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The Effect of Financial Distress and Corporate Social Responsibility on Tax Aggressiveness with Independent Commissioners as Moderating Variables

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Abstract Tax revenue is a crucial source of state income; however, corporate tax compliance in Indonesia declined to 57.59% in 2024, indicating an increase in tax aggressiveness. This study examines the effects of financial distress and Corporate Social Responsibility (CSR) on tax aggressiveness, with independent commissioners as a moderating variable. Tax aggressiveness was measured using the Effective Tax Rate (ETR), financial distress using the Altman Z-Score, CSR using the Social Disclosure Index (SDI) based on GRI Standards 400, and independent commissioners by their proportion on the board of commissioners. Employing a quantitative causal approach, this study analyzed 103 manufacturing companies listed on the Indonesia Stock Exchange during 2021–2024, yielding 412 firm-year observations selected through purposive sampling. Panel data regression with the Common Effect Model (CEM) was applied. The findings reveal that financial distress and CSR disclosure positively and significantly affect tax aggressiveness. Moreover, independent commissioners do not moderate the relationship between financial distress, CSR, and tax aggressiveness, suggesting that their role remains largely administrative rather than functioning as an effective corporate governance mechanism in tax oversight.

Keywords Tax Aggressiveness, Corporate Social Responsibility (CSR), Financial Distress, Independent Commissioners, Corporate Governance

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INTRODUCTION

Tax revenue is a major component in the state revenue structure and is an important pillar in maintaining fiscal sustainability and the economic independence of a country (Bird & Zolt, 2008). In Indonesia, taxes play a central and irreplaceable role in funding various strategic government expenditures. Funds collected from the tax sector are managed to ensure the smooth running of government, finance national infrastructure development, improve the quality of education, provide adequate healthcare facilities, and provide social protection for the wider community (Mardiasmo, 2018). More than just a source of revenue, taxes also serve an essential function as a tool for income redistribution to reduce social inequality and act as an instrument for macroeconomic stabilization. Long-term tax optimization aims to create a healthy and sustainable State Budget (APBN) structure for the welfare of the community (Sutedi, 2022).

However, in reality, Indonesia continues to face serious challenges in optimizing tax revenue, particularly tax compliance from the corporate sector. Tax compliance by business entities is a crucial indicator of the effectiveness of a country's tax system (James & Alley, 2002). Based on published data from the Directorate General of Taxes (DGT) annual report, the level of compliance in submitting Annual Corporate Income Tax (PPh) Returns (SPT) in Indonesia remains relatively low and has shown a fluctuating trend over the past four years. In 2021, the corporate compliance ratio was recorded at 67.1%. This figure increased slightly to 67.15% in 2022 and 69.78% in 2023. However, beyond government expectations, the compliance rate experienced another sharp and significant decline in 2024, falling to only 57.59% (Directorate General of Taxes, 2024). This declining level of compliance is a red flag indicating that the potential for tax revenue from the corporate sector has not been fully exploited and demonstrates the real resistance of corporate taxpayers in fulfilling their fiscal obligations.

Research by Chairil Anwar Pohan (2014) as well as Hanlon & Heitzman (2010) This indicates that the low compliance ratio for submitting corporate income tax returns is a clear indicator of tax aggressiveness by corporations. Tax aggressiveness is essentially a comprehensive strategy or series of tactical actions deliberately designed by company management with the primary goal of minimizing its tax burden (Frank et al., 2009). The spectrum of tax aggressiveness is very broad, ranging from legal tax planning, tax avoidance that exploits loopholes in tax regulations, to illegal tax evasion (Sinaga & Edastami, 2024). While tax avoidance practices often take cover under tax gray areas, these actions are ethically highly questionable. Collectively, these aggressive tax management practices are highly detrimental to the state because they systematically erode the fiscal revenue base that is so essential for development (Cobham & Janský, 2019).

In the theoretical framework of financial governance, the emergence of management decisions to engage in tax aggressive practices is closely related to the basic assumptions of Agency Theory Jensen & Meckling (1976) explains that in a corporation, there is an inherent separation and difference of interests between the principal (capital owner) and the agent (management). Management has an incentive to maximize their own utility by displaying high net profit performance. On the other hand, the tax burden is viewed as a cash outflow that does not provide direct returns, so managers' incentives to reduce this tax burden will increase sharply when the company is facing financial pressure or financial distress (Richardson et al., 2015). Financial distress is a critical condition in which a company experiences liquidity difficulties or severe financial pressure before ending in bankruptcy (Sun et al., 2014). When faced with the threat of a financial crisis, management tends to take aggressive rescue measures to preserve the company's remaining cash. ResearchFerdawati et al., (2023) And Maulida et al. (2022) empirically proves that companies in financial difficulties have a much higher tendency to engage in aggressive tax practices through modifications to financial reports in order to keep cash flow within the business entity.

In addition to internal demands stemming from financial conditions, companies' decisions regarding tax management are also heavily influenced by external pressures. This dynamic is explained through the Legitimacy Theory approach. This theory highlights the existence of an unwritten social contract between companies and society, whereby business entities must ensure their operational activities are consistently aligned with societal norms, values, and expectations to ensure their continued existence is recognized (Suchman, 1995). One of the effective instruments used by companies to achieve social legitimacy is through the implementation and disclosure of Corporate Social Responsibility (CSR) (Deegan, 2002). From a business ethical perspective, companies that actively disclose CSR programs should have a high level of moral awareness, including compliance with tax payments as a form of development contribution. This normative assumption aligns with research findings Lanis & Richardson (2012) as well as Sari & Setiawan (2021) which proves that the more extensive a company's CSR disclosure, the lower its level of tax aggressiveness. However, empirical literature reviews show inconsistencies that create a research gap Lailiyah et al. (2024) And Aris et al. (2022) found that companies often use CSR programs not as a reflection of pure ethics, but merely as a reputational shield to cover up massive, covert tax aggressive practices. This research gap indicates that the influence of financial distress and CSR on tax aggressiveness requires strong monitoring control variables.

Based on this research gap, this study argues for the importance of good corporate governance, specifically by positioning the presence of independent commissioners as a moderating variable. The use of independent commissioners as a moderating variable in this study is based on the logical basis of their structural function within governance theory. Based on the basic concept of good governance, the existence of independent commissioners is intended solely to act as an objective oversight body tasked with protecting stakeholder rights and ensuring the operation of the company's internal compliance mechanisms (FCGI, 2001). This independent supervisory board structure is an essential instrument in limiting deviant behavior in tax management because its function focuses on controlling decisions, not operational implementation (Fama & Jensen, 1983). Therefore, the position of independent commissioners acts as a control mechanism (moderator) that interacts directly with the independent variables to influence executive behavior. The presence of independent commissioners is believed to be able to effectively moderate by weakening management's tendency to take shortcuts in the form of tax aggressiveness when the company is hit by a financial crisis (Munawar et al., 2022). Similarly, in relation to the disclosure of social responsibility, independent commissioners function to moderate by strengthening the positive influence of CSR on tax compliance by ensuring that CSR programs are allocated with true ethical intentions, not as an instrument of tax camouflage to deceive the public.

To empirically prove the theoretical framework above, this study specifically samples manufacturing companies listed on the Indonesia Stock Exchange (IDX). The manufacturing sector was selected based on its urgency and unique characteristics, which are highly relevant to taxation issues. First, the manufacturing industry is the backbone of the largest contributor to Gross Domestic Product (GDP) and the main contributor to the national corporate income tax revenue target (Lailiyah et al., 2024). The sheer size of these tangible assets provides manufacturing company management with far greater latitude and flexibility to manipulate depreciation charges and exploit the complexity of the supply chain as an aggressive tax planning instrument (Aris et al., 2022). Second, the manufacturing sector has very high exposure to environmental risks from factory waste and social issues, so the demand for public legitimacy through CSR becomes much more crucial (Reverte, 2009). This combination of characteristics makes the manufacturing industry the best proxy for testing this moderation model.

This study aims to analyze and empirically prove the influence of financial distress and Corporate Social Responsibility (CSR) on tax aggressiveness in manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. Specifically, this study aims to examine whether financial distress affects the level of corporate tax aggressiveness and whether Corporate Social Responsibility (CSR) disclosure can influence corporate behavior in conducting tax aggressiveness. Furthermore, this study also aims to analyze the role of independent commissioners as a moderating variable in the relationship between financial distress and tax aggressiveness, and to examine whether the presence of independent commissioners can moderate the relationship between Corporate Social Responsibility (CSR) and tax aggressiveness. Through these tests, this study is expected to provide empirical evidence regarding the effectiveness of corporate governance mechanisms, particularly the role of independent commissioners, in controlling tax aggressive practices influenced by financial pressures and the implementation of corporate social responsibility.

METHODS

This study uses a quantitative approach with a causality research design that aims to analyze the causal relationship between financial distress and Corporate Social Responsibility (CSR) on tax aggressiveness with independent commissioners as a moderating variable. The quantitative approach was chosen because it can explain the relationship between variables objectively through statistical testing based on numerical data, while the causality design is used to test whether changes in the independent variables have an impact on changes in the dependent variable. The research objects are manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) during the period 2021–2024. The study population includes all manufacturing companies included in the basic materials, consumer non-cyclicals, consumer cyclicals, and industrials sectors. The sampling technique used purposive sampling with several criteria: the company was listed consecutively during the study period and has not experienced delisting, published complete financial statements and annual reports, has the necessary data according to the research requirements, and uses the rupiah currency in preparing its financial statements. The application of these criteria aims to obtain a representative sample to produce a more accurate estimate of the relationship between the variables studied.

This study uses secondary data obtained from audited financial reports and annual reports published on the official website of the Indonesia Stock Exchange and each company's official website. Data collection was conducted using documentation techniques by identifying, downloading, categorizing, and processing all information relevant to the research variables. The collected data were then tabulated in panel data format, combining cross-sectional and time-series dimensions, allowing for a more comprehensive analysis of changes in company conditions during the observation period.

The dependent variable in this study is tax aggressiveness, proxied by the Effective Tax Rate (ETR), which is the ratio between the total tax burden and profit before tax. The use of ETR was chosen because it is able to describe the level of effective tax burden borne by the company and is a commonly used indicator in research on tax aggressive behavior. The first independent variable is financial distress, measured using the Altman Z-Score, a prediction model for financial distress conditions that combines five financial ratios, including working capital to total assets, retained earnings to total assets, earnings before interest and taxes to total assets, market value of equity to total liabilities, and sales to total assets. The lower the Z-Score value, the higher the level of financial distress of the company. The second independent variable is Corporate Social Responsibility (CSR), measured using the Social Disclosure Index (SDI) based on the Global Reporting Initiative (GRI) Standards 400 series guidelines, which consists of 42 indicators of social aspect disclosure. The assessment is carried out using the dummy method, which gives a score of one for each indicator disclosed by the company and a score of zero if the indicator is not disclosed.

This study also includes independent commissioners as a moderating variable, measured by the proportion of independent commissioners to the total board of commissioners. This variable is used to test whether corporate governance mechanisms can strengthen or weaken the relationship between financial distress and CSR on tax aggressiveness. Furthermore, the study uses firm size as a control variable, proxied by total assets, to control for the possible influence of firm characteristics on the relationship between the tested variables.

Data analysis was performed using panel data regression with the help of EViews 13 software. The analysis stage begins with the presentation of descriptive statistics to provide an overview of the characteristics of the data through the average, median, maximum, minimum, and standard deviation values. Next, the best panel regression model was selected using the Chow Test, Hausman Test, and Lagrange Multiplier Test to determine whether the Common Effect Model, Fixed Effect Model, or Random Effect Model is the model that best suits the characteristics of the research data. After the best model was obtained, data quality testing was carried out which included normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests to ensure that the regression model met statistical assumptions so that the estimation results were valid, consistent, and unbiased.

The next step is testing the coefficient of determination (Adjusted R^2) to determine the extent of the independent variables' ability to explain variations in tax aggressiveness. Hypothesis testing is conducted using a partial test (t-test) to determine the significance of each independent variable's influence on the dependent variable and to test the effectiveness of independent commissioners as a moderating variable. The research regression equation includes the direct influence of financial distress, CSR, independent commissioners, the interaction of financial distress with independent commissioners, the interaction of CSR with independent commissioners, and company size as a control variable. In addition to the main test, this study also applies a robustness test to ensure that the research results remain consistent despite using different measurement proxies. The robustness test is conducted by replacing the financial distress proxy with the Grover Score, Springate Score, and Zmijewski Model, then comparing the direction of the coefficients and the level of significance of the regression results. The research results are considered robust if all alternative models show a relatively consistent direction of the relationship and level of significance. Thus, the series of research methods applied are expected to produce valid and reliable empirical findings and provide a strong contribution to the development of studies on the determinants of tax aggressiveness in manufacturing companies in Indonesia.

FINDINGSAND DISCUSSION

Data Quality Test

Multicollinearity Test

The multicollinearity test for the data was conducted using the Pearson Correlation Test. The results of this test are presented in the following correlation matrix table.

Table 1 correlation matrix

	X1_FD	X2_CSR	FIRM_SIZE	Z_KI
X1_FD	1,000,000	-0.065353	0.034716	0.034887
X2_CSR	0.065353	1,000,000	0.323209	0.093982
FIRM_SIZE	0.034716	0.323209	1,000,000	0.425541
Z_KI	0.034887	0.093982	0.425541	1,000,000

Source: Processed data (2026)

Referring to the test results table, the correlation matrix table shows no indication of serious multicollinearity between the independent variables in this research model. All values between independent variables are less than the general limit of 0.80, with the highest value being for Z_KI and FIRM_SIZE at 0.410131. These correlation values are still in the moderate category and therefore do not have the potential to cause distortion in the regression coefficient estimates. Thus, it can be concluded that this research data is free from multicollinearity problems and is worthy of further study.

Heteroscedasticity Test

The heteroscedasticity test for the data was performed using the Glejser Test. The results of this test are summarized and presented in the following table.

	Variables	Probability
No Moderation	X1_FD	0.0909
	X2_CSR	0.9237
	FIRM_SIZE	0.3522
X1 Moderation	X1_FD	0.3679
	X2_CSR	0.9742
	FIRM_SIZE	0.2820
	X1_FD*Z	0.6752
Moderation X2	X1_FD	0.0907
	X2_CSR	0.9484
	FIRM_SIZE	0.3686
	X2_CSR*Z	0.9679

Source: Processed Data (2026)

After obtaining the absolute value of each estimated residual from the regression model, the absolute residual value was regressed as the dependent variable against the independent variables according to the regression model. Based on the table, all probabilities for each variable in the three regression models were >0.05. Thus, it can be concluded that this research data is free from heteroscedasticity issues and is worthy of further study.

Autocorrelation Test

The data autocorrelation test was performed using the Durbin-Watson Test. The results of this test are summarized and presented in the following table.

	Durbin-Watson Statistical Value
No Moderation	2.208008
X1 Moderation	2.207488
Moderation X2	2.207596

Source: Processed data (2026)

Based on the table, the Durbin-Watson statistical values of the three regression models studied are within the range of 1.5–2.5. Thus, it can be concluded that this research data is free from autocorrelation problems and is worthy of further study.

Hypothesis Testing

Statistical analysis for hypothesis testing was applied using the CEM estimation. This model selection was based on the results of the Chow Test and the

Lagrange Multiplier Test previously conducted, where the CEM proved to be the most appropriate panel data regression model for predicting the effect of financial distress and CSR on tax aggressiveness, with independent commissioners as a moderating variable.

Hypothesis Testing of Unmoderated Regression Model

The t-test was implemented in this hypothesis testing. The following table summarizes the results of the coefficient of determination and the t-test for the unmoderated regression model.

Table 2 of Hypothesis Test Results for Unmoderated Regression Model (H1)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.0686	0.0668	-1.0261	0.3055
X1_FD	0.0516	0.0066	7.8787	0.0000
FIRM_SIZE	0.0090	0.0024	3.7684	0.0002
Adjusted R-squared			0.1972	
F-statistic			34.6453	
Prob(F-statistic)			0.0000	

Table 3 Results of Hypothesis Testing of Unmoderated Regression Model (H2)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.0686	0.0668	-1.0261	0.3055
X2_CSR	0.0017	0.0004	3.8797	0.0001
FIRM_SIZE	0.0090	0.0024	3.7684	0.0002
Adjusted R-squared			0.1972	
F-statistic			34.6453	
Prob(F-statistic)			0.0000	

Source: Processed data (2026)

The table above shows that the Prob(F-statistic) value is 0.0000. This figure is below the 0.05 or 5% significance level, so the dependent variable, tax aggressiveness, can be simultaneously predicted using this regression model. Meanwhile, the Adjusted R-squared value is 0.1972, indicating that this study is able to explain 19.72% of the variation in tax aggressiveness, while the remaining 80.28% is explained by other variables outside the research model. The decision-making of the first hypothesis (Ha1) is evaluated through the significance value in the Prob. column in the "X1_FD" row. The statistical test results prove that the financial distress variable (X1_FD) has a positive regression coefficient of 0.0516 with a significance value of 0.0000. This value is below 0.05, indicating that H01 is rejected and Ha1 is accepted. Thus, it can be concluded that financial distress has a positive and significant influence on tax aggressiveness.

The decision-making of the second hypothesis (Ha2) is evaluated through the significance value in the Prob. column in the "X2_CSR" row. The statistical test results show that the CSR variable (X2_CSR) has a coefficient value of 0.0017 with a significance value of 0.0001. Although the significance value is less than 0.05, the direction of the resulting regression coefficient is positive (+0.0017). This is contrary to the direction of the alternative hypothesis (Ha2) which suspects a negative influence. Because the direction of the empirical findings is not in line with the hypothesis, H02 is accepted and Ha2 is rejected. In conclusion, CSR does not have a negative effect on tax aggressiveness.

Hypothesis Testing of Moderated Regression Model X1

The t-test was implemented in this hypothesis testing. The following table summarizes the results of the coefficient of determination and the t-test for the moderated regression model X1.

Table 4 Results of Hypothesis Testing of Moderated Regression Model X1 (H3)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.0780	0.0714	-1.0930	0.2750
X1_FD	0.0597	0.0224	2.6693	0.0079
Z_KI	-0.0243	0.1951	-0.1244	0.9011
X1_FD*Z_KI	-0.0063	0.1446	-0.0434	0.9654
FIRM_SIZE	0.0094	0.0026	3.5559	0.0004
Adjusted R-squared			0.1935	
F-statistic			20.7252	
Prob(F-statistic)			0.0000	

Source: Processed data (2026)

This test table shows a Prob(F-statistic) value of 0.0000, which is less than 0.05. This figure confirms the feasibility of the regression model. Meanwhile, the Adjusted R-squared was recorded at 0.1935, meaning this research model projects 19.35% of the variation in tax aggressiveness. The decision making for the third hypothesis is determined based on the significance value in the Prob. column in the interaction variable row "X1_FD*Z_KI". The results of the statistical test show that the interaction variable between financial distress and independent commissioners recorded a coefficient value of -0.0063 with a significance value of 0.9654. This probability value far exceeds the threshold of 0.05, thus statistically confirming that H03 is accepted and Ha3 is rejected. The final conclusion is that independent commissioners do not moderate (neither weaken nor strengthen) the relationship between financial distress and tax aggressiveness.

Hypothesis Testing of the X2 Moderated Regression Model

The t-test was implemented in this hypothesis testing. The following table summarizes the results of the coefficient of determination and the t-test for the X2 moderated regression model.

Table 5 Results of Hypothesis Testing of Moderated Regression Model X2 (H4)

Variable	Coefficient	Std. Error	t-Statistic	Prob.

C	-0.0497	0.0802	-0.6193	0.5361
X2_CSR	0.0005	0.0027	0.1885	0.8506
Z_KI	-0.0918	0.1558	-0.5896	0.5558
X2_CSR*Z_KI	0.0033	0.0072	0.4491	0.6536
FIRM_SIZE	0.0095	0.0026	3.6041	0.0004
Adjusted R-squared			0.1939	
F-statistic			20.7754	
Prob(F-statistic)			0.0000	

Source: Processed data (2026)

This table again displays a significant Prob(F-statistic) value (0.0000 < 0.05), proving that this regression model is fit and suitable for use. The adjusted R-squared value is 0.1939, representing 19.39% of the variation in tax aggressiveness in this second modified model. The decision making of the fourth hypothesis is focused on the significance value in the Prob. column of the interaction variable row "X2_CSR*Z_KI". The results of the statistical test illustrate that the interaction variable between CSR and independent commissioners has a positive coefficient value of 0.0033 with a significance value of 0.6536. Because the probability value of the interaction is not significant (> 0.05), H04 is accepted and Ha4 is rejected. Therefore, it can be concluded that independent commissioners do not moderate (neither strengthen nor weaken) the influence of CSR on tax aggressiveness.

Discussion

The Effect of Financial Distress on Tax Aggressiveness

Based on the results of the first hypothesis test (H1), the regression coefficient value of the financial distress variable was 0.0516 with a significance level of 0.0000. Because the significance value is far below 0.05 (0.0000 < 0.05) and the direction of the regression coefficient is positive, H01 is rejected and Ha1 is accepted. This shows strong empirical evidence that financial distress has a positive and significant influence on the level of corporate tax aggressiveness. This finding is fundamentally in line with Agency Theory, which explains the conflict of interest between principals (shareholders and the state) and agents (management). When a company faces the threat of financial distress, management recognizes that its position, reputation, and compensation are at significant risk. Referring to the viewSun et al., (2014)Financial difficulties create liquidity crisis pressures, where companies lack sufficient cash flow to meet operational obligations and short-term debt. In these emergency situations, management's rational drive to maintain the entity's survival will override conservative tax compliance.

Furthermore, these findings confirm the research results.Christofel & Dewi (2022)which suggests that companies experiencing declining financial performance will tend to seek loopholes to modify their tax obligations. For companies under pressure, the tax burden is no longer viewed as a form of civic responsibility, but rather as a cost that erodes the company's already limited cash balance. Therefore, management uses aggressive tax practices as a cash retention strategy.(Hanlon & Heitzman, 2010)Companies are willing to take on significantly higher tax risks, both through legally aggressive tax planning (tax avoidance) and through gray areas, to ensure the availability of fresh funds to finance operations and avoid imminent bankruptcy.

The Influence of CSR on Tax Aggressiveness

Based on the results of the second hypothesis test (H2), the CSR variable shows a regression coefficient of 0.0017 with a significance level of 0.0001 (0.0001 < 0.05). Although proven statistically significant, the resulting regression coefficient is positive. This finding contradicts the direction of the alternative hypothesis (Ha2), which initially predicted a negative effect. Because the direction of the empirical findings is opposite to the hypothesis, H02 is accepted and Ha2 is rejected. In conclusion, CSR disclosure actually has a positive and significant effect on tax aggressiveness.

The results of this study provide empirical refutation of the ethical arguments put forward byLanis & Richardson, (2012)as well asGribnau & van Steenbergen, (2021)Previously, it was assumed that a company's commitment to CSR would suppress tax aggressiveness to maintain its reputation. Conversely, this study's findings provide strong support for the validity of Legitimacy Theory from a management opportunistic perspective. In practice, CSR disclosure, which is defined byOlukorede (2025)As a commitment to the economy, social, and environment, it is often misused by companies as a means of social compensation or a protective shield. Management is aware that aggressive tax practices carry the risk of strict scrutiny and potential public criticism. To mitigate these risks, management extensively publishes impressive CSR reports to build social legitimacy and secure a positive public image. With the image of a generous and socially responsible entity, companies hope to divert the attention of the public and tax authorities from the aggressive tax practices they are carrying out covertly to maximize shareholder profits.

The Influence of Independent Commissioners on Financial Distress & CSR on Tax Aggressiveness

In testing the third hypothesis (H3), the interaction variable between financial distress and independent commissioners (X1_FD*Z_KI) yielded a significance level of 0.9654. Because this probability value far exceeds the error tolerance limit (0.9654 > 0.05), H03 is accepted and Ha3 is rejected. This evidence confirms that the proportion of independent commissioners fails to moderate or weaken the drive for financial distress on tax aggressiveness. This result is inconsistent with theoretical expectations.Munawar et al. (2022)The inadequacy of these governance mechanisms becomes understandable when analyzed through the lens of a crisis. When a company faces the threat of financial distress, the pressure to simply survive dominates all decision-making in the boardroom. In such situations of panic and liquidity crisis, independent commissioners often lose their bargaining power. In fact, it's possible that independent commissioners passively allow management to reduce tax burdens, recognizing that curbing cash outflows through tax aggressiveness is the only pragmatic solution to prevent the company from going bankrupt.

On the other hand, in testing the fourth hypothesis (H4), the interaction variable between CSR and independent commissioners (X2_CSR*Z_KI) showed a significance value of 0.6536 (> 0.05). This result led to the decision that H04 was accepted and Ha4 was rejected. This empirical finding failed to support the hypothesis built on the research.Pavlou et al. (2025)who believe that independent commissioners can ensure that CSR implementation is in line with tax compliance. The insignificance of the moderating role in H3 and H4 provides a very important critical evaluation of the effectiveness of the implementation.(Financial Services Authority Regulation Number 33/POJK.04/2014 of 2014 concerning the Board of Directors and Board of Commissioners of Issuers or Public Companies, 2014)Independent commissioners generally suffer from information asymmetry, limited operational authority, and a lack of specific competency in taxation techniques. Consequently, they lack the analytical acumen to detect complex financial manipulation or uncover hidden management agendas that use lavish CSR reports as a means of tax aggressiveness. Corporate tax avoidance strategies have been shown to persist on a massive scale, escaping the oversight of independent commissioners.

CONCLUSION

This study concludes that financial distress and Corporate Social Responsibility (CSR) have distinct relationships with tax aggressiveness in manufacturing companies listed on the Indonesia Stock Exchange during the 2021–2024 period. Financial distress has been shown to increase tax aggressiveness, indicating that financial pressure drives management to pursue tax-saving strategies to maintain liquidity and business continuity. Meanwhile, CSR disclosure is unable to suppress tax aggressiveness and tends to go hand in hand with tax avoidance practices. These findings indicate that CSR implementation does not fully reflect a commitment to tax compliance, but has the potential to be used as a means of building legitimacy and maintaining a company's reputation amidst aggressive tax planning practices. This study also demonstrates that the presence of independent commissioners is unable to moderate the effect of financial distress or CSR on tax aggressiveness. This condition indicates that the supervisory function of independent commissioners has not been effective in controlling corporate tax policy, particularly when companies face financial pressure or implement legitimacy strategies through CSR. Thus, tax aggressiveness in manufacturing companies is still more influenced by internal company conditions than by governance mechanisms through independent commissioners. The results of this study reinforce the importance of increasing the effectiveness of the supervisory function of the board of commissioners and strengthening the integrity of CSR implementation to align with the principles of transparency, accountability, and compliance with tax obligations.

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