

Profitability, PPN PMSE Exposure, and Tax Avoidance: The Moderating Role of ESG Disclosure

Ahmad Ridlo Abdillah Daim^{a*}, Srikalimah^b, M. Alfa Niam^c

^{abc}Universitas Islam Kadiri, Kediri City

*Corresponding author e-mail:ahmadridlo38@gmail.com

ARTICLE INFO

DOI: 10.32832/jmuika.v17i2.22157

Article history:

Received:

27 November 2025

Accepted:

03 Februari 2026

Available online:

05 Juni 2026

Keywords:

Profitabilitas, eksposur PPN PMSE, ESG (Environmental, Social and Governance) disclosur, tax avoidance

ABSTRACT

This study aims to analyse the influence of profitability and PPN PMSE exposure on tax avoidance, and to assess the moderating role of ESG disclosure among PPN PMSE collection companies registered with the Directorate General of Taxes (DJP). The sample comprises 17 companies from 2022 to 2024 (51 firm-year observations). Secondary data were collected from annual financial reports, GRI-based sustainability reports, and DJP documents, then analyzed using panel regression and moderated regression with the Moderated Regression Analysis (MRA) approach. The results indicate that: (i) profitability has no significant effect on tax avoidance; (ii) PPN PMSE exposure is also not significant; (iii) ESG disclosure has a significant negative effect on tax avoidance; however, (iv) ESG disclosure does not moderate the relationship between profitability or PPN PMSE exposure and tax avoidance. The findings suggest that transparency in sustainability reporting is associated with reduced tax aggressiveness, while PPN PMSE policy requires stronger oversight to influence fiscal behavior. This research contributes to understanding how environmental, social, and governance transparency can impact tax strategies, informing policymakers and corporate managers on the importance of disclosure practices

INTRODUCTION

The rapid evolution of Indonesia's digital economy has brought about profound changes in consumer behavior, business operations, and transaction mechanisms. As digital platforms, e-commerce marketplaces, and application-based services proliferate, they reshape traditional economic activities into a more interconnected, borderless environment. This transformation not only enhances efficiency and accessibility but also introduces complex regulatory challenges for authorities tasked with overseeing fiscal compliance and revenue collection. The government, recognizing the potential for substantial tax revenue from digital transactions, has implemented specific policies aimed at capturing revenues generated through electronic systems. Among these initiatives is the Value Added Tax on Electronic System Transactions (PPN PMSE), a critical component of Indonesia's broader strategy to modernize taxation infrastructure and adapt to the digital era (Rahayu et al. 2024).

This policy is formally governed by regulatory frameworks outlined in PMK No. 48/PMK.03/2020, which was subsequently refined through updates such as PMK No. 60/PMK.03/2022, issued by the Ministry of Finance (Kementerian Keuangan Republik Indonesia). These regulations delineate the procedures for identifying collection agents, facilitating the collection, remittance, and reporting of VAT on cross-border digital transactions, especially those involving digital goods, software, and online services sold to Indonesian consumers. The overarching goal is to expand the tax base by including digital transactions that previously escaped formal taxation channels, thereby increasing government revenues. Since the enforcement of this regulation, there has been a notable upward trend in collection figures: from IDR 16.9 trillion in 2022 to IDR 22.3 trillion in August 2024 (Pajak 2023) (Center 2021). This growth signifies increasing compliance and awareness among digital service providers. Yet, despite these positive developments, significant hurdles hinder the full realization of policy objectives.

A primary challenge lies in the limited capacity of existing supervision mechanisms to monitor cross-border digital transactions effectively. The complexity and volume of electronic transactions make comprehensive oversight difficult, creating opportunities for tax avoidance and evasion. In addition, the administrative burdens placed on digital companies—such as the need to establish reporting systems, comply with new regulations, and bear additional costs—may discourage full compliance or lead to strategic tax planning that minimizes tax liabilities. Consequently, the effectiveness of PPN PMSE in curbing tax avoidance remains partial, with the potential for residual gaps that undermine revenue goals (Rahmawati, 2024; Hendo, 2024).

A critical factor influencing the impact of digital taxation policies is the varying degree of digital activity among companies. Firms engaged predominantly in cross-border electronic transactions, such as international e-commerce platforms, tend to have higher exposure to the

digital economy, which makes them more susceptible to PPN PMSE regulations. Conversely, traditional companies that utilize electronic systems merely as support tools, without significant digital engagement, exhibit lower exposure levels. In this context, PPN PMSE exposure can be conceptualized as an indicator of the extent to which a company's core activities are embedded in digital transactions and cross-border electronic commerce. This variable helps measure the intensity of digital economic involvement and provides insight into how deeply companies are affected by digital fiscal policies.

Despite the relevance of this measure, existing academic literature presents mixed findings regarding the influence of profitability on tax behavior within Indonesia's corporate landscape. Several studies suggest that firms with higher profit margins tend to have a greater incentive to reduce tax payments, either through legal tax planning or aggressive avoidance strategies (Hermawan, Sudradjat, and Amyar 2021; Yanti, Ni Ketut Irna Alfina 2025). Meanwhile, other research indicates no significant relationship, highlighting the complexity of tax avoidance determinants and the influence of contextual factors such as industry type, corporate governance, and regulatory environment (Gloria and Apriwenni 2020). Notably, the digital sector's unique characteristics—such as borderless operations, intangible assets, and rapid innovation—may further modulate this relationship, emphasizing the need for targeted investigation.

Alongside profitability and digital activity exposure, the role of transparency and corporate responsibility—embodied through Environmental, Social, and Governance (ESG) disclosures—has gained prominence in recent years. ESG reporting, typically measured via international standards like the Global Reporting Initiative (GRI), reflects a company's commitment to sustainable practices, social accountability, and ethical governance. Empirical findings on the relationship between ESG disclosure and tax avoidance are varied. Some scholars posit that higher ESG transparency correlates with reduced tax avoidance, as firms that prioritize stakeholder interests and social legitimacy are less inclined to engage in practices that could damage their reputation or violate social expectations (Hermawan et al. 2021). Conversely, other studies find minimal or no significant effects, suggesting that ESG disclosures may serve more as a compliance exercise rather than a genuine influence on tax strategies (Indri, Pratiwi Novia, Luk Luk Fuadah 2024).

The divergence in findings underscores the importance of exploring whether ESG functions as a moderator—an intervening factor that influences the strength or direction of the relationship between financial performance, digital activity, and tax avoidance. This moderating role is particularly relevant in the context of companies operating within Indonesia's evolving regulatory landscape, where transparency and accountability are increasingly emphasized, yet corporate incentives may still drive aggressive tax practices.

To frame this investigation theoretically, the study draws upon agency theory, which explains the inherent conflicts of interest between managers (agents) and shareholders or owners (principals). Managers, motivated by personal incentives or the desire to maximize short-term profits, may pursue tax minimization strategies that conflict with the long-term interests of

owners and stakeholders. Such behavior could include underreporting income, overestimating deductions, or exploiting loopholes, especially when oversight is weak or compliance costs are low. On the other hand, stakeholder theory emphasizes that companies have a broader social responsibility to maintain legitimacy and foster stakeholder trust through transparent practices, including responsible tax behavior. Companies committed to sustainability and social responsibility are more likely to align their tax strategies with ethical standards, reducing the likelihood of aggressive avoidance (Gloria and Apriwenni 2020; Widiastutik, Iqbal, and Rusydi 2024).

This research contributes to the existing literature in several ways. First, it examines the influence of digital economy exposure and profitability on tax avoidance specifically among companies designated by the Directorate General of Taxes (DJP) as PPN PMSE collectors—a relatively underexplored area in Indonesia’s digital taxation landscape. Most prior studies focus on conventional sectors or manufacturing firms, leaving a gap in understanding digital services’ unique tax dynamics. Second, the study introduces ESG disclosure as a moderating variable, providing a novel perspective by analyzing how sustainability transparency can mitigate or amplify tax avoidance tendencies. This approach aligns with growing global interest in integrating sustainability and fiscal responsibility within corporate governance frameworks. Third, the research focuses on the period from 2022 to 2024, capturing the transitional phase following the recent revision of PPN PMSE regulations. This timeframe enables an assessment of how new policies influence corporate compliance behaviors, tax planning, and strategic responses amid ongoing regulatory adjustments (PRATIWI 2025).

The central research questions guiding this inquiry are: (1) To what extent do profitability and digital activity exposure influence tax avoidance among companies designated by DJP as PPN PMSE collectors? and (2) Does ESG disclosure serve as a moderator in the relationship between these factors and tax avoidance? Digital activity exposure is conceptualized as the level of engagement in cross-border electronic transactions, representing the degree of digital economy involvement for each company. The findings are expected to enrich the academic discourse on digital taxation, corporate social responsibility, and tax compliance strategies within Indonesia’s rapidly transforming economic environment (Tambunan 2019).

Practically, insights derived from this study can inform policymakers about the effectiveness of current fiscal measures and identify areas where enforcement or policy refinement is necessary. For companies, understanding the interplay between digital activity, profitability, and sustainability reporting can guide strategic decisions to enhance compliance, reputation, and stakeholder trust. Ultimately, this research aims to contribute to the broader agenda of building a fair, transparent, and sustainable digital economy in Indonesia—one that balances revenue collection with corporate responsibility and social legitimacy (Putra 2024).

RESEARCH METHODS

This study employs a quantitative approach aimed at testing the influence of profitability and

PPN PMSE exposure on tax avoidance practices, with ESG disclosure as a moderating variable. The research objects are companies designated by the Directorate General of Taxes (DJP) as PPN PMSE collectors during the enforcement of PMK No. 06/PMK.03/2022 for the period 2022–2024. The data used are secondary data sourced from (1) audited annual financial reports, (2) sustainability reports or equivalent documents containing ESG disclosures in accordance with the Global Reporting Initiative (GRI Standards), and (3) DJP regulations and press releases related to the list of companies appointed as PPN PMSE collectors (Noti, Ismail, and Susanti 2025).

Sampling was conducted using purposive sampling, a technique involving selective sampling based on specific considerations or criteria set by the researcher to align with the research objectives. According to (Sugiyono 2020), purposive sampling is a selective sampling

technique where analysis units are chosen based on particular characteristics and criteria believed to provide the most relevant and representative information for the research problem.

This approach allows researchers to obtain samples that precisely match the focus and aims of the study.

In conducting the sampling, the researcher applied the following criteria:

Table 1. Research Sample

No	Description	Quantity
1	The registered companies designated as PPN collectors for PMSE (Electronic System-based Taxable Entrepreneur) by the DJP (Directorate General of Taxes).	223
2	Companies that have been registered since the effective date of PMK No. 60/PMK.03/2022.	199
3	Companies announced in the DJP press release regarding the designation of PPN PMSE collectors.	147
4	Companies that have audited annual financial reports accessible during the period (2022–2024).	57
5	Companies that have comprehensive ESG information and are accessible during the research period.	42
6	Companies that are parent companies and did not incur losses during the research period.	17
Total		17
The research period		3
Number of companies sampled during the research year		51

Source: Research Data (Processed), 2025

Based on the criteria, out of 223 companies, 17 companies met the requirements as research samples, with a research period of 3 years. Data collection was conducted using a documentation method, which involved gathering, recording, and classifying secondary data

from annual reports, sustainability reports, financial statements, and relevant documents related to the research variables. The obtained data were processed using SPSS version 26 software.

The research variables include profitability, tax avoidance, PPN PMSE exposure, and ESG disclosure. The PPN PMSE exposure variable is used as a proxy for the level of digital economic activity exposure of the company, rather than the difference in appointment status. The data needed for measuring these variables are as follows:

Table 2. Variable Measurement

VARIABLE	REFERENCE	MEASUREMENT
Profitabilitas	(Awliya, 2022)	$\frac{\text{Net Profit}}{\text{Total Asset}} \times 100\%$
Tax avoidance	(Gloria, 2020)	$\frac{\text{Income Tax}}{\text{Before Tax}} \times 100\%$
<i>Profit</i> PPN PMSE Exposure (Digital VAT Exposure)	(Saputra, 2025)	Dummy: 1 = Digital companies with activities such as e-commerce, fintech, and other digital platforms.; 0 = Non digital sectors such as technology/hardware, conventional media, entertainment, and others.
ESG Disclosure	(Mutia, 2025)	$\frac{\text{Number Indicator Disclosed}}{\text{Total Indicator Be Relevant}} \times 100\%$

Source: Research Data (Processed), 2025

The data analysis techniques used are multiple linear regression and moderated regression analysis (MRA). Multiple linear regression is useful for examining the influence of two or more independent variables on the dependent variable (Savitri, 2021: 1). Moderated Regression Analysis (MRA) is a special form of multiple linear regression aimed at testing whether a moderating variable influences the strength or direction of the relationship between independent and dependent variables. This is achieved by adding interaction terms between variables into the regression model (Collins et al. 2021: 1). The regression equation for this study is as follows:

Model 1

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \epsilon \dots \dots \dots (1)$$

Model 2

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 Z + \beta_4 (X_1 \times Z) + \beta_5 (X_2 \times Z) + \epsilon \dots \dots \dots (2)$$

Description:

- Y : Tax avoidance | α : value constant
- β : regression coefficient | X_1 : Profitability | X_2 : Eksposur PPN PMSE |
- Z : ESG disclosure | ϵ : Standard error

RESULTS AND DISCUSSION

Descriptive statistical data in this study aims to present general relevant information related to the characteristics of the research variables, including the mean, standard deviation, maximum value, and minimum value. The variables used in this study consist of profitability, tax avoidance, ESG disclosure, and exposure of PPN PMSE. The results of the descriptive statistical analysis are shown in the following table:

Table 3. Descriptive Statistics of Research Variables

Variabel	N	Minimum	Maksimum	Mean	Std. Deviation
ESG	51	0.47	1.00	0.7465	0.12425
ROA	51	0.01	0.29	0.1274	0.07650
ETR	51	0.00	1.28	0.2186	0.18512

Source: Research Data (Processed), 2025

Based on Table 3, it is observed that the average value of the tax avoidance variable, which is proportional through the ETR, is 0.2168 with a standard deviation of 0.18512. This average indicates that the company's effective tax burden is relatively lower, suggesting the presence of tax avoidance practices in most companies. The profitability variable has an average value of 0.127 with a standard deviation of 0.07650, indicating that companies tend to have moderate profit levels.

Meanwhile, ESG disclosure shows an average value of 0.7465, reflecting that most companies have a relatively high level of sustainability disclosure. The distribution of categories for the PPN PMSE exposure variable is presented in the following Table 4.

Table 4. Frequency Distribution of PPN PMSE Exposure (Dummy Variable)

Category	Frekuensi	Persentase(%)
Non-Digital Company	12	23,5
Digital Company	39	76,5
Total	51	100

Source: Research Data (Processed), 2025

Out of a total of 51 data points (firm-year), 76.5% of the companies in the sample are pure digital companies, such as e-commerce, fintech, and digital service platforms, while the remaining 23.5% are non-digital companies.

The first regression model was conducted to examine the influence of profitability and PPN PMSE exposure on tax avoidance without considering the moderating effect of ESG disclosure. The regression results are presented in Table 5 below:

Table 5. Results of Multiple Regression Analysis (Model 1)

Variable	B	Std. Error	Beta	T	Sig	95% CI (Bawah – Atas)
(Constant)	0,157	0,058	2,704		0,009	0,040 – 0,274
Profitabilitas	-0,027	0,384	-0,011	-0,071	0,944	-0,799 – 0,744
Eksposur PPN PMSE	0,091	0,069	0,214	1,335	0,188	-0,046 – 0,229

R² = 0,044; Adjusted R² = 0,004; F = 1,094; Sig. = 0,343

Source: Research Data (Processed), 2025

Based on the results of the multiple linear regression analysis in Table 5, the following equation can be obtained:

$$Y = 0,157 - 0,027 X_1 + 0,091 X_2 + \epsilon \dots \dots \dots (3)$$

1. The constant value of 0.157 indicates that, if profitability and PPN PMSE exposure do not change, the baseline level of the company's tax avoidance is at 0.157.
2. The coefficient for profitability (B = -0.027; Sig = 0.944) shows that profitability has no significant effect on tax avoidance.
3. The coefficient for PPN PMSE exposure (B = 0.091; Sig = 0.188) suggests that digital exposure has a positive coefficient direction, but it is not statistically significant.

The second model tests ESG disclosure as a moderating variable in the relationship between profitability, PPN PMSE exposure, and tax avoidance. The model is estimated using Ordinary Least Squares (OLS) regression based on simple panel data with a Moderated Regression Analysis (MRA) approach, as presented in Table 6:

Table 6. Results of Moderation Test (Model 2 – MRA)

Variable	B	t	Sig.	95% CI (Bawah – Atas)
Konstanta	0,207	9,278	0,000	0,162-0,251
Profitabilitas (ROA C)	0,127	-0,478	0,635	-0,664-0,409
ESG Disclosure (ESG C)	-0,946	-6,202	0,000	-1,253 – -0,639
Eksposur PPN PMSE (PPN PMSE C)	-0,032	-0,435	0,666	-0,178 –0,115
Interaksi ROA x ESG	-2,429	-1,374	0,176	-5,990 –1,132
Interaksi PPN PMSE x ESG	-0,295	-0,660	0,512	-1,193 –0,604
R ² = 0,591, Adjusted R ² = 0,546				
F = 13,009, Sig. = 0,000				

Source: Research Data (Processed), 2025

Based on the results of the regression analysis of Model 2 (MRA) in Table 6, the following equation is obtained:

$$Y=0.207-0.127X_1-0.032X_2-0.946Z-2.429(X_1Z)-0.295(X_2Z)+\varepsilon\text{..... (4)}$$

1. The coefficient value of ESG Disclosure is (B = -0.946; Sig = 0.000), indicating that ESG disclosure has a significant negative effect on tax avoidance.
2. The moderating coefficient between profitability and ESG disclosure is (B = -2.429; Sig= 0.176). The interaction is not significant, suggesting that ESG does not strengthen the relationship between profitability and tax avoidance.
3. The moderating coefficient of PPN PMSE exposure with ESG disclosure is (B = -0.295; Sig = 0.512). The interaction is also not significant, indicating that ESG disclosure does not influence the relationship between digital exposure and tax avoidance.

DISCUSSION. The conducted test indicates that profitability has no significant effect on tax avoidance. The significance value of 0.944 suggests that the company's profit level does not directly determine its tendency to engage in tax avoidance. In the context of large PPN collection entities such as PMSE (Electronic Service Providers), high levels of supervision and compliance tend to limit the scope for tax avoidance activities.

The interpretation of these findings is that, although theoretically, companies with higher profits have greater incentives to pursue aggressive tax planning due to the potential for larger tax savings especially in the current economic era and regulatory environment related to PPN collection such incentives may be subdued by more effective oversight and transparency mechanisms (Setyaningsih et al. 2023) the statement that profitability has no significant effect on tax avoidance is supported by the findings. This condition is attributed to the strengthening of corporate governance and the increase in fiscal compliance, which together limit opportunities for tax avoidance. Similarly, (Prang et al. 2024) state that profitability does not affect tax avoidance due to increasingly intensive oversight and compliance enforcement. This finding is also in line with (Dalimunthe et al. 2020) which shows that profitability has no significant influence on tax avoidance.

The analysis shows that the PPN PMSE exposure variable has a positive coefficient but is not statistically significant for tax avoidance (B = 0.091; Sig. = 0.188). This indicates that companies with higher levels of digital economic activity, categorized in this study through digital and non-digital dummy variables, tend to engage more in tax avoidance practices. However, this relationship is not statistically significant. These findings suggest that although the PPN PMSE policy conceptually aims to expand the tax base within the digital economy, in practice, the policy has not yet been fully effective in changing fiscal behavior.

This is consistent with the research by (Sihaloho, 2025) which states that the implementation of PPN PMSE is still primarily focused on administrative aspects of tax collection rather than on monitoring corporate tax strategies. Additionally, the study by (Putra, 2024) explains that the tax mechanisms for the digital economy are related to technical issues and jurisdictional matters, particularly concerning cross-border transactions and electronic reporting systems.

Digital companies have a higher level of exposure to fiscal regulations but still possess flexibility in their cross-border structures and activities, which complicates the oversight of digital transactions (Mahpudin, 2024).

Digital companies with high levels of electronic-based economic activity are in a position that is closer to fiscal policies. This means they have a higher level of exposure to PPN PMSE regulations, but at the same time, they possess the flexibility that can be exploited for tax avoidance. Although fiscal regulations have been established, their influence on tax avoidance behavior remains not statistically significant.

The conducted analysis indicates that ESG disclosure has a significant effect on tax avoidance ($B = -0.946$; $\text{Sig.} = 0.000$). The higher the implementation of ESG principles, the lower the tendency of companies to engage in tax avoidance. These findings reinforce the legitimacy theory, which states that companies seek to gain social legitimacy through transparency and accountability to stakeholders, including in the area of taxation. This demonstrates that sustainability practices encourage companies to act ethically, including fulfilling their tax obligations (Hidayat and Zuhroh, 2023).

The sustainability reporting standards used, such as GRI, require transparency regarding global tax strategies and fiscal contributions across various jurisdictions. Thus, ESG disclosure functions as a governance control mechanism capable of reducing corporate maneuvers in engaging in tax avoidance (Teja, 2024). Additionally (Sugimin, 2024) emphasizes that ESG implementation serves as an internal supervision mechanism that can limit management actions, thereby increasing tax compliance.

The interaction test between profitability and ESG disclosure shows a significant value of 0.176, which is higher than 0.05. This indicates that ESG disclosure does not have a moderating effect on the relationship between profitability and tax avoidance. These findings suggest that although a company has high profitability, ESG disclosure does not necessarily influence changes in the company's tax strategy. In other words, management's decision regarding the level of tax avoidance is more influenced by internal factors such as shareholder interests and profit pressure, rather than external pressures from ESG transparency. Theoretically, these results are consistent with the research by (Angelina 2025) which confirms that ESG has a significant and effective influence on directly affecting tax avoidance through improved internal governance and stakeholder oversight. In other words, ESG provides reputational pressure and legitimacy, prompting companies to reduce their tax aggressiveness without relying on the level of profitability they achieve.

Furthermore, the research by (Ortas and Gallego-Álvarez 2020) found that the interaction between ESG and tax aggressiveness is often influenced by the regulatory environment and institutional characteristics, resulting in a partial and inconsistent moderating effect across countries and industries. This provides an explanation for why, in the context of PPN collectors for digital service providers (PMSE) in Indonesia, ESG is unable to enhance the sensitivity of tax behavior to increased profitability. For companies designated as PPN collectors for PMSE,

sustainability reporting practices tend to serve more as a legitimacy tool rather than as a means to alter profit motivation in tax management.

The test results indicate that the interaction between PPN PMSE exposure and ESG disclosure has no significant effect on tax avoidance ($\beta = -0.295$; Sig. = 0.512). This finding suggests that the level of ESG disclosure is not sufficiently strong to moderate the relationship between digital fiscal regulation exposure and the company's tendency to engage in tax avoidance. In other words, ESG disclosure does not function as a factor that amplifies or weakens the influence of PPN PMSE exposure on the company's tax behavior (Wulandari 2023).

In the context of this research, PPN PMSE exposure is measured based on the characteristics of the digital business model owned by the company. Digital companies such as e-commerce, app-based services, and digital content providers have a more direct involvement with the PPN PMSE collection and reporting system compared to non-digital companies. Theoretically, higher exposure levels should encourage companies to be more cautious in tax compliance due to their intensive interaction with the digital fiscal system monitored by tax authorities. However, empirical results indicate that exposure to PPN PMSE policies has not yet created significant variation in tax avoidance behavior, even after considering the level of disclosure (Mahpudin, 2024).

This phenomenon can be explained through two main theoretical perspectives. From the standpoint of Agency Theory, the relationship between the principal (tax authorities) and the agent (digital companies) is complex due to the high level of information asymmetry in cross-border transactions. Digital companies have the flexibility to determine server locations, legal entities, and data flows, which are not easily traceable through conventional means. In such situations, the presence of ESG disclosure does not necessarily reduce fiscal information asymmetry, as sustainability reports primarily focus on social, environmental, and overall governance aspects, rather than on the technical compliance details of digital tax obligations across jurisdictions (Indri, Pratiwi Novia, Luk Luk Fuadah 2024).

Meanwhile, from the perspective of Stakeholder Theory, ESG disclosure is expected to enhance corporate accountability through public transparency. However, these insignificant results indicate that for companies collecting PPN PMSE, ESG disclosure is more of a symbolic (symbolic legitimacy) rather than instrumental (substantive legitimacy) act. In other words, ESG disclosures may be used as a legitimization tool to build a positive corporate image in the eyes of the public and regulators, without substantially influencing actual tax practices. This aligns with the view of Legitimacy Theory, where companies may adjust their reporting practices to appear socially compliant, even if their fiscal compliance behavior is not genuinely aligned.

These findings also reflect the characteristics of Indonesia's PPN PMSE policy, which to date has focused more on administrative aspects such as the designation of collection agents, reporting, and tax payments, rather than on compliance monitoring mechanisms and fiscal behavior. The study by (Elamer, Boulhaga, and Ibrahim 2024) supports these results by showing that ESG is more effective in directly reducing tax avoidance through increased

transparency, but its moderating effect on regulatory variables is rarely significant. This suggests that ESG disclosures have not yet been sufficient to strengthen the influence of external fiscal policies, such as PPN PMSE, on corporate tax behavior (Rahayu et al. 2024).

Additionally, the challenges in implementing digital fiscal policies in Indonesia also weaken the moderating effect of ESG. Limitations in cross-border monitoring infrastructure, differences in reporting systems between countries, and the still weak integration of digital data create significant flexibility for digital companies to structure their transactions. Under such conditions, even if companies broadly disclose ESG information, it does not guarantee significant changes in their tax behavior because ESG disclosures are not directly connected to digital fiscal control mechanisms (Rahayu et al. 2024; Wulandari 2023).

From the perspectives of Agency and Legitimacy Theories, this situation can be interpreted as a form of decoupling, which is the misalignment between external policies (such as PPN PMSE) and internal company policies (such as ESG disclosure). Companies may demonstrate normative compliance through sustainability reports to maintain their reputation, but operationally, they have not yet adjusted their fiscal behaviors in response to digital regulation changes. Therefore, ESG disclosure has not yet become an effective moderating force between exposure to digital fiscal policies and tax avoidance practices (Sihaloho 2025).

Conceptually, these findings imply two important considerations. First, strengthening oversight of PPN PMSE must be complemented with incentives or reputational mechanisms that encourage companies to explicitly link their ESG reports with tax compliance practices, for example, through tax transparency indicators within GRI standards. Second, these results highlight that the effectiveness of ESG in the digital fiscal context heavily depends on the integration between corporate sustainability policies and national fiscal regulatory systems. In other words, social transparency alone, without fiscal policy synchronization, is insufficient to change tax avoidance behavior.

CONCLUSION AND SUGGESTIONS

This study provides a nuanced understanding of the behaviors of digital companies, specifically those designated as PPN PMSE collectors by the Directorate General of Taxes (DJP), in relation to tax avoidance, while considering the roles of profitability, digital exposure, and ESG disclosure. The findings reveal that profitability does not have a significant impact on tax avoidance practices among these firms, and similarly, the level of PPN PMSE exposure—an indicator of their engagement in cross-border digital transactions—does not significantly influence their propensity to engage in tax avoidance. Additionally, while ESG disclosure is negatively associated with tax avoidance, indicating that higher transparency and sustainability reporting can serve as a deterrent against aggressive tax strategies, it does not function as a moderator in the relationship between profitability or digital exposure and tax avoidance.

Theoretical Contributions. From a theoretical perspective, these results contribute to the ongoing discourse within agency and stakeholder theories. The absence of a significant relationship between profitability and tax avoidance among PPN PMSE firms suggests that, at

least in this context, managers do not necessarily pursue aggressive tax planning solely based on profit motives, possibly due to heightened regulatory oversight or reputational concerns. This aligns with agency theory, which posits that effective governance mechanisms diminish managers' incentive to engage in opportunistic behavior. Moreover, the negative effect of ESG disclosure on tax avoidance reinforces the stakeholder theory perspective, emphasizing that companies committed to transparency and social responsibility tend to adopt more ethical tax practices to maintain legitimacy and stakeholder trust.

The non-moderating role of ESG indicates that, although sustainability transparency is associated with lower tax avoidance, it does not necessarily influence the strength of the relationship between financial or digital exposure variables and tax behavior. This suggests that ESG may function more as an independent governance mechanism rather than a conditional factor that interacts with other determinants of tax avoidance.

Empirical Contributions and Research Gaps. Empirically, this study extends the literature on digital taxation by focusing on the behavior of PPN PMSE-collecting companies in Indonesia—a relatively underexplored segment—highlighting that current fiscal policies have yet to significantly alter digital firms' tax strategies. It also fills a gap in the ESG and tax avoidance nexus by providing evidence that higher sustainability disclosures are associated with reduced aggressive tax planning, thus emphasizing the potential role of ESG as a governance tool in emerging markets. Furthermore, the research addresses the paucity of studies examining the interplay between digital activity, financial performance, and sustainability practices in influencing tax behaviors in Indonesia, offering context-specific insights that can inform policy and corporate strategy.

Implications for Practice. Practically, the findings suggest that digital companies should view ESG disclosure not merely as a compliance requirement but as a strategic governance mechanism that can enhance their reputation and potentially deter tax avoidance behaviors. Companies are encouraged to strengthen their ESG initiatives—particularly transparency and social responsibility—to foster stakeholder trust and align their tax practices with sustainable and ethical standards. Policymakers, on the other hand, should recognize that current digital fiscal policies may require further refinement to effectively influence tax behavior. Enhanced monitoring, clearer guidelines, and incentives for ESG integration can help reinforce the effectiveness of tax compliance strategies among digital firms.

Limitations and Future Research Directions. Despite its contributions, this study has limitations that open avenues for future research. The cross-sectional design restricts causal inferences; hence, longitudinal studies could better capture the dynamics of tax behavior over time and the impact of evolving policies. Additionally, incorporating qualitative methods, such as case studies or interviews, could deepen understanding of managerial motivations and perceptions regarding ESG and tax strategies. Future research should also explore other potential moderating factors, such as corporate governance quality, institutional pressure, or cultural variables, which may influence the relationship between ESG and tax avoidance. Moreover, expanding the scope to include small- and medium-sized enterprises (SMEs) or

firms from different sectors could provide comparative insights into how digital transformation and sustainability practices interplay across diverse organizational contexts. Employing mixed-method approaches or experimental designs can further enrich the understanding of causality and underlying mechanisms.

Conclusion Synthesis. In sum, this study underscores that while profitability and digital exposure may not currently drive tax avoidance among PPN PMSE-collecting firms—potentially due to regulatory oversight or managerial risk aversion—ESG disclosure emerges as a promising tool to promote ethical tax practices. These findings highlight the importance of integrating sustainability initiatives into corporate governance frameworks, especially within the context of Indonesia’s evolving digital taxation landscape. Future efforts should focus on refining policies, enhancing transparency, and fostering a corporate culture that aligns financial performance, digital engagement, and social responsibility, ultimately contributing to a more fair, transparent, and sustainable digital economy.

REFERENCE

- Angelina. 2025. “Does ESG Performance Influence Corporate Tax Avoidance? An Empirical Analysis.” 3(4):1257–65.
- Awliya, Malika. 2022. “Analisis Profitabilitas (Return on Asset (Roa) Dan Return on Equity (RoE) Pada PT Sido Muncul Tbk (Periode 2015-2018).” *Journal of Economic Education* 1(1):10–18.
- Center, Katadata Insight. 2021. “Perilaku Keuangan Generasi Z Dan Y.” *PT Katadata Indonesia* (September):1–50.
- Collins, Sean P., Alan Storrow, Dandan Liu, Cathy A. Jenkins, Karen F. Miller, Christy Kampe, and Javed Butler. 2021. “Analisis Variabel Moderating.” 167–86.
- Dalimunthe. 2020. “The Effect of Corporate Governance on Tax Avoidance: Evidence from Indonesia.” *Management & Economics Research Journal* 2(4):66–85. doi: 10.48100/merj.v2i4.126.
- Elamer, Ahmed A., Mounia Boulhaga, and Bassam A. Ibrahim. 2024. “Corporate Tax Avoidance and Firm Value: The Moderating Role of Environmental, Social, and Governance (ESG) Ratings.” *Business Strategy and the Environment* 33(7):7446–61. doi: 10.1002/bse.3881.
- Gloria, and Prima Apriwenni. 2020. “Effective Tax Rate Dan Faktor -Faktor Yang Memengaruhi.” *Jurnal Akuntansi* 9(2):17–31. doi: 10.46806/ja.v9i2.759.
- Hermawan, Sakti, Sudradjat Sudradjat, and Firdaus Amyar. 2021. “Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan Terhadap Tax Avoidance Perusahaan Property Dan Real Estate.” *Jurnal Ilmiah Akuntansi Kesatuan* 9(2):359–72. doi: 10.37641/jiakes.v9i2.873.
- Hidayat, Kadarisman, and Diana Zuhroh. 2023. “The Impact of Environmental, Social and Governance, Sustainable Financial Performance, Ownership Structure, and Composition of Company Directors on Tax Avoidance: Evidence from Indonesia.” *International Journal of Energy Economics and Policy* 13(6):311–20. doi: 10.32479/ijeep.14557.
- Indri, Pratiwi Novia, Luk Luk Fuadah, Yunisvita. 2024. “The Influence Of Environmental, Social, And Governance (ESG) And Capital Intensity On Tax Avoidance In Public Companies Listed On The Indonesian Stock Exchange (IDX).” 5(2):7772–83.
- Mahpudin, Endang. 2024. “Digital Tax Reform in Indonesia: Perspective on Tax Policy Development.” *Journal of Infrastructure, Policy and Development* 8(8):1–17. doi:

10.24294/jipd.v8i8.7032.

Mutia, Devina Kansa. 2025. "Analisis Kecukupan Pojk 51/2017 Sebagai Kerangka Regulasi Pelaporan Esg Pada Emiten Sektor Keuangan Indonesia." *Jurnal Aktual Akuntansi Bisnis Terapan* 8(1):104–24.

Noti, Giverly, Marthinus Ismail, and Mila Susanti. 2025. "Pengaruh Penerapan Green Accounting Dan Perencanaan Pajak Terhadap Kinerja Keuangan Sektor Energi Yang Terdaftar Di BEI (2021-2023)." *Journal Of Business, Economics, And Finance* 3(1):128–40.

Ortas, Eduardo, and Isabel Gallego-Álvarez. 2020. "Bridging the Gap between Corporate Social Responsibility Performance and Tax Aggressiveness: The Moderating Role of National Culture." *Accounting, Auditing and Accountability Journal* 33(4):825–55. doi: 10.1108/AAAJ-03-2017-2896.

Pajak, Direktorat Jenderal. 2023. "Penerimaan PPN PMSE." *Pajak.Go.Id*.

Prang. 2024. "Pengaruh Profitabilitas Dan Ukuran Perusahaan Terhadap Tax Avoidance Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia." *Manajemen Bisnis Dan Keuangan Korporat* 2(1):42–51. doi: 10.58784/mbkk.100.

Pratiwi, Kadek Dhea. 2025. "Analisis Penerapan Ppn Atas Perdagangan Melalui Sistem Elektronik (Pmse) Sebagai Upaya Optimalisasi Penerimaan Pajak Halaman Sampul Depan Nama Nim : Kadek Dhea Pratiwi Analisis Penerapan Ppn Atas Perdagangan Melalui Sistem Elektronik (PMSE)."

Puncak Joyontono, 1)Subarno, 1)Reineta Puspitasari, 1)Tiara Handayani, 1)Asal Izmi, 1)Cut Ayu Tiara S, 1)M. Rifki Ghozali, 1)Ika Indah Karlina, 1)Muhammad Fitranata N, 2)Suprpto Dibiyosaputro. 1967. *Statistik Multivariat Dalam Riset*.

Putra, Oky Julio. 2024. "Value Added Tax: A Suitable Alternative for Taxing The Digital Economy? (Indonesian Context)." *JURNAL PAJAK INDONESIA (Indonesian Tax Review)* 8(1):184–202. doi: 10.31092/jpi.v8i1.2775.

Rahayu, Linda, Riri Zelmiyanti, Afriyanti Hasanah, Politeknik Negeri Batam, Aifa Izzwatul Hikmah, Zuraidah Zuraidah, Diena Fukuyama Indah, Sri Dewi Wahyuni, Nurfika Anggraini, Kusnul Sahara, Citra Widiapsarinim, Ardi Hamzah, Febrian Suryanto, and Lia Dama Yanti. 2024. "Korelasi Antara Kinerja Keuangan Dan Kebijakan Pajak Agresif." *ECo-Sync: Economy Synchronization* 1(01):144–62. doi: 10.24967/jaeap.v4i01.3933.

Saputra, Prasetyo. 2025. "LITERA: Jurnal Literasi Akuntansi Vol. 5 No. 1 Maret 2025." 5(1):12–26.

Setyaningsih, Fitri, Tutty Nuryati, Elia Rossa, and Nera Marinda Machdar. 2023. "Pengaruh Profitabilitas, Leverage, Dan Capital Intensity Terhadap Tax Avoidance." *SINOMIKA Journal: Publikasi Ilmiah Bidang Ekonomi Dan Akuntansi* 2(1):35–44. doi: 10.54443/sinomika.v2i1.983.

Sihaloho, Ulfah Oktarida. 2025. "Challenges and Strategic Approaches in Digital Vat Collection: Evidence From Indonesian E-Commerce Sector." *Kajian Ilmiah Mahasiswa Administrasi Publik (KIMAP)* 6(1):1–16. doi: 10.26618/kimap.v6i1.17426.

Sugimin. 2024. "Jurnal Konsep Bisnis Dan Manajemen." *Jurnal Konsep Bisnis Dan Manajemen* 3(1):32–43. doi: 10.31289/jkbn.v10i2.11732.

Sugiyono. 2020. *Metodologi Penelitian Kuantitatif, Kualitatif Dan R & D*.

Tambunan, Maria R. U. D. 2019. "Transformasi Budaya Organisasi Otoritas Perpajakan Indonesia Menghadapi Era Ekonomi Digital." 5(2):253–64.

Teja, Adrian. 2024. "Environmental, Social and Governance Disclosure Scores and Tax Avoidance." *Jurnal Ilmiah Akuntansi* 9(1):186–209. doi: 10.23887/jia.v9i1.69573.

Widiastutik, Rika Nur, Syaiful Iqbal, and Mohamad Khoiru Rusydi. 2024. "Moderating Role of ESG Disclosure on Minority Shareholders and Tax Avoidance." *Journal of Accounting Research, Organization and Economics* 7(2):237–52. doi: 10.24815/jaroe.v7i2.37155.

Wulandari, Destiny. 2023. “Tentang PPN PMSE Indonesia: Masih Ada Yang Perlu Diperbaiki?” *JURNAL PAJAK INDONESIA (Indonesian Tax Review)* 7(2):54–66. doi: 10.31092/jpi.v7i2.2494.

Yanti, Ni Ketut Irna Alfina, Made Arie Wahyuni. 2025. “Pengaruh Profitabilitas , Leverage , Dan Ukuran Perusahaan Terhadap Tax Avoidance (Studi Kasus Pada Perusahaan Sektor Properti Dan Real Estate.” 14(1):123–33.