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Profitability as a Moderator of the Sustainability Disclosure-Tax Avoidance Relationship: Evidence from Indonesian Food and Beverage Manufacturing Firms, 2021-2024

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Abstract

Introduction: Sustainability disclosure has become increasingly important as stakeholders expect companies to demonstrate accountability not only for their environmental and social impacts but also for responsible tax behavior. Nevertheless, recent studies continue to report inconsistent evidence on whether broader sustainability disclosure is associated with lower tax avoidance, particularly in emerging markets. This study examined the relationship between sustainability disclosure and tax avoidance and assessed whether profitability moderated that relationship among food and beverage manufacturing companies listed on the Indonesia Stock Exchange during 2021–2024. A quantitative design was employed using secondary data obtained from annual reports and sustainability reports, with 44 firm-year observations analyzed using linear regression and moderated regression analysis. The results showed that sustainability disclosure had a negative but statistically insignificant association with CuETR ($B = -0.085$, $p = 0.185$). The interaction between sustainability disclosure and profitability was also negative and statistically insignificant ($B = -0.012$, $p = 0.600$), indicating that profitability did not significantly moderate the relationship. These null findings should be interpreted cautiously because they are based on a small, sector-specific sample of 44 firm-year observations. The findings suggest that broader sustainability disclosure does not necessarily reflect lower tax avoidance and that profitability alone may be insufficient to strengthen the relationship between sustainability disclosure and corporate tax behavior.

KEYWORDS

sustainability disclosure; tax avoidance; profitability; cash effective tax rate; legitimacy theory.

Introduction

Tax revenue is one of the primary sources of state financing used to support national development and public services. However, Indonesia continues to face challenges in improving tax compliance and strengthening its tax ratio. Companies often regard tax payments as expenses that reduce net income, creating incentives to manage their tax liabilities through tax-planning strategies. Although tax avoidance may be conducted within existing legal provisions, it can reduce government revenue and raise concerns regarding fairness, accountability, and tax compliance (Alstadsæter et al., 2022; Pujiastuti, 2021).

The food and beverage industry is a strategic sector that contributes significantly to national economic activity. Its products are basic necessities with relatively stable demand, enabling companies to generate consistent revenues and profits. Higher profitability generally increases taxable income and corporate tax liabilities, which may encourage firms to adopt tax-planning strategies to reduce their tax burden (Fadhila & Andayani, 2022). At the same time, companies in this sector operate under considerable stakeholder scrutiny because their products and operations directly affect consumers

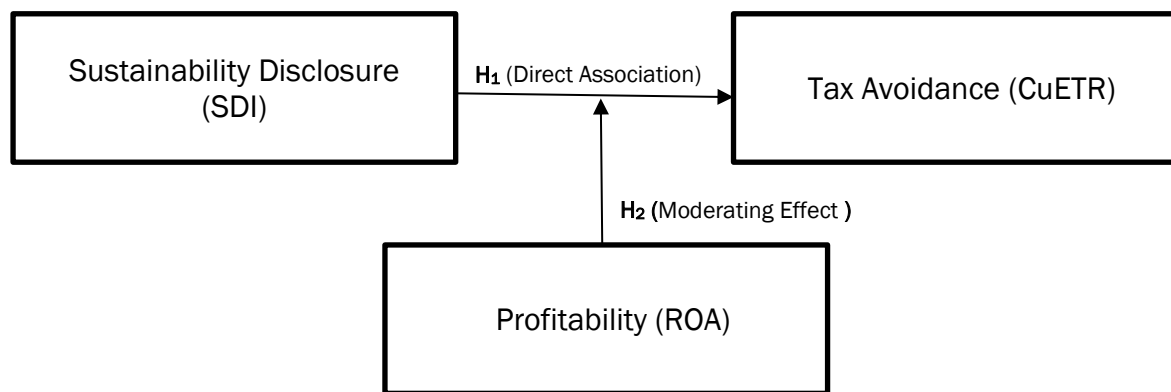


Figure 1. Research Framework

and may generate substantial economic, environmental, and social impacts (Prasetya & Mutmainah, 2024). Consequently, beyond achieving financial performance, food and beverage companies are increasingly expected to demonstrate responsible business practices and maintain public trust.

In response to these expectations, corporate tax behavior is increasingly viewed not only from a financial perspective but also as part of broader corporate accountability. One mechanism through which companies communicate their commitment to responsible business practices is sustainability disclosure. Sustainability disclosure enables companies to report their economic, environmental, and social performance, thereby improving transparency and allowing stakeholders to evaluate the broader impacts of corporate activities (Fatkhurrozi & Haryati, 2024; Global Reporting Initiative, 2021). In Indonesia, sustainability reporting practices have been reinforced by Financial Services Authority Regulation No. 51/POJK.03/2017, which requires issuers and public companies to implement sustainable-finance principles in their business operations and reporting practices (OJK, 2017).

The relationship between sustainability disclosure and corporate tax behavior can be explained through legitimacy theory. From this perspective, sustainability disclosure represents a communication mechanism through which companies demonstrate that their economic, environmental, and social activities are consistent with societal expectations, ethical standards, and community values. Through sustainability reporting, companies communicate their social and environmental responsibilities, maintain public acceptance, strengthen legitimacy, and support long-term organizational survival (Prasetya & Mutmainah, 2024).

Tax avoidance refers to the practice of minimizing tax liabilities through legal tax-planning strategies that take advantage of provisions and opportunities available under existing tax regulations. Although tax avoidance is generally considered lawful because it exploits legal loopholes or “grey areas,” it may still be perceived negatively by stakeholders, government authorities, and the public because it reduces corporate contributions to state revenue. Consequently, companies engaging in aggressive tax avoidance may experience reputational risks and declining public trust (Sihono & Febyansyah, 2023).

From the perspective of legitimacy theory, aggressive tax avoidance may conflict with the responsible image communicated by companies through sustainability disclosure. Companies with stronger sustainability commitments may therefore be less inclined to adopt aggressive tax practices because such practices could weaken stakeholder confidence and threaten corporate legitimacy. However, extensive sustainability disclosure does not necessarily indicate substantive tax transparency because sustainability reporting and tax management may

remain separate within corporate decision-making (Iriyadi et al., 2024).

Previous studies have reported different findings regarding this relationship. (Artini & Setiawan, 2021) found that corporate social responsibility disclosure was associated with tax avoidance. (Yuan et al., 2025) also identified a relationship between ESG disclosure and tax avoidance. In contrast, (Stefani & Paramitha, 2022) found that sustainability reporting did not significantly affect tax avoidance. These inconsistent findings indicate that the relationship requires further examination across different sectors and observation periods.

Tax avoidance in this study is measured using the Cash Effective Tax Rate (CuETR), calculated as cash taxes paid divided by pretax income. CuETR is an inverse proxy for tax avoidance. A higher CuETR indicates lower tax avoidance, whereas a lower CuETR indicates higher tax avoidance (Tebiono & Sukadana, 2019).

Based on legitimacy theory and previous empirical findings, the following hypothesis is proposed:

H₁: Sustainability disclosure is positively associated with CuETR, indicating lower tax avoidance.

The inconsistent findings regarding the relationship between sustainability disclosure and tax avoidance indicate that this relationship may depend on firm-specific conditions. One factor that may influence this relationship is profitability. Profitability reflects a company's ability to generate earnings from the assets and resources used in its operations. Highly profitable companies generally have greater financial capacity to implement sustainability programs, prepare more comprehensive reports, and respond to stakeholder expectations. They also tend to receive greater attention from investors, regulators, and the public, which may encourage them to align sustainability disclosure with more responsible tax behavior (Artini & Setiawan, 2021).

From the perspective of legitimacy theory, highly profitable companies are generally more visible and therefore face stronger reputational pressure. Under these conditions, companies with higher profitability may be less inclined to engage in aggressive tax avoidance because such practices could conflict with the responsible image communicated through sustainability disclosure. Profitability is therefore expected to strengthen the positive association between sustainability disclosure and CuETR.

However, higher profitability also increases taxable income and corporate tax liabilities, which may strengthen management's incentives to undertake tax planning. Previous studies have reported inconsistent findings regarding this moderating role. (Artini & Setiawan, 2021) found that profitability influenced the relationship between corporate social responsibility disclosure and tax avoidance. In contrast, (Wahyudi et al., 2025) found that profitability did not significantly moderate the relationship between corporate social responsibility and tax avoidance. These differences

indicate that the moderating role of profitability requires further empirical examination.

Based on legitimacy theory and previous empirical findings, the following hypothesis is proposed:

H₂: Profitability strengthens the positive association between sustainability disclosure and CuETR, indicating lower tax avoidance. [Figure 1](#) illustrates the research framework tested in this study.

Methods

Research Design and Sample

This quantitative study used secondary data from annual reports and sustainability reports published by food and beverage manufacturing companies listed on the Indonesia Stock Exchange. The observation period covered 2021-2024. Purposive sampling was used to ensure that financial, sustainability, and profitability data were available on a comparable basis for every firm-year.

The requirement for a usable GRI-based disclosure index was necessary to apply a consistent content-analysis framework. Firms reporting losses were excluded because a negative pretax-income denominator makes CuETR difficult to interpret and can produce economically misleading ratios. These criteria improved measurement comparability but reduced the sample to 11 companies and 44 firm-year observations ([Table 1](#)). The resulting sample is adequate for estimating the specified regressions but provides limited statistical power, particularly for the interaction effect; therefore, insignificant estimates are interpreted cautiously and are not treated as proof that the relationships are absent in the broader population.

Variable Measurement and Coding

Sustainability disclosure was measured using a GRI-based Sustainability Disclosure Index (SDI) derived from the GRI Standards ([Global Reporting Initiative, 2021](#)). The coding

instrument consisted of 33 GRI topic-level disclosure categories comprising six economic categories (GRI 201–206), eight environmental categories (GRI 301–308), and nineteen social categories (GRI 401–419). The same fixed 33-item checklist was applied consistently to all firm-year observations. Each disclosure category was coded 1 when the annual report or sustainability report contained relevant narrative or quantitative information corresponding to the respective GRI topic and 0 when no corresponding disclosure was identified. Accordingly, the denominator was fixed at 33 for all firm-year observations ([Table 2](#)).

A limitation of this study is that a formal inter-coder reliability statistic was not retained for the sustainability disclosure content analysis. Therefore, the consistency of the coding process could not be quantitatively verified.

Table 1. Sample Screening Process

No.	Criterion	Companies
1	Food and beverage manufacturing companies listed on the IDX and observed during 2021-2024	95
2	Excluded because complete annual financial statements for 2021-2024 were unavailable	(35)
3	Excluded because sustainability-reporting data for 2021-2024 were unavailable	(33)
4	Excluded because reports did not provide a usable GRI-based disclosure index	(9)
5	Excluded because the company reported a loss during the observation period	(7)
	Companies meeting all criteria	11
	Firm-year observations: 11 companies x 4 years	44

Source: Sample screening conducted by the authors.

Table 2. Operationalization of Variables

Variable	Concept	Indicator	Interpretation	Measurement Scale
Sustainability Disclosure (X)	Sustainability disclosure refers to the process of evaluating and communicating an organization's economic, social, and environmental impacts while ensuring accountability to internal and external stakeholders in achieving sustainable development goals. (Global Reporting Initiative, 2021)	$SRDI_j = \frac{n}{k}$ Notes: SRDI _j = the sustainability disclosure index value for the firm in observation year <i>j</i> . ΣX _{ij} = the total number of sustainability items disclosed by the firm. X _{ij} = 1 if item <i>i</i> is disclosed by the firm. X _{ij} = 0 if item <i>i</i> is not disclosed by the firm. K = 33, representing the fixed number of GRI topic-level checklist items applied to all firm-year observations.	A higher SRDI indicates a broader level of sustainability disclosure.	Ratio
Tax Avoidance (Y)	Tax avoidance refers to the utilization of legal mechanisms within the tax system to reduce a firm's tax burden by taking advantage of opportunities and flexibility provided by tax regulations. (Hadamung & Apollo Daito, 2023).	$CuETR = \frac{\text{Taxes Today}}{\text{Net Income Before Taxes}}$	Higher CuETR indicates higher effective tax payment and lower tax avoidance.	Ratio
Profitability (M)	Profitability describes a firm's success in generating economic value from the resources invested in its operational processes. (Fadhila & Andayani, 2022)	$ROA = \frac{\text{Earning After Tax}}{\text{Total Asset}}$	Higher ROA indicates higher profitability.	Ratio

Regression Models and Data Analysis

The study employed a quantitative research approach using secondary data obtained from publicly available annual reports and sustainability reports. It examined the relationship between sustainability disclosure and tax avoidance, with particular attention to the potential moderating role of profitability. An explanatory research design was used to examine the relationships among the variables under investigation (Sugiyono, 2022, p. 16).

The hypotheses were tested using IBM SPSS Statistics 26. Model 1 estimated the direct association between the Sustainability Disclosure Index (SDI) and the Cash Effective Tax Rate (CuETR). Model 2 employed Moderated Regression Analysis to examine whether profitability moderated this association. SDI and ROA were mean-centered before constructing the interaction term to reduce nonessential multicollinearity and to make the lower-order coefficients interpretable at the sample means.

Equation 1

Linear regression model.

$$\text{CuETR} = \alpha + \beta_1(\text{SDI}) + \varepsilon$$

Equation 2

Moderated Regression Analysis

$$\text{CuETR} = \alpha + \beta_1\text{cSDI} + \beta_2\text{cROA} + \beta_3(\text{cSDI} \times \text{cROA}) + \varepsilon$$

Explanation:

CuETR = Cash Effective Tax Rate as an inverse proxy for tax avoidance

α = Constant

β_1 – β_3 = Regression coefficients

SDI = Sustainability Disclosure Index

cSDI = Mean-centered Sustainability Disclosure Index

cROA = Mean-centered Return on Assets

cSDI $\times$ cROA = Interaction between sustainability disclosure and profitability

β_3 = Coefficient representing the moderating effect of profitability

ε = Error term

The symbols cSDI and cROA represent deviations from their respective sample means, while beta3 represents the moderating effect. Control variables were not added because the final sample contained only 44 observations and additional predictors would further reduce degrees of freedom and increase overfitting risk. This parsimonious specification does not imply that firm size, leverage, capital intensity, sales growth, or governance are irrelevant; their exclusion is recognized as an omitted-variable limitation.

Diagnostic assessment included residual normality testing using the Kolmogorov–Smirnov and Shapiro–Wilk tests, multicollinearity assessment using tolerance and variance inflation factors (VIF), heteroscedasticity assessment using the Glejser test, and residual-independence assessment using the Durbin–Watson statistic. For the moderation model, the Glejser test included

cSDI, cROA, and the interaction term (cSDI $\times$ cROA). A p-value greater than 0.05 was interpreted as indicating no statistically significant evidence of heteroscedasticity.

Result and Discussion

Descriptive Statistics

The study used 44 firm-year observations from food and beverage manufacturing companies listed on the Indonesia Stock Exchange during 2021–2024. Table 3 presents the descriptive statistics for sustainability disclosure, the Cash Effective Tax Rate (CuETR), and profitability.

The mean sustainability disclosure value was 47.38%, indicating that the sample companies disclosed, on average, approximately 47% of the sustainability items assessed. The mean CuETR was 22.70%, with values ranging from 7.90% to 38.70%. Because CuETR is an inverse proxy for tax avoidance, higher CuETR values indicate higher cash tax payments and lower tax avoidance. Profitability, measured using ROA, had a mean value of 9.53%, indicating variation in the companies' ability to generate earnings from their assets.

Diagnostic Tests

The regression assumptions were assessed through residual normality, multicollinearity, heteroscedasticity, and residual-independence tests. The diagnostic results are presented in Table 4, Table 5, Table 6, followed by the residual-independence diagnostic.

For both regression models, the Kolmogorov–Smirnov and Shapiro–Wilk significance values exceeded 0.05. Therefore, the residuals did not show a statistically significant departure from normality.

All VIF values were below the commonly used threshold of 10, while all tolerance values were above 0.10. Thus, the moderated regression model did not indicate problematic multicollinearity.

The Glejser test showed p-values of 0.772 for cSDI, 0.466 for cROA, and 0.436 for the interaction term. Because all p-values exceeded 0.05, the moderation model showed no statistically significant evidence of heteroscedasticity.

Residual independence was assessed using the Durbin–Watson statistic. However, the available statistical outputs did not provide a consistently verifiable set of Durbin–Watson statistics and corresponding lower and upper critical bounds for both regression models. Therefore, no formal conclusion regarding residual autocorrelation is made. This issue is acknowledged as a diagnostic limitation of the study.

Direct Effect of Sustainability Disclosure on CuETR

Model 1 examined the direct association between sustainability disclosure and CuETR. The model produced an R value of 0.204 and an R² value of 0.042 (Table 7). This indicates that

Table 3. Descriptive Statistics

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Sustainability Disclosure (SDI)	44	0.0	69.7	47.38	14.08
Cash Effective Tax Rate (CuETR)	44	7.9	38.7	22.7	5.9
Profitability (ROA)	44	0.64	53.96	9.53	7.81

Table 4. Residual Normality Tests

Test	Model	Statistic	p-value	Interpretation
Kolmogorov–Smirnov (Lilliefors corrected)	Model 1	0.113	0.178	Residuals approximately normal
Kolmogorov–Smirnov (Lilliefors corrected)	Model 2	0.126	0.068	Residuals approximately normal
Shapiro–Wilk	Model 1	0.958	0.15	Residuals approximately normal
Shapiro–Wilk	Model 2	0.966	0.231	Residuals approximately normal

sustainability disclosure explained approximately 4.2% of the variation in CuETR. The adjusted R^2 was 0.019. The overall model was not statistically significant, with $F(1, 42) = 1.820$ and $p = 0.185$.

Sustainability disclosure had a negative coefficient of -0.085 , with a p -value of 0.185 . Its 95% confidence interval ranged from -0.213 to 0.042 and included zero. Therefore, sustainability disclosure did not have a statistically significant positive association with CuETR. Because a higher CuETR indicates lower tax avoidance, the negative coefficient suggests that higher sustainability disclosure tended to be associated with a lower CuETR and potentially higher tax avoidance. However, this relationship was not statistically significant and should not be interpreted as evidence of a reliable effect. Therefore, H_1 was not supported.

Moderating Effect of Profitability

Model 2 examined whether profitability moderated the association between sustainability disclosure and CuETR. Sustainability disclosure and profitability were mean-centered before constructing the interaction term. The moderated regression model produced an R value of 0.225 and an R^2 value of 0.050 . Thus, cSDI, cROA, and their interaction jointly explained approximately 5.0% of the variation in CuETR (Table 8). The adjusted R^2 was -0.021 , indicating that the addition of profitability and the interaction term did not improve the model's explanatory performance after accounting for the number of predictors. The overall model was not statistically significant, with $F(3, 40) = 0.708$ and $p = 0.553$.

The interaction between sustainability disclosure and profitability had a coefficient of -0.012 and a p -value of 0.600 . Its 95% confidence interval ranged from -0.056 to 0.033 and included zero. This result indicates that profitability did not significantly change the association between sustainability disclosure and CuETR. Accordingly, profitability did not strengthen the positive association between sustainability disclosure and CuETR. Therefore, H_2 was not supported.

Table 7. Regression Coefficients for Model 1

Variable	B	Std. Error	Standardized Beta	t	p-value	95% CI Lower	95% CI Upper
Constant	26.743	3.126	–	8.555	<0.001	20.435	33.051
Sustainability Disclosure	-0.085	0.063	-0.204	-1.349	0.185	-0.213	0.042

$$\text{CuETR} = 26.743 - 0.085(\text{SDI}) + \varepsilon$$

Table 8. Moderated Regression Coefficients for Model 2

Variable	B	Std. Error	Standardized Beta	t	p-value	95% CI Lower	95% CI Upper
Constant	22.344	1.119	–	19.968	<0.001	20.083	24.606
cSDI	-0.1	0.077	-0.238	-1.289	0.205	-0.256	0.057
cROA	-0.044	0.196	-0.058	-0.224	0.824	-0.439	0.351
cSDI × cROA	-0.012	0.022	-0.132	-0.529	0.6	-0.056	0.033

$$\text{CuETR} = 22.344 - 0.100(\text{cSDI}) - 0.044(\text{cROA}) - 0.012(\text{cSDI} \times \text{cROA}) + \varepsilon$$

Table 9. Summary of Hypothesis Testing

Hypothesis	Statistical Result	Decision
H_1 : Sustainability disclosure is positively associated with CuETR, indicating lower tax avoidance.	$B = -0.085$; $p = 0.185$; 95% CI $[-0.213, 0.042]$	Not supported
H_2 : Profitability strengthens the positive association between sustainability disclosure and CuETR, indicating lower tax avoidance.	Interaction $B = -0.012$; $p = 0.600$; 95% CI $[-0.056, 0.033]$	Not supported

Hypothesis Testing Summary

Table 9 summarizes the results of hypothesis testing. The findings did not provide sufficient statistical evidence that sustainability disclosure was positively associated with CuETR. They also did not provide evidence that profitability significantly moderated this association. These conclusions apply to the observed sample and period and should not be interpreted as proof that the relationships are absent in other sectors, periods, or institutional settings.

Sustainability Disclosure and CuETR

The direct-effect estimate was small relative to its uncertainty. The low R -squared and the confidence interval crossing zero indicate that the data did not identify a stable association between SDI and CuETR. The result should therefore be described as a failure to detect a relationship in this sample, not as proof that sustainability disclosure and tax avoidance are conceptually unrelated.

The finding is consistent with (Stefani & Paramitha, 2022), who reported no significant association between broad sustainability reporting and tax avoidance in Indonesia. (Iriyadi et al., 2024) also found that sustainability reporting did not produce a uniform tax-avoidance effect when other tax-related determinants were considered. (Rafzanjani & Asmara, 2025)

Table 5. Multicollinearity Assessment for Model 2

Variable	Tolerance	VIF
cSDI	0.695	1.439
cROA	0.355	2.819
cSDI × cROA	0.378	2.644

Table 6. Glejser Heteroscedasticity Test

Variable	p-value	Interpretation
cSDI	0.772	No evidence of heteroscedasticity
cROA	0.466	No evidence of heteroscedasticity
cSDI × cROA	0.436	No evidence of heteroscedasticity

similarly reported an insignificant relationship for a recent Indonesian sample.

The result differs from (Yoon & Lee, 2021), who found a significant relationship between ESG performance and tax avoidance in Korea. (Donkor et al., 2022) documented that integrated-reporting quality was associated with corporate tax practices in South Africa. (Yuan et al., 2025) also identified tax avoidance as a mechanism linking ESG disclosure with long-term firm value in China. These differences can reflect institutional setting, sample size, sector composition, disclosure quality, and the choice of tax proxy.

Recent evidence further shows that the direction is context dependent. (Kulsum et al., 2023) reported a significant sustainability-related effect in an Indonesian setting. (Rini et al., 2024) found that environmental disclosure and tax avoidance

differed across Indonesian and Australian extractive-sector firms. (Souguir et al., 2024) documented that environmental performance could be positively related to tax avoidance in France, consistent with greenwashing concerns rather than a universal responsible-tax effect.

A central explanation is the difference between disclosure breadth and tax-specific transparency. The SDI used here counts GRI-based items and therefore captures disclosure quantity. It may include standardized or compliance-oriented narratives that do not explain tax strategy, effective-tax-rate reconciliation, tax-risk oversight, or governance responsibility. (Rudyanto, 2025) showed that explicit GRI-based tax disclosure can be more informative for aggressive tax avoidance than broad sustainability claims. (Bilicka et al., 2025) found that mandatory qualitative tax-strategy disclosure can increase apparent transparency without necessarily changing underlying tax behavior.

Organizational decoupling provides another explanation. Sustainability functions may concentrate on environmental and social narratives, while tax decisions remain within finance and tax departments. (Nasih et al., 2024) showed that sustainability reporting can align with impression-management or greenwashing strategies in Indonesia. (Hossain et al., 2026) found that firms engaged in tax avoidance could report higher sustainability disclosure in Malaysia, which is consistent with legitimacy-seeking disclosure rather than integrated tax responsibility. (Prasetya & Mutmainah, 2024) showed that ownership structure can condition CSR-tax relationships in Indonesian consumer-goods firms. (Sihono & Febyansyah, 2023) likewise highlighted corporate governance as a boundary condition for tax avoidance and tax risk.

Sector and period conditions may also matter. Food and beverage manufacturers can experience tax incentives, investment allowances, temporary differences, and cash-tax timing effects that influence CuETR independently of disclosure. The sample's sector homogeneity may reduce confounding variation, but it also limits statistical variation and external validity. The relationship may be stronger in firms with mature GRI systems, independently assured reports, explicit tax disclosures, stronger media scrutiny, or more integrated sustainability and tax governance.

The Moderating Role of Profitability

The study did not detect a reliable moderating role of profitability in the relationship between sustainability disclosure and CuETR. This finding indicates that the relationship did not systematically change across the profitability levels represented in the observed sample.

Profitability may create competing incentives. More profitable firms generally have greater resources to support sustainability activities and reporting systems (Artini & Setiawan, 2021). At the same time, higher profitability increases taxable income and may strengthen the economic

incentive to manage tax costs (Watson, 2015). These opposing mechanisms may offset one another and produce no consistent moderating pattern.

The finding is consistent with (Kharisma & Faisol, 2019), who reported that profitability did not consistently moderate the relationship between corporate responsibility disclosure and tax avoidance. (Wahyudi et al., 2025) also found no reliable profitability moderation in an Indonesian tax-avoidance model.

The result differs from (Artini & Setiawan, 2021), who identified profitability as a moderator in the relationship between corporate social responsibility disclosure and tax avoidance. Differences in sample composition, observation period, measurement, and institutional context may contribute to the inconsistent findings across studies (Hanlon & Heitzman, 2010).

ROA may not fully represent the resources or pressures that are theoretically relevant to moderation. ROA measures accounting profit relative to total assets, but it does not directly capture free cash flow, financial slack, public visibility, or tax-planning capacity (Watson, 2015).

The moderating effect may depend more strongly on governance quality and disclosure substance than on profitability alone. Firms with similar profitability can differ in board oversight, ownership structure, audit quality, and tax-risk control (Kovermann & Velte, 2019). These governance differences may determine whether sustainability commitments are reflected in tax behavior (Sihono & Febyansyah, 2023).

The limited sample size should also be considered when interpreting the moderation result. Interaction effects are generally more difficult to detect than direct effects when the sample contains limited observations and restricted variation. Therefore, the result should be understood as an absence of reliable evidence in this sample, rather than as a definitive rejection of every possible profitability-based boundary condition.

Conclusion

This study examines the association between sustainability disclosure and tax avoidance and the moderating role of profitability in 11 Indonesian food and beverage manufacturing companies during 2021–2024. The results show that sustainability disclosure is not significantly associated with CuETR. Therefore, the study does not provide sufficient evidence that broader sustainability disclosure is associated with lower tax avoidance. Profitability also does not significantly moderate the relationship between sustainability disclosure and CuETR. These findings indicate that broader sustainability disclosure is not necessarily followed by more responsible tax behavior. Sustainability reporting may still function primarily as a mechanism for maintaining corporate legitimacy and may not yet be fully integrated with tax policy and tax governance. Therefore, the quality, tax relevance, and organizational integration of sustainability disclosure may be more important than the number of items disclosed.

This study provides practical implications for companies, regulators, and investors. Companies should strengthen the connection between sustainability reporting, tax policy, and corporate governance. They should also provide clearer information regarding tax responsibilities, tax-risk controls, tax-governance oversight, and explanations of effective tax rates.

This study has several limitations, including a small sample size, a short observation period, the use of a single tax-avoidance proxy, and the absence of control variables. These limitations may reduce the statistical power and generalizability of the findings. Future research should use larger samples, longer observation periods, panel-data methods, and alternative tax-avoidance measures. Future studies may also examine

disclosure quality, tax-specific reporting under GRI 207, and governance factors such as board independence, audit quality, institutional ownership, sustainability committees, external assurance, and political connections.

Author contributions

In this study, the first author was responsible for

coordinating the research implementation, identifying and verifying research data, analyzing the research findings, and conducting the publication of scientific articles in academic journals. Meanwhile, the second author was responsible for collecting and entering research data, conducting data testing, and contributing to the analysis of research findings in order to support the achievement of the research objectives systematically and comprehensively.

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