
The Role of Auditor Reputation in Moderating the Effect of CSR and Earnings Management on Tax Avoidance

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Abstract

This study analyzed the effect of earning management and corporate social responsibility disclosure on tax avoidance moderated by auditor reputation. This study employed panel data from 12 Indonesia's mining companies from 2015 – 2019. This study used the effective tax ratio (ETR) as the proxy of tax avoidance. By employing the regression panel data analysis, this study found that earnings management has a negative and significant effect on ETR. Meanwhile, this study revealed that CSR could not affect the ETR. On the other hand, this study found that auditor reputation has a negative moderated role in the CSR's effect on ETR. Nevertheless, this study failed to prove any moderating role of auditor reputation in earnings management's effect on ETR. These results revealed that earnings management in mining companies was carried out in the context of tax avoidance.

Keywords: auditor reputation; CSR; earnings management; tax avoidance

INTRODUCTION

Until now, tax avoidance in Indonesia is still a problem that is quite difficult to minimize. In 2020, the potential state loss due to tax avoidance is estimated to reach 68.7 trillion rupiah. Of that amount, 67.6 trillion rupiah or 98.3% of it comes from tax avoidance carried out by corporations. One sector with a fairly large potential for tax avoidance is the Indonesian mining sector. This is because the majority of Indonesian mining companies have not adopted tax transparency reporting in 2020 (PricewaterhouseCoopers, 2021). Based on this, research on tax avoidance in mining companies in Indonesia tends to be important. Moreover, the large potential for losses due to tax avoidance makes this topic still a concern for many researchers in the fields of economics and accounting. Unfortunately, until now the results of research related to the main causes and factors influencing corporate tax avoidance tend to be inconsistent. Referring to the agency theory of Jensen & Meckling (1976), the existence of information asymmetry causes agents to have a tendency to commit deviations. In this context, one of these deviations is tax avoidance. Using agency theory, a number of researchers including Pajriyansyah & Firmansyah (2017), Silvia (2017), Hariseno & Pujiono (2021), and Falbo & Firmansyah (2021) stated that earnings management has a positive effect on tax avoidance. However, a number of other studies have produced different conclusions. If tax avoidance is measured using the effective tax rate (ETR), earnings management is actually considered to be able to reduce tax avoidance. According to Lee et al. (2015), an increase in a company's ETR can be caused by earnings management, where the company increases non-taxable income. In this context, ETR is a negative proxy for earnings avoidance, so the higher the ETR, the lower the indication of tax avoidance. Based on this, a number of studies, including those conducted by Rifai & Atiningsih (2019), found that earnings management has a negative effect on tax avoidance. Meanwhile, Rahmadani et al. (2020) and Henny (2019) stated that the relationship between earnings management and tax avoidance is negative but not significant.

Furthermore, another variable that is considered to have quite an influence on tax avoidance is CSR. Referring to the legitimacy theory, companies need to maintain relationships with the environment around their operations to gain support in the sustainability of their business (Gray et al., 1995). One form of maintaining good relationships is through CSR. Moreover, companies in the mining sector are considered to have a larger proportion of CSR expenditures than other companies. This is a consequence of the possibility of environmental damage caused. In this context, the relationship between CSR and profit avoidance is that if the company's CSR is high, tax avoidance is also considered to be higher.

By using the legitimacy theory, Lanis & Richardson's (2013) research managed to find a positive and significant influence on the relationship between tax aggressiveness and CSR disclosure. Col & Patel's (2019) research also indicated that companies that engage in tax avoidance tend to increase CSR disclosure. However, Hoi et al.'s (2013) research actually revealed that companies with lower CSR expenditures tend to be more likely to engage in tax avoidance. Based on this, the influence of CSR on tax avoidance also tends to be inconsistent. According to Goerke (2019), if tax avoidance decreases, then CSR activities will increase. However, the relationship between CSR and tax avoidance is theoretically ambiguous. The inconsistency between research results on the influence of earnings management and CSR on tax avoidance makes it necessary to retest. In this context, researchers include auditor reputation as a variable that is thought to moderate the influence of earnings management and CSR on tax avoidance. Referring to Baron & Kenny (1986), a moderating variable can be built if there is a weak or inconsistent relationship between the independent and dependent variables.

The use of auditor reputation as a moderator variable is also because the size of a company's CSR tends to be less controlled because it is quite closely related to the environmental conditions in which the company operates and the type of company itself. Moreover, companies engaged in the mining sector are considered to need to issue higher CSR

so as not to get resistance from the potential impact of environmental damage that is produced. However, the amount of CSR issued is considered related to other company expenses, including the cost of using the services of a more reputable auditor. As far as the researcher knows, there has been no research model that uses reputation to moderate the influence of earnings management and CSR on tax avoidance in the context of Indonesian mining companies.

HYPOTHESIS DEVELOPMENT

Agency theory from Jensen & Meckling (1976) indicates that the relationship between agents and principals indicates that there is an incentive for agents to fulfill the principal's wishes. One of the desires referred to is for the company's performance to look good. The company's performance will trigger an increase in the company's stock price and meet the profit target according to the wishes of the principals. The agent's incentive to fulfill the principal's wishes is what can then trigger agents, in this context the board of directors, to carry out creative accounting. Some forms of creative accounting are earnings management and tax avoidance. Some opinions also state that earnings management is an effort to avoid taxes. According to Rajput & Marwat (2019), tax avoidance is often used to achieve profit targets so that the company's financial performance looks good in the eyes of investors. Wang & Chen's (2012) research proves that there is a positive correlation between earnings management and tax avoidance. These findings indicate that the earnings management carried out is a motive or part of tax avoidance. In other words, the purpose of carrying out earnings management is to avoid taxes. Wang & Chen's (2012) research uses the difference between accounting profit and profit according to tax regulations. The correlative relationship between earnings management and tax avoidance as in Wang & Chen's (2012) research can also be interpreted that if earnings management increases, tax avoidance will also increase, and vice versa. In more detail, Irawan et al.'s (2020) research states that accrual earnings management has a positive effect on tax avoidance. Meanwhile, real earnings management has a negative effect on tax avoidance. In other words, accrual earnings management is an effort made by companies to avoid taxes, while earnings management in real activities reduces the possibility of companies avoiding taxes. However, the results of this study are less consistent over time. On the one hand, a number of studies including those conducted by Pajriyansyah & Firmansyah (2017), Silvia (2017), Hariseno & Pujiono (2021), and Falbo & Firmansyah (2021) found a positive influence between earnings management and tax avoidance. In other words, the higher the earnings management, the higher the tax avoidance. On the other hand, studies by Rifai & Atiningsih (2019), and Nadhifah & Arif (2020) stated that earnings management has a negative effect on tax avoidance.

Some other studies, including those by Rahmadani et al. (2020), Henny (2019), Ferdiawan & Firmansyah (2017), and Nurlis (2021) failed to find any influence of earnings management on tax avoidance. Based on this, studies on the relationship between earnings management and tax avoidance tend to be inconsistent. Differences in the context of the research object, the use of measurement methods, and the time of the research are considered to be a number of factors that cause differences between the research results. However, by referring to the agency theory of Jensen & Meckling (1976), and considering a number of previous studies, this study suspects that earnings management has a positive effect on tax avoidance. Therefore, the first hypothesis in this study is:

H1: Earnings management has a negative and significant effect on ETR

In addition to earnings management, CSR is also considered as one of the variables that can affect tax avoidance in mining sector companies. According to Huseynov & Klamm (2012), an analysis of the relationship between tax management and tax avoidance needs to include CSR elements. Based on this, there have been quite a few studies that have attempted to analyze the effect of CSR on tax avoidance. However, the influence of CSR is also inconsistent. According to González et al. (2019), social and environmental performance has a negative

relationship with tax avoidance with a higher level of CSR. These findings strengthen the argument of Lanis & Richardson (2015) that the greater the social responsibility of a company indicates that the company is more tax compliant. In fact, according to the findings of Lanis & Richardson (2015), CSR can reduce tax avoidance. Research by Hoi et al. (2013), Goerke (2019), Muzakki & Darsono (2015), Sari & Adiwibowo (2017), Watson (2015), and Dewi & Noviani (2017) also found a negative influence of CSR on tax avoidance.

Referring to the legitimacy theory, corporate CSR is a necessity. This is because companies need to get support from the surrounding environment in carrying out their business activities (Gray et al., 1995). Lanis & Richardson's (2013) research proves the relevance of legitimacy theory in the context of the relationship between CSR and tax avoidance. Lanis & Richardson (2013) found a positive relationship between tax aggressiveness and CSR disclosure. According to Sikka (2010), the relationship between CSR and tax avoidance is a smoke and mirrors phenomenon. Companies appear to be ideal by making promises of high social responsibility, but on the other hand, the company is 'playing behind' by avoiding taxes. A number of studies, including those from Col & Patel (2019), and Dewi & Gunawan (2019) state that if a company's CSR disclosure is higher, its tax avoidance will also be higher. On the other hand, research by Wardani & Purwaningrum (2018) and Lestari & Solikhah (2019) could not find any influence of CSR on tax avoidance.

There are also many other opinions that state that CSR obligations are widely used by companies to avoid taxes. There is a tendency for companies to issue CSR in order to reduce their taxable profits. Moreover, a number of CSR activities can indeed reduce taxable profits based on the regulations of the Directorate General of Taxes. Based on this, this study suspects that CSR can actually increase tax avoidance. Thus, the second hypothesis in this study is:

H2: CSR has a negative and significant effect on ETR

The inconsistency in the effect of earnings management and CSR on tax avoidance requires further analysis. One way is to include a moderation or mediation variable. Baron & Kenny (1986) stated that if the relationship between the independent and dependent variables is weak or inconsistent, then a moderation variable can be built. The moderation variable can be a condition or situation that can strengthen or weaken the influence of the independent variable on the dependent variable. In this context, one of the moderation variables that is considered logical enough to maximize or moderate the effect of earnings management and CSR on tax avoidance is auditor reputation.

On the one hand, referring to Wang et al. (2020), the use of a high auditor reputation is actually considered to increase tax avoidance. This is because the use of reputable auditors is considered to be able to generate higher audit fees. In addition, companies that are indicated to be carrying out earnings management and tax avoidance tend to use reputable auditors to maintain their company's reputation. However, on the other hand, agency theory suggests that in order to minimize the occurrence of various deviations, a good governance mechanism is needed, one of which is the quality of financial report audits.

The audit quality of financial statements is often associated with the auditor's reputation. Many studies use auditor reputation to measure audit quality (Widiastuty, 2010). DeAngelo (1981), Teoh & Wong (2014), and Choi & Wong (2007) for example, use auditor reputation as a proxy to measure audit quality. Several other studies, including those conducted by Khairunisa et al. (2017) and Annisa & Kurniasih (2012), prove that audit quality measured based on the auditor's criteria can reduce tax avoidance. On that basis, although there are differences in the influence of auditor reputation on tax avoidance, this study still suspects that auditor reputation can minimize the influence of earnings management on tax avoidance. Thus, the third hypothesis in this study is:

H3: Auditor reputation has a negative moderating role in the influence of earnings management on ETR

Oats & Tuck's (2019) research states that tax transparency can be one solution to the issue of tax avoidance. One of the ways to achieve tax transparency is through good audit quality of financial statements. Therefore, audit quality that can be reflected in the auditor's reputation is considered to be able to reduce tax avoidance. However, the use of auditor reputation in measuring audit quality has been criticized by many academics. This follows a number of cases of audit result manipulation carried out by reputable accounting firms. Based on this, this study prefers to use auditor reputation as a separate variable, not as a proxy for measuring audit quality. Regardless of the debate, this study tends to prefer to use auditor reputation as a moderating variable.

Research by Eksandy (2017), Khairunisa et al. (2017), and Annisa & Kurniasih (2012) proves that audit quality as measured by auditor reputation can affect tax avoidance. However, Khairunnisa & Muslim (2020) and Alviyani et al. (2016) could not prove the influence of audit quality proxied by auditor size or auditor reputation on tax avoidance. Responding to this diversity, Charisma & Dwimulyani's (2019) research states that audit quality can be a moderating variable that strengthens the negative influence of managerial and institutional ownership on tax avoidance. Likewise, this study suspects that auditor reputation can minimize the influence of CSR on tax avoidance. Therefore, the fourth hypothesis in this study is: H4: Auditor reputation has a negative moderating role in the influence of CSR on ETR

RESEARCH METHODS

The sample of this study is 12 Indonesian mining sector companies whose determination method is carried out purposively. The data of this study is panel with an observation period of 2015 to 2019 with a total of 60 data. The data will then be analyzed using panel data regression with a moderation model or moderated regression analysis. In this research model, tax avoidance is positioned as a dependent variable. Where, tax avoidance in this study is measured using the effective tax rate (ETR) proxy. In this context, ETR is a negative proxy for tax avoidance. Therefore, if the company's ETR value is high, it indicates a high corporate tax burden. Conversely, a low ETR indicates that the company is avoiding taxes. The way to calculate ETR in this study is to divide the total tax burden by the total profit before tax. The independent variables in this study are earnings management and CSR disclosure, while the auditor's reputation is positioned as a moderating variable. The earnings management variable in this study is measured using the Jones model discretionary accruals proxy modified by Dechow et al. (1995). The calculation formula is as follows:

$$DA_{it} = \frac{TA_{it}}{A_{it}} - NDA_{it} \quad (1)$$

where, DA = *discretionary accruals*, TA = *total accruals*, A = *assets*, NDA = *non discretionary accruals*.

Furthermore, the CSR disclosure variable in this study was measured by using categorizing companies that disclose CSR in their annual reports. If in its annual report the company in this study sample does not disclose CSR at all, it will be given a score of 0. Meanwhile, if the company discloses CSR in 1 sentence, it will be given a score of 1. Companies with 1 paragraph CSR disclosure are given a score of 2. Then if more disclosures are delivered in 2 to 3 paragraphs, they will be given a score of 3. Companies with 4 to 5 paragraphs CSR disclosure are given a score of 4, the rest will be given a score of 5. The more paragraphs of CSR disclosure in the annual report indicate that the activities and funds spent on the company's CSR are also higher. Last, pengukuran reputasi auditor dalam penelitian ini dilakukan dengan skala kualitatif / *dummy variable*. Dalam konteks ini, apabila perusahaan menggunakan jasa audit dari kantor akuntan publik (KAP) yang termasuk *big four*, maka akan is given the code 1. Meanwhile, if the company uses audit services from a non-big four KAP,

it will be given the code 0. Regarding the panel data regression equation in the moderation model in this study, it can be denoted as follows:

$$ETR_{it} = \alpha + \beta_1 DA_{it} + \beta_2 CSR_{it} + \beta_3 (DA_{it} * RA_{it}) + \beta_4 (CSR_{it} * RA_{it}) + \varepsilon_{it}(2)$$

where ETR = effective tax rate, α =konstanta, β =peubah, DA=discretionary accruals, CSR=pengungkapan corporate social responsibility, RA=reputasi auditor, ε =error term

Since the data in this study is panel in nature, there are 3 regression models that will be produced, namely the common effect model (CEM), fixed effect model (FEM), and random effect model (REM). To determine which regression model will be used to analyze the data and test the hypothesis, this study conducted the Chow, Hausman, and Breusch Pagan tests. In addition, this study also examined the normality of the data using the Jaque Berra test, and multicollinearity with correlation analysis between independent variables. In more depth, hypothesis testing in this study was carried out by comparing the significance value of the regression results with an alpha level of 5%. In other words, if the significance value is less than 0.05, then the hypothesis can be accepted.

RESEARCH RESULT

As an effort to understand the general trend of the condition of each research variable, the following are the results of the descriptive statistical analysis:

Table 1. Results of Descriptive Statistical Analysis

	DA	ETR	RA	CSR
Mean	0.0005	0.3249	0.6666	4.6666
Median	0.0001	0.2859	1.0000	5.0000
Maximum	0.0068	0.6535	1.0000	5.0000
Minimum	-0.0044	0.0068	0.0000	0.0000
Std. Dev.	0.0021	0.1080	0.4753	1.0523
Skewness	0.6766	0.7192	-0.7071	-3.4388
Kurtosis	3.9817	4.4349	1.5000	14.381
Jarque-Bera	6.9885	10.321	10.625	442.10
Probability	0.0303	0.0057	0.0049	0.0000
Sum	0.0340	19.498	40.000	280.00
Sum Sq. Dev.	0.0002	0.6893	13.333	65.333
Observations	60	60	60	60

Based on table 1, it can be seen that the average value of discretionary accruals of mining sector companies shows a relatively low number. However, the DA deviation value which is greater than the average value indicates that the earnings management practices carried out by mining sector companies tend to be uneven. Meanwhile, the average ETR value of 0.32 indicates the level of tax burden of companies. The description of the average development of each variable in this study is as follows:

Based on Figure 1, it can be seen that the movement of the company's ETR from year to year has decreased. This condition indicates that tax avoidance has also increased. The increasing trend in tax avoidance is directly proportional to the increase in CSR disclosure. In 2019, there was a fairly high decrease in ETR. This is partly due to the uncertainty of the global economy which has a direct impact on international trade in the mining sector. On the other hand, there is a fluctuating trend in earnings management. In 2016, earnings management experienced a significant decline. However, a year later, the trend in earnings management immediately peaked and then declined again in the following years. Meanwhile, the average reputation of the auditors used by the company tends not to experience significant changes.

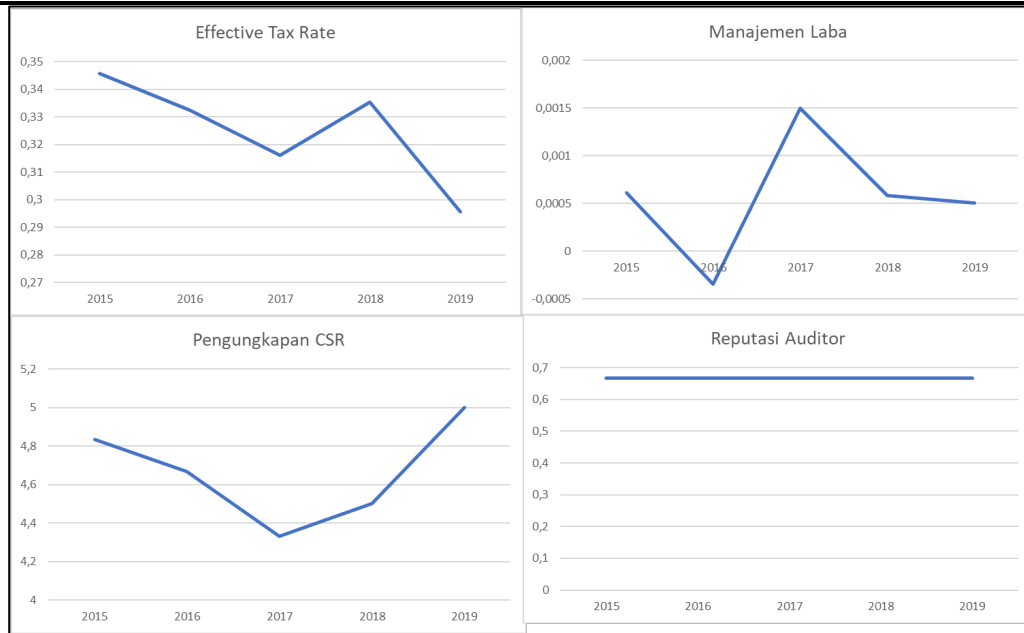


Figure 1. Average Development of Research Variables

Furthermore, related to the classical assumption test in this study, it can be seen from the following table:

Table 2. Classical Assumption Test and Selection of Research Models

	Common	Fixed	Random
Jaque Berra (sig)	2.669 (0.263)	1.545 (0.461)	7.956 (0.018)
Durbin Watson	1.143	2.028	1.801
Chow Likelihood	-	9.908 (0.000)	-
Hausman	-	-	4.233 (0.072)
Breusch Pagan	13.498 (0.000)	-	-

Based on table 2, it can be seen that the selected panel data regression model is a random effect model. The Chow test shows that the fixed effect model is better than the common effect model, while the Hausman test indicates that the random effect model is better than the fixed effect model. Meanwhile, the Breusch Pagan test shows that the random effect model is better than the common effect model. The Jaque Berra test shows that the common effect model and fixed effect model produce normal data distributions, while the random effect model is not normally distributed. However, because the random effect model uses the generalized least square (GLS) approach, data normality is not considered a requirement. Meanwhile, to examine the problem of multicollinearity between independent variables, this study estimates the correlation matrix as follows:

Table 3. Correlation Matrix

	RA	CSR	DA
KA	-	0.079	0.090
CSR	0.079	-	0.055
ML	0.090	0.055	-

Based on table 3, it can be seen that each independent variable is not correlated with each other. This is because the correlation value produced by each independent variable does not exceed 0.7. Therefore, this research model can be declared free from multicollinearity problems. Furthermore, the results of the panel data regression analysis in this study can be seen from the following table:

Table 4. Results of Panel Data Regression Analysis

Dependent Variabel : ETR	CEM	FEM	REM
Constant	0.426	0.314	0.385
DA	-26.668 (0.062)***	-9.046 (0.195)	-32.507 (0.013)**
CSR	-0.005 (0.617)	0.000 (0.977)	0.003 (0.727)
DA*RA	23.213 (0.111)	8.707 (0.216)	25.667 (0.065)***
CSR*RA	-0.026 (0.000)*	0.003 (0.874)	-0.022 (0.000)*
R ²	0.446	0.791	0.264
Adj.R ²	0.427	0.720	0.211
SE	0.084	0.067	0.085
F-Statistic (Prob)	12.006 (0.000)	11.157 (0.000)	4.944 (0.001)

Notes: *signifikan pada $\alpha=0,01$, **signifikan pada $\alpha=0,05$, ***signifikan pada $\alpha=0,1$

In this study, the alpha level determined to test the research hypothesis is 0.05. Therefore, by referring to using the random effect model regression model, there are 2 accepted hypotheses and 2 rejected hypotheses. The accepted hypotheses are the first and fourth hypotheses, while the rejected hypotheses are the second and third hypotheses. The second hypothesis related to the effect of CSR on ETR is rejected because its significance value is greater than 0.05. The third hypothesis related to the role of auditor reputation in moderating the effect of earnings management on ETR is also rejected. The first and fourth hypotheses in this study are accepted. This means that earnings management has been proven to have a negative effect on ETR. The higher the earnings management, the higher the level of tax avoidance. In addition, the auditor's reputation has been proven to moderate the effect of CSR on ETR. The higher the auditor's reputation will minimize the effect of CSR on tax avoidance. Furthermore, from table 4, it can be seen that the R square value generated from the random effect model is 0.264. This value indicates that simultaneously, the influence of earnings management and CSR variables on earnings management is 26.4%. Referring to Sugiyono's opinion (2019), the magnitude of this determination coefficient is at a low level.

RESULT AND DISCUSSION

The effect of earnings management on tax avoidance

This study found that earnings management has a negative and significant effect on ETR. Thus, earnings management in this study has a positive effect on tax avoidance. The higher the earnings management practices carried out by the company, the more likely it is to increase tax avoidance. The results of this study tend to be in line with the agency theory which states that agents have a tendency to fulfill the principal's wishes. One of these desires is to achieve the target of net profit after tax so that its financial performance increases. In order to realize this, it is not uncommon for agents or in this context the company's directors to practice tax avoidance through earnings management.

The influence of earnings management on tax avoidance from the results of this study is relevant to conditions where the taxation aspects for mining sector companies tend to be more numerous and complex than companies in other sectors. In addition, mining products are one of the export commodities that are most in demand in the international market. Therefore, the export process also contains elements of tax and other costs that are often considered burdensome to the company. The many aspects of taxation in mining sector companies are what triggers earnings management, and leads to tax avoidance.

The results of this study are in line with previous research conducted by Pajriyansyah & Firmansyah (2017), Silvia (2017), Hariseno & Pujiono (2021), and Falbo & Firmansyah (2021). The results of this study indicate that earnings management carried out by companies aims to avoid taxes. These results strengthen the argument of Wang & Chen (2012) who stated

that earnings management is one of the motives or part of tax avoidance. Therefore, this study is one of the rebuttals to the results of the research by Rajput & Marwat (2019) which states that tax avoidance is one of the instruments to achieve profit targets so that the company's financial performance looks good in the eyes of investors.

The influence of CSR on tax avoidance

This study cannot prove the influence of CSR on tax avoidance. Referring to the legitimacy theory, CSR is one of the company's efforts to establish good relations with its environment. This good relationship is considered to be the main supporter of the company's operational sustainability. Referring to the research results of Wilmshurst & Frostr (2000) and Deegan et al. (2002) companies that cannot meet public expectations, especially the surrounding environment, tend to have an impact on the company's delegitimization. This argument tends to be in line with the results of this study. CSR issued by mining sector companies is considered an important aspect for the company's sustainability, not related to tax avoidance. Moreover, mining sector companies are relatively more at risk of getting resistance from the environment because they have a higher risk of damaging the environment. Thus, CSR expressed and issued by mining sector companies is actually an indication of their compliance with regulations. When viewed from the notation, although not significant, the relationship between CSR and ETR is positive. This means that mining companies with better CSR policies have more tendency not to do tax avoidance. Because this study cannot prove a significant influence, further study is needed regarding the influence of CSR on ETR. The absence of influence of CSR on tax avoidance in this study contradicts mainstream research. For example, research conducted by González et al. (2019), Lanis & Richardson (2015), Hoi et al. (2013), Goerke (2019), Muzakki & Darsono (2015), Sari & Adiwibowo (2017), Watson (2015), Dewi & Noviani (2017), Lanis & Richardson (2013), Sikka (2010), Col & Patel (2019), Dewi & Gunawan (2019), and many more. However, this study is in line with the research of Wardani & Purwaningrum (2018) and Lestari & Solikhah (2019) which also found no influence of CSR on tax avoidance.

The role of auditor reputation in moderating the effect of earnings management on tax avoidance

Auditor reputation in this study was not proven to moderate the effect of earnings management on tax avoidance. In other words, auditor reputation is not related to earnings management. The magnitude of the effect of earnings management on tax avoidance cannot be minimized by auditor reputation. Companies that use the services of reputable auditors do not necessarily mean that they can avoid earnings management practices for tax avoidance. One of the underlying reasons is that avoidance is not a criminal act (McBarnet, 1992). However, according to McBarnet (1992), tax avoidance can cause major problems for social control. Tax avoidance also has the potential to lead to tax evasion. According to Barker (2009), tax avoidance is currently recognized as one of the serious problems related to the integrity of the tax system in democratic life. The results of this study indicate that the problems of earnings management and tax avoidance are relatively difficult to detect by audit mechanisms. Moreover, tax avoidance techniques tend to be complex and it is often difficult to prove the loopholes when tested in court (McBarnet, 1992). On the other hand, according to Wang et al. (2020), the use of high auditor reputation is actually considered to increase tax avoidance. The use of reputable auditors is carried out by companies that are indicated to be carrying out earnings management and tax avoidance to create and maintain the company's reputation. Conditions like this strengthen Sikka's (2010) argument regarding the smoke and mirrors phenomenon in relation to tax avoidance.

The role of auditor reputation in moderating the effect of CSR on tax avoidance

Auditor reputation in this study is proven to have a negative moderating role on the influence of CSR on tax avoidance. In other words, auditor reputation can minimize the influence of CSR on tax avoidance. This result is one of the main reasons why CSR has not been proven to affect tax avoidance. Most mining companies have used the services of reputable auditors. Therefore, CSR activities or data that are suspected of increasing tax avoidance are reduced by the use of auditor reputation.

The results of this study tend to support the findings of Eksandy (2017), Khairunisa et al. (2017), and Annisa & Kurniasih (2012) that auditor reputation can affect the level of tax avoidance. This study also tends to be in line with the research of Charisma & Dwimulyani (2019) which makes auditor reputation or audit quality a moderator variable that strengthens the negative influence of managerial and institutional ownership on tax avoidance. Thus, auditor reputation can be used as a moderating variable in regression modeling involving the influence of CSR on corporate tax avoidance.

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This study found that earnings management has a negative and significant effect on ETR. In other words, the high level of earnings management carried out by the company will increase tax avoidance. On the other hand, this study cannot prove the influence of CSR on tax avoidance. This study also cannot find the role of auditor reputation in moderating the negative influence of earnings management on ETR. However, auditor reputation has a negative moderating effect on the influence of CSR on ETR. In other words, the high reputation of the auditor can weaken the influence of CSR on tax avoidance.

This study shows that earnings management in mining sector companies tends to be carried out in order to avoid taxes. This study also indicates that CSR disclosures carried out by companies tend to be based on the company's interests in maintaining relationships with the surrounding environment for the sake of the company's operational sustainability. This CSR is not related to tax avoidance. Therefore, the government can still appeal to and encourage mining sector companies to spend CSR funds, because CSR is not related to tax avoidance.

This study has a number of limitations, one of which is that the model built in this study has a relatively poor model fit. In addition, the data in this study also did not pass the normality test as one of the basic assumptions of ordinary least square regression. The data in this study is also relatively limited, namely only 60 observations because it does not include data during the Covid 19 pandemic period. Based on this, further research is expected to anticipate these shortcomings by including other variables that are theoretically considered to have a strong tendency to influence tax avoidance. Further research should also increase the quantity of data observations in order to obtain more accurate results.

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