The report essentially describes the impacts of the activities carried out by the company and can be categorized as a sustainability report when the performance presented over a certain period genuinely reflects the principles of sustainability (Martania Dwi Hapsari, 2023). A sustainability report contains information on the economic, social, and environmental impacts arising from a company's operational activities. The Indonesian government supports the preparation of sustainability reports through mandatory disclosure requirements under Financial Services Authority Regulation (POJK) Number 51/POJK.03/2017 concerning the implementation of sustainable finance for financial services institutions, issuers, and public companies. For companies, sustainability reports can also support the development of a positive corporate reputation (Damayanti & Widyawati, 2021).

Company Reputation

Fombrun (1996), as cited in (Bigus et al., 2024), explains that corporate reputation is a perception held by stakeholders that is formed through their continuous observation of a company's actions and performance. Reputation reflects stakeholders' assessments of a company in terms of its competence, integrity, reliability, and ability to meet stakeholder expectations. Fombrun (1991) states that corporate reputation represents a company's attractiveness in the eyes of its stakeholders. As an intangible asset, reputation is important for the sustainability of business operations because a positive image can improve financial performance, strengthen customer trust, and protect the company from various business risks. However, reputation has not always been positioned as a primary consideration in strategic decision-making. Reputation is also not formed independently but rather results from stakeholders' perceptions arising from the company's interactions with various parties, particularly business partners within the supply chain (Berlepsch et al., 2024).

Framework



Hypothesis

The Effect of Leverage on tax Avoidance

Leverage is a ratio that indicates the extent to which debt is used to finance a company's assets and operational activities. Leverage can be one of the factors that encourage tax avoidance practices because, under tax regulations, interest expenses on debt are deductible from taxable income (Utami & Alliyah, 2023). (Rahmawati & Nani, 2021) revealed that leverage affects tax avoidance, indicating that a company's financing structure is influenced by its level of debt utilization. Based on the Theory of Planned Behavior, the decision to use debt as a tax avoidance strategy stems from an attitude toward the benefits of loan interest. The perception that such an action is beneficial is also supported by perceived behavioral control, namely the belief that the company has the ability and control to manage its financing structure in order to reduce its tax liabilities.

H_1: Leverage has a significant effect on tax avoidance.

The Effect of Audit Quality on Tax Avoidance

Audit quality refers to the capacity of external auditors to detect and report misstatements, violations, and irregularities in financial statements. Management may have incentives to reduce the tax burden in order to increase reported profits. Therefore, audit quality serves as a monitoring mechanism for companies' tax avoidance practices (Budiman, 2023). Previous findings regarding this relationship have been inconsistent. (Yustin & Effendi, 2021) stated that audit quality affects tax avoidance. High-quality auditors can improve corporate transparency and compliance with tax regulations. Based on the Theory of Planned Behavior, the presence of high-quality audits acts as a subjective norm, as strict monitoring from high-quality auditors can also reduce management's perceived behavioral control in carrying out manipulative actions in tax management.

H_2: Audit Quality has a significant effect on tax avoidance.

The Effect of Sustainability Reporting on Tax Avoidance

Sustainability reporting is prepared to communicate a company's accountability regarding environmental, social, and economic aspects. In relation to taxation, companies that build a positive image among the public and stakeholders as responsible entities through sustainability report disclosure are expected to be more cautious in tax planning to avoid damaging public trust (Stefani et al., 2022). (Muhlis et al., 2024) found that sustainability reporting affects tax avoidance. Companies that actively disclose sustainability reports are considered to be making efforts to maintain their reputation and are therefore more cautious in implementing tax avoidance practices that could potentially reduce public and investor trust. Based on the Theory of Planned Behavior, the disclosure of sustainability reports reflects a company's attitude toward social and environmental responsibility and is influenced by subjective norms in the form of pressure from stakeholders for companies to behave in accordance with sustainability principles. Companies that actively disclose sustainability reports have a stronger intention to avoid practices that could damage public trust, including tax avoidance.

H_3: Sustainability reporting has a sigfinicant effect on tax avoidance.

Corporate Reputation Moderates the Effect of Leverage on Tax Avoidance

Corporate reputation is an intangible asset that reflects stakeholders' perceptions of a company's integrity and performance. Companies with a strong reputation tend to protect their corporate image by avoiding practices that may undermine public trust (Achmadi, 2021). A high level of debt allows companies to utilize interest expenses to reduce their tax burden however, companies with a good reputation may refrain from engaging in tax avoidance practices. Based on the Theory of Planned Behavior, corporate reputation acts as a subjective norm that shapes management's attitude toward the utilization of debt levels. Companies with strong reputations have a stronger intention to maintain a positive image, even when they have the opportunity to utilize debt interest expenses to reduce their tax burden. Perceived behavioral control can therefore restrain companies from engaging in tax avoidance practices.

H_4: Corporate reputation weakens the effect of leverage on tax avoidance.

Corporate Reputation Moderates the Effect of Audit Quality on Tax Avoidance

The higher the audit quality, the lower the likelihood that a company will engage in tax avoidance, as high-quality audits reflect a high level of transparency and oversight (Nihayah & Oktaviani, 2022). Companies with good reputations gain higher levels of investor trust and receive positive impacts as a result (Hamdalah et al., 2025). Therefore, the role of audit quality in companies with good reputations is expected to be stronger in reducing the level of tax avoidance, as companies will strive to maintain a positive image. Based on the Theory of Planned Behavior, the intention associated with audit quality can help maintain a positive image and strengthen corporate reputation.

H_5: Corporate reputation strengthens the effect of audit quality on tax avoidance.

Corporate Reputation Moderates the Effect of Sustainability Report on Tax Avoidance

Reputation is built through continuous interactions between companies and their stakeholders and is influenced by aspects of ethics, social responsibility, and transparency (Berlepsch et al., 2024). Companies that disclose sustainability reports strive to maintain alignment between the information disclosed and the business practices they actually implement (Adie Tirtakusuma, 2025). Based on the Theory of Planned Behavior, corporate reputation functions as a subjective norm that encourages a company's attitude to maintain alignment between sustainability report disclosures and the actual business practices implemented.

H_6: Corporate reputation strengthens the effect of sustainability reporting on tax avoidance.

METHODS

This study employs a quantitative method using an explanatory research approach to analyze the effects of leverage, audit quality, and sustainability reporting on tax avoidance, with corporate reputation as a moderating variable. Secondary data were collected using documentation techniques from the annual reports and sustainability reports of companies in the consumer goods industry sector listed on the Indonesia Stock Exchange from 2021 to 2025. The documents were obtained from the official websites of the respective companies and www.idx.co.id. The sample was determined using purposive sampling, while the data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS. Details of the sample selection based on the predetermined criteria are presented in Table 2.

Table 2. Sample Selection Criteria

NO	Sample Selection Criteria	Total of Companies
1	Total of Companies	62
2	Delisted companies, companies with incomplete data, and companies whose data websites were inaccessible	(9)
3	Companies that did not publish complete annual reports and sustainability reports during the 2021–2025 period	(20)
4	Companies that reported losses	(5)
5	Companies that did not disclose the GRI Index	(5)
Total Companies of issuers meeting the criteria		23

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Final Total (2021 – 2025)	**115**

Source: Processed by the Authors (2026)

RESULTS AND DISCUSSION

Results

This study employs a quantitative method using an explanatory research approach to analyze the effects of leverage, audit quality, and sustainability reporting on tax avoidance, with corporate reputation as a moderating variable. Secondary data were collected using documentation techniques from the annual reports and sustainability reports of companies in the consumer goods industry sector listed on the Indonesia Stock Exchange during the 2021–2025 period. The documents were obtained from the official websites of the respective companies and www.idx.co.id. The sample was determined using purposive sampling, while the data were analyzed using Partial Least Squares–Structural Equation Modeling (PLS-SEM) with SmartPLS. Details of the sample selection based on the predetermined criteria are presented in Table 2.

1. Outer model evaluation or validity testing is conducted to ensure the appropriateness of the indicators in measuring each research variable.
2. Inner model evaluation includes:
   - R-Square test to measure the ability of the independent variables and moderating variable to explain tax avoidance.
   - F-Square test to assess the magnitude of each independent variable's contribution to the dependent variable.
   - Hypothesis testing through bootstrapping to examine the significance of relationships between variables based on the original sample, T-Statistics and P-Value.

Validity Test

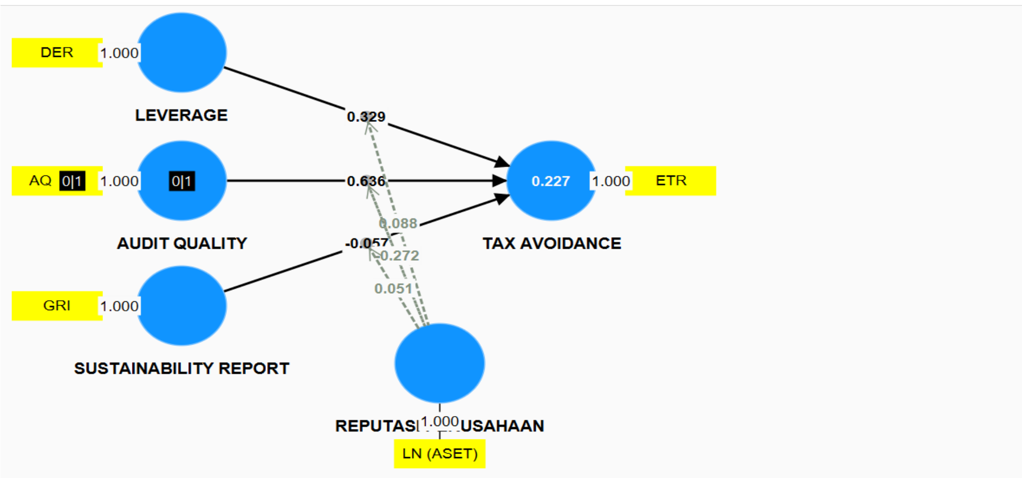

Figure 2. Validity Testing Model Using SmartPLS

The results of the outer model evaluation show that each research variable is measured using a single indicator. Since a single-indicator approach is used, the outer loading value for each variable is 1.000.

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Measurement Model Evaluation (Inner Model)

R-square - Overview

	R-square	R-square adjusted
TAX AVOIDANCE	0.227	0.176

Figure 3. R-Square test using SmartPLS

The R-Square test resulted in a value of 0.227 for the Tax Avoidance variable, while the adjusted R-Square value was 0.176. This indicates that Audit Quality, Leverage, Sustainability Reporting, and Corporate Reputation as a moderating variable are able to explain 22.7% of the variation in Tax Avoidance. Based on the classification proposed by Chin (1998), an R-Square value of 0.227 falls within the weak-to-moderate level, but remains acceptable for social science research.

F-Square

f-square - List

	f-square
AUDIT QUALITY -> TAX AVOIDANCE	0.058
LEVERAGE -> TAX AVOIDANCE	0.093
REPUTASI PERUSAHAAN -> TAX AVOIDANCE	0.008
SUSTAINABILITY REPORT -> TAX AVOIDANCE	0.003
REPUTASI PERUSAHAAN x LEVERAGE -> TAX AVOIDANCE	0.004
REPUTASI PERUSAHAAN x AUDIT QUALITY -> TAX AVOIDANCE	0.012
REPUTASI PERUSAHAAN x SUSTAINABILITY REPORT -> TAX AVOIDANCE	0.002

Figure 4. F-Square test using SmartPLS

The F-Square test is used to measure the magnitude of the contribution of the independent variables to the dependent variable, namely *tax avoidance*. Referring to Cohen (1988), F-Square values between 0.02 and 0.15 indicate a small effect; values between 0.15 and 0.35 indicate a medium effect; while values above 0.35 indicate a large effect. The results show that *leverage* contributes 0.093 and *audit quality* contributes 0.058 to *tax avoidance*. Both values fall into the small effect category.

Hypothesis Testing Results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
AUDIT QUALITY -> TAX AVOIDANCE	0,636	0,664	0,223	2,854	0,004
LEVERAGE -> TAX AVOIDANCE	0,329	0,332	0,129	2,548	0,011
SUSTAINABILITY REPORT -> TAX AVOIDANCE	-0,057	-0,063	0,095	0,599	0,549
REPUTASI PERUSAHAAN x LEVERAGE -> TAX AVOIDANCE	0,088	0,095	0,193	0,454	0,650
REPUTASI PERUSAHAAN x AUDIT QUALITY -> TAX AVOIDANCE	-0,272	-0,249	0,219	1,241	0,215
REPUTASI PERUSAHAAN x SUSTAINABILITY REPORT -> TAX AVOIDANCE	0,051	0,051	0,095	0,531	0,596

Figure 5. Hypothesis testing results using SmartPLS

1. Audit Quality has a significant effect on Tax Avoidance. The original sample value of 0.636, t-statistic of 2.854 > 1.96, and p-value of 0.004 < 0.05 support the existence of a significant effect. This finding indicates that the higher the audit quality, the lower the level of Tax Avoidance.

2. Leverage is proven to have a significant effect on Tax Avoidance, with an original sample value of 0.329, t-statistic of 2.548 > 1.96, and p-value of 0.011 < 0.05.
3. Sustainability Reporting does not have a significant effect on Tax Avoidance. The t-statistic value of 0.599 and p-value of 0.549 > 0.05 result in the rejection of the hypothesis regarding the effect of Sustainability Reporting on Tax Avoidance.
4. Sustainability Reporting does not have a significant effect on Tax Avoidance. The t-statistic value of 0.599 and p-value of 0.549 > 0.05 result in the rejection of the hypothesis regarding the effect of Sustainability Reporting on Tax Avoidance.
5. The moderation test of corporate reputation on the relationship between Audit Quality and Tax Avoidance resulted in an original sample value of −0.272, t-statistic of 1.241, and p-value of 0.125 > 0.05. Therefore, corporate reputation does not act as a moderator, and H5 is rejected.
6. The moderation test of corporate reputation on the relationship between Sustainability Reporting and Tax Avoidance resulted in an original sample value of 0.051, t-statistic of 0.531, and p-value of 0.596 > 0.05. These results indicate that there is no moderating effect, and H6 is rejected.

Results

The Effect of Leverage on Tax Avoidance

The findings show that leverage has a significant effect on tax avoidance. A high level of leverage indicates that a large portion of operational financing is obtained through debt, resulting in higher interest expenses. These interest expenses can reduce profit before tax, thereby reducing the amount of tax payable by the company. This result is consistent with the Theory of Planned Behavior, as the decision to utilize debt as a tax reduction strategy reflects management's attitude toward the company's capital structure. This strategy enables companies to reduce their tax liabilities without engaging in high-risk tax avoidance practices (Hasanah & Augustin, 2025).

The Effect of Audit Quality on Tax Avoidance

The results demonstrate that audit quality has a significant effect on tax avoidance. The higher the company's audit quality, the lower its tendency to engage in tax avoidance. High-quality audits tend to be conducted more thoroughly and independently and in accordance with professional standards. This finding supports the Theory of Planned Behavior proposed by Ajzen (1991), in which the presence of high-quality auditors acts as a subjective norm, namely external monitoring pressure that shapes management's attitude toward greater compliance with tax regulations. Auditor oversight creates a perception among management that aggressive tax avoidance practices carry high risks. This condition influences management's attitude, leading it to prefer compliance with tax regulations. It also encourages management to exercise greater caution in formulating tax policies due to stricter oversight by auditors. Thus, audit quality serves as an effective monitoring mechanism for reducing tax avoidance practices (Marinho et al., 2022).

The Effect of Sustainability Reporting on Tax Avoidance

The test results show that sustainability reporting does not have a significant effect on tax avoidance. This finding is consistent with (Rafzanjani, 2025), who also found no effect of sustainability reporting on tax avoidance. The amount of sustainability information disclosed cannot directly be used as an indicator that a company engages in tax avoidance. Based on the Theory of Planned Behavior, the insignificant effect indicates that subjective norms from stakeholders regarding sustainability report disclosure are not yet strong enough to shape the company's intention to avoid tax avoidance practices. The disclosure of sustainability reports is merely a formality to comply with regulations under the Financial Services Authority Regulation (POJK) (Muhlis et al., 2024). Disclosure of sustainability reports requires companies to incur costs to implement various environmental and social programs. These costs can generally be categorized as deductible expenses, which can reduce the company's taxable income. This indicates that companies do not utilize the costs incurred for sustainability activities as a strategy to engage in tax avoidance. The primary purpose of sustainability reporting is more focused on fulfilling social responsibility and maintaining corporate reputation rather than achieving tax savings (Stefani et al., 2022).

Corporate Reputation Moderates the Effect of Leverage on Tax Avoidance

The results show that corporate reputation does not moderate the effect of leverage on tax avoidance. Differences in reputation levels neither strengthen nor weaken the relationship between the two variables. The insignificant moderating effect also indicates that reputation is not a factor that directly determines the relationship between leverage and tax avoidance. From the TPB perspective, reputation has not been able to function as a subjective norm that exerts social pressure on management when determining the use of debt. Such decisions are more strongly influenced by behavioral beliefs, namely the belief that debt provides economic benefits through tax reductions because interest expenses can be deducted from taxable income. The use of debt is a financial decision that is primarily influenced by internal conditions, such as financing needs, cost of capital, and financial strategies. Therefore, corporate reputation is unable to moderate the relationship between leverage and tax avoidance (Xu et al., 2022).

Corporate Reputation Moderates the Effect of Audit Quality on Tax Avoidance

The study finds that corporate reputation does not moderate the relationship between audit quality and tax avoidance. The effect of audit quality on tax avoidance practices remains consistent across different levels of corporate reputation. Within the TPB framework, this relationship is more strongly influenced by subjective norms arising from the auditor's monitoring process. Independent auditors exert pressure on management to prepare financial statements fairly and fulfill tax obligations in accordance with applicable regulations. Thus, the effectiveness of audit quality is more strongly determined by the auditor's competence, independence, and professionalism (Francis, 2024). Corporate reputation neither strengthens nor weakens the effect of audit quality on tax avoidance.

Corporate Reputation Moderates the Effect of Sustainability Reporting on Tax Avoidance

The results show that corporate reputation does not moderate the relationship between sustainability reporting and tax avoidance. Sustainability report disclosure has not yet become a primary consideration in determining tax policies but rather serves as a means of transparency and fulfilling stakeholder demands (Lesmana et al., 2025). From the perspective of the Theory of Planned Behavior, corporate reputation has not been able to establish sufficiently strong subjective norms to influence management's attitude or intention to align sustainability report disclosure with corporate policies.

CONCLUSION

The analysis using Partial Least Squares–Structural Equation Modeling (PLS-SEM) on 23 manufacturing companies in the food and beverage subsector listed on the Indonesia Stock Exchange during the 2021–2025 period leads to the conclusion that leverage and audit quality have significant effects on tax avoidance. High leverage allows companies to obtain tax savings through debt interest or an interest tax shield, thereby affecting the level of tax avoidance. On the other hand, audit quality can reduce tax avoidance because competent, independent, and professional auditors enhance oversight of financial reporting and corporate tax compliance. Sustainability reporting does not have a significant effect on tax avoidance. This finding indicates that sustainability report disclosure has not yet become a major factor in determining a company's decision to engage in tax avoidance. Such disclosure is primarily intended to comply with regulations, maintain transparency, and demonstrate social responsibility to stakeholders rather than to serve as a means of reducing taxes. Therefore, the extent of sustainability reporting disclosure does not directly alter the level of tax avoidance.

The study also finds that corporate reputation does not moderate the effects of leverage, audit quality, or sustainability reporting on tax avoidance. High or low corporate reputation does not provide an additional effect that strengthens or weakens the relationships between the three independent variables and tax avoidance. Corporate tax policies are more strongly determined by the characteristics of each variable, such as financing strategies, the effectiveness of auditor oversight, and the objectives of sustainability report disclosure, rather than considerations related to maintaining corporate reputation. In general, the *Theory of Planned Behavior* (TPB) can explain the effects of *leverage* and *audit quality* on *tax avoidance* through the elements of *attitude* and *subjective norms*. However, the theory has not been able to explain the role of reputation as a moderator in the relationships between *leverage*, *audit quality*, and *sustainability reporting* and *tax avoidance*. In this study, corporate decisions regarding tax avoidance practices are more strongly influenced by economic considerations and monitoring mechanisms than by corporate reputation.

Suggestions

Based on the research findings, future studies are recommended to expand the research object by including sectors with different characteristics, such as energy, mining, or banking. The observation period may also be extended to obtain more representative results. Future research may include other variables that are expected to influence tax avoidance, such as profitability, firm size, corporate governance, institutional ownership, or capital intensity. The addition of these variables is expected to improve the model's ability to explain variations in tax avoidance. For companies, the findings of this study can be used as a consideration when formulating tax policies while remaining compliant with applicable regulations. Companies should continue to improve audit quality by selecting competent and independent auditors, as audit quality has been shown to reduce tax avoidance. The disclosure of sustainability reports should also not be positioned merely as a regulatory obligation but as a form of the company's commitment to sustainability and good corporate governance.

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