

The Influence of Financial Performance on Tax Avoidance: Green Accounting as a Moderating Variable

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Abstract

This study aims to analyze the effect of financial performance on tax avoidance, using green accounting as a moderating variable. The implementation of green accounting is increasingly important in the business world, as it increases transparency and corporate responsibility for environmental impacts. The study was conducted on basic materials manufacturing companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2023 period. The data obtained were analyzed using multiple regression methods. The results show that liquidity has a positive effect on tax avoidance. Meanwhile, profitability has a negative effect on tax avoidance. Solvency has no effect on tax avoidance. In the moderation analysis, green accounting was shown to weaken the relationship between liquidity and tax avoidance. Green accounting was also shown to weaken the relationship between profitability and tax avoidance. However, green accounting did not moderate the relationship between solvency and tax avoidance. This study has implications that companies can utilize the results of this study to develop more responsible financial strategies oriented towards optimal tax compliance. Furthermore, the implementation of Green Accounting can also enhance the company's reputation. For regulators, the results of this study can serve as a basis for designing more effective tax policies, including incentives for companies that implement Green Accounting.

Keywords: Green Accounting, Liquidity, Profitability, Solvency, Tax Avoidance.

1. Introduction

1.1. Background

In an era of increasing environmental awareness, several companies in Indonesia are under pressure to adopt more environmentally friendly practices. Green accounting practices have emerged as a corporate responsibility to their interests. The implementation of green accounting is increasing as many companies recognize the negative implications of ecological degradation and the important role of businesses in mitigating its impact. Green accounting is an approach that integrates environmental considerations into a company's accounting and financial reporting

processes (Amru et al., 2024). The implementation of green accounting is becoming increasingly important because it raises awareness of the sustainability and environmental impact of business activities. This not only impacts a company's image but also its financial performance, including liquidity, solvency, and profitability (Wulandari et al., 2024).

Liquidity refers to a company's ability to meet its short-term obligations. Implementing green accounting can help companies manage operational costs related to environmental compliance and resource management, thereby improving cash flow and liquidity (Anggreni et al., 2024). Solvency indicates a company's ability to meet long-term obligations. By implementing environmentally friendly practices, companies can reduce legal and reputational risks that can impact solvency (Pratama & Mulyani, 2024). Profitability is a key measure of a company's financial performance. Research shows that implementing green accounting can increase profitability by reducing costs and improving operational efficiency (Latiifah & Trisnawati, 2024).

The implementation of green accounting can also help companies meet their obligations by utilizing environmental costs and provide opportunities for companies to take advantage of tax deductions through environmental costs. On the other hand, some research indicates that green accounting does not positively impact tax avoidance through the reduction of environmental costs recognized as tax deductions. Research conducted by Putri et al. (2024) found that green accounting did not positively impact tax avoidance, with company size as a moderating variable. Liquidity, solvency, and profitability allow companies to use costs to meet obligations, and the assessment of profits earned by the company is used as a measure of the company's tax rate. Research by Theresia & Salikim (2023) showed that liquidity has no significant effect on tax avoidance, leverage and profitability have a negative effect on tax avoidance, and company size has a positive effect on tax avoidance.

This study is a replication of the journal of Rumbi et al. (2024). In that study, profitability and liquidity had a negative effect, while solvency had a positive effect. When moderated by political connections, profitability and liquidity had a positive effect on tax avoidance, while solvency had a negative effect. Political connections are a moderating factor that influences the relationship between these variables and tax avoidance. The moderation of profitability, solvency, and liquidity indicates a tendency to have an advantage in managing corporate tax obligations. In this study, a different moderating variable was used, namely green accounting. Green accounting is used as a moderating variable because the implementation of green accounting can support environmental costs. Environmental costs are a reduction in taxable income. By optimizing the reporting of costs related to environmental responsibility, it can influence or reduce the tax burden legally or legitimately without violating applicable regulations related to taxation. This also refers to research showing that green accounting has a significant relationship with tax avoidance (Priscilia et al., 2024). This study tests whether green accounting can have an impact, considering that green accounting is an approach that emphasizes transparency and environmental responsibility, which are considered relevant in influencing tax avoidance

practices. This addition aims to examine how green accounting can strengthen or weaken the relationship between liquidity, solvency, and profitability and tax avoidance.

1.2. Literature Review and Hypothesis Development

1.2.1. Agency Theory

Agency theory describes a relationship in which one or more parties (principals) ask another party (agent) to provide a service on their behalf, which involves granting certain decision-making authority to the agent (Jensen & Meckling, 1976). Managers will make various efforts to obtain a good impression of their performance (Kumalasari and Puspaningsih, 2024). This can occur especially when the persons involved in the process are opportunist and strongly driven by personal interests (Jusoh et al, 2022). In tax avoidance, the agent refers to the manager, and the principal refers to the shareholder. This can occur because the separation of ownership and control allows managers to make tax decisions that may not align with the interests of shareholders (Shafai et al., 2018).

1.2.2. Financial Performance

Financial performance can be measured using financial ratios. Some financial ratios that can be used include liquidity, profitability, and solvency. Liquidity measures a company's ability to pay current or short-term liabilities that must be paid within one year using its current assets, such as cash, accounts receivable, and inventory (Yeo, 2016). The cash ratio compares the amount of cash and current assets that can be quickly converted into cash to short-term liabilities (Sutrisno, 2014). This ratio provides a clear picture of a company's liquidity, indicating the extent to which the company can meet short-term obligations using only cash and highly liquid assets.

Solvency is a financial ratio that describes the relationship between a company's debt and equity, indicating the company's ability to meet its long-term obligations. This ratio is important for assessing a company's financial health because it indicates how well the company can pay its debts when all obligations fall due. A high solvency ratio indicates that a company has more assets than debt, making it more capable of meeting its long-term obligations (Rumbi et al., 2024). A company is considered solvent if it has sufficient assets to pay all its debts. Conversely, a company is considered insolvent if its total assets are less than its total debts (Riza & Suryono, 2020).

Profitability is a key measure of financial performance. In sustainability research, profitability is defined as a key principle in financial logic that focuses on the ability of a financial organization to generate profits from its activities or investments (Rataj et al., 2024). At the beginning of a change, sustainability values are typically prioritized because they are considered to drive innovation and change. As development progresses, financial returns become more important. Profitability is often a top priority in decision-making, particularly regarding corporate tax avoidance (Rataj et al., 2024).

1.2.3. Green Accounting

Green accounting is an accounting approach that incorporates environmental considerations into a company's recording, reporting, and decision-making processes. This includes recognizing and measuring the environmental impacts of business activities, such as waste management costs, environmental restoration, and investments, with the aim of increasing corporate transparency regarding environmental management and supporting sustainable development (Priscilia et al., 2024). This is crucial for understanding how companies can measure and report the environmental impact of their activities, as well as how this relates to tax avoidance.

Green accounting refers to an accounting method that integrates environmental considerations into financial reporting (Amru et al., 2024). By implementing green accounting, companies can identify, calculate, and report the environmental costs resulting from production activities, thus facilitating better decision-making. By measuring and reporting environmental costs, companies can identify ways to reduce waste and mitigate environmental risks. This enables companies to identify cost-saving opportunities that can improve financial performance while minimizing tax expenses (Wulandari et al., 2024).

1.2.4. Tax avoidance

Tax avoidance refers to strategies used by companies to legally minimize tax liabilities without violating existing tax regulations. In practice, the methods and techniques used tend to exploit weaknesses in tax regulations and laws, with the aim of minimizing the amount of tax payable. Tax avoidance is a way to exploit loopholes in tax laws, which tax authorities cannot take action against. Essentially, tax avoidance serves to legally reduce tax debt without reducing the taxpayer's ability or obligation to pay their taxes (Pohan, 2023).

1.2.5. Hypothesis Development

The ratio of liquid assets to total assets reflects an organization's capacity to convert active assets into liquid assets without incurring losses. It also serves as an accurate measure of an organization's ability to meet its short-term obligations (Lin et al., 2011). Companies with high liquidity have good cash flow, enabling them to repay their obligations. This makes companies prioritize profits over paying taxes, increasing their likelihood of engaging in tax avoidance (Indradi D., 2018). Research conducted by Abdullah (2020) states that liquidity has a significant and positive effect on tax avoidance. This means that the greater the proportion of short-term debt a company holds, the more likely it is to engage in tax avoidance practices.

H1. Liquidity has a positive effect on tax avoidance.

Research on the effect of solvency on tax avoidance has yielded mixed findings, but most studies indicate a significant positive relationship between the two variables: the independent and dependent variables. Solvency, measured by the Debt-to-Equity Ratio (DER), provides a presentation of a company's ability to meet long-term obligations. Research on manufacturing companies in Indonesia conducted by Rumbi et al. (2024) shows that solvency has a positive and

significant effect on tax avoidance. Research conducted by Wanda & Halimatusadiah (2021) also shows that solvency has a positive effect on tax avoidance. These findings suggest that companies with high solvency levels tend to have more resources to develop tax avoidance strategies, such as using equity funds instead of borrowing.

H2. Solvency has a positive effect on tax avoidance.

Profitability can be defined as a company's ability to generate profits from its operating activities. Research shows that entities with high profitability tend to engage in tax avoidance to minimize their tax burden, thus maintaining high reported profits. The results of this study indicate that profitability has a positive effect on tax avoidance (Tanjaya & Nazir, 2021). This research aligns with research conducted by Twinfirst (2023), which found that profitability has a positive or significant effect on tax avoidance, as higher profitability values also lead to higher tax avoidance. Furthermore, research conducted by Danardhito et al. (2023) shows a positive relationship between profitability and tax avoidance, where companies with high profitability tend to implement tax expenditure reductions.

H3. Profitability has a positive effect on tax avoidance.

Companies with low liquidity are more likely to engage in tax avoidance, as they may face difficulties in meeting their tax obligations and seek ways to reduce their tax burden. This research shows that high liquidity provides financial capacity that allows companies to meet their tax obligations without having to seek evasion (Rumbi et al., 2024). Green accounting is a method of recording and reporting related to environmental impacts to manage and analyze environmental-related costs, which can be used in corporate decision-making. Moderation in green accounting can have a liquidity effect on tax avoidance if green accounting can effectively address environmental issues. From the above description, it can be concluded that green accounting can assist companies in assessing and making decisions regarding corporate tax reduction (Ahyani et al., 2024).

H4. Green accounting weakens the effect of liquidity on tax avoidance.

Many studies show that solvency has a positive influence on tax avoidance. Companies with high solvency levels are more likely to engage in tax avoidance because they have more resources to explore avoidance strategies (Wanda & Halimatusadiah, 2021). Green accounting is designed to incorporate environmental aspects into a company's financial reporting. Research conducted by Priscilia et al. (2024) found that green accounting has a significant influence on tax avoidance. The implementation of green accounting can influence environmental costs as a reduction in taxable income through strategies that optimize reporting of environmentally related costs. Moderation in green accounting can potentially modify the effectiveness of solvency on tax avoidance. If green accounting is effective in managing environmental costs, companies may be less susceptible to tax avoidance due to greater transparency of environmental costs.

H5. Green accounting strengthens the influence of solvency on tax avoidance.

Research shows that profitability has a beneficial impact on tax avoidance strategies. Increased corporate profitability correlates with increased motivation to engage in tax avoidance practices to maximize net profit (Prasety & Muid, 2022). Companies that effectively implement green accounting principles are likely to be more considerate of the impact of their tax avoidance practices on environmental responsibility, making it crucial for companies to balance profitability and green accounting strategies in tax planning (Wanda & Halimatusadiah, 2021).

H6. Green accounting weakens the effect of profitability on tax avoidance.

Based on the description above, the research model can be seen in the following figure:

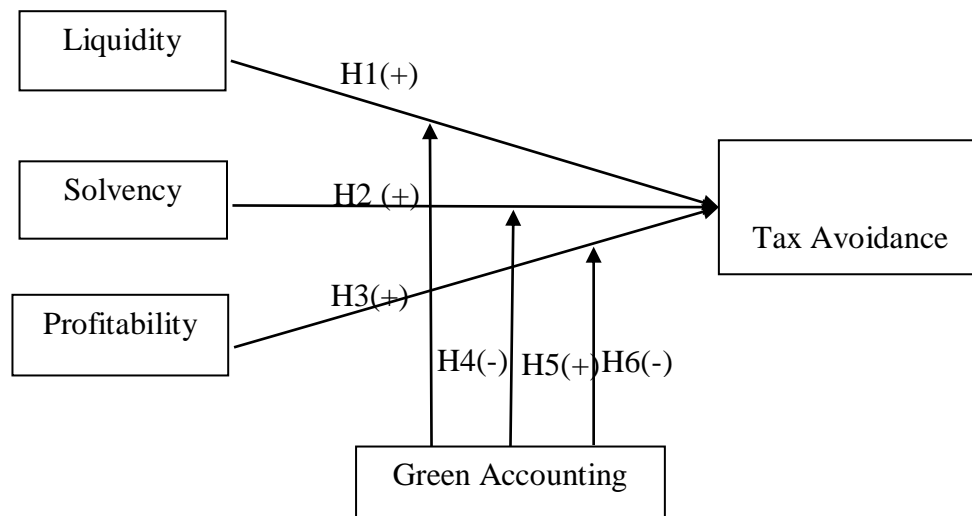


Figure 1: Research model

2. Method

2.1. Population dan sample

This research was conducted on basic materials manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2023. The sample consisted of companies participating in the PROPER program, a company performance rating program for environmental management conducted by the Ministry of Environment. This is related to green accounting practices and can be used to assess the extent to which companies implement green accounting.

2.2. Measurement of Research Variables

The current ratio is often used to predict a company's ability to meet its short-term obligations with its current assets. Knowing how well a company can meet its short-term obligations can

help predict the likelihood of a financial crisis (Lin et al., 2011). In this study, liquidity is measured using the Current Ratio (Pratama & Mulyani, 2024). This ratio is calculated by comparing current assets with current liabilities.

In this study, solvency is measured using the Debt to Equity Ratio (DER), which is used to determine the amount of capital pledged as debt collateral or the ability to pay both short-term and long-term obligations (Indrasti, 2020). This ratio is measured by comparing total liabilities with shareholder equity. In this study, profitability is measured using Return on Assets (ROA) (Gultom, 2021). This ratio is measured by comparing profit after tax with total assets.

In this study, Green Accounting is measured based on the performance of companies participating in the PROPER program (a program for assessing corporate performance in environmental management), which is one of the actions taken by the Ministry of Environment to assess corporate compliance with environmental management (Ahyani et al., 2024). The PROPER score indicator is black, which is given a score of 1, red, which is given a score of 2, blue, which is given a score of 3, green, which is given a score of 4, and gold, which is given a score of 5. Tax avoidance is measured using the Effective Tax Rate (ETR), which indicates taxes paid relative to pre-tax profit (Pakpahan et al., 2024).

Effective Tax Rate (ETR)	=	Income Tax Expense
		Income Before Tax

3. Research Results and Discussion

3.1. Sample Description

The study population consisted of 110 manufacturers in the basic materials sector listed on the Indonesia Stock Exchange (IDX) from 2019 to 2023. The data selected for this study came from audited annual reports of manufacturing companies in the basic materials sector and the PROPER reports issued by the Ministry of Environment (KLH) from 2019 to 2023. Data collection used a purposive sampling technique. Based on data completeness requirements and the criteria specified in the sample selection, a usable sample of 15 manufacturing companies in the basic materials sector from 2019 to 2023 was selected.

Table 1. Distribution of Research Sample Selection

Research Sample Criteria	Number of Companies
Sample population of manufacturing companies in the basic sector from 2019 – 2023	110
Manufacturing companies in the basic materials sector that did not receive the PROPER award periodically in 2019-2023	(93)
Manufacturing companies in the basic materials sector whose annual financial reports were not fully accessible in 2019-2023	(2)
Number of usable samples	15
Number of Observation Data (15x5)	75

3.2. Descriptive Statistical Analysis

The obtained data were tested for normality using the Kolmogorov-Smirnov method in SPSS. The test results indicated that the residuals were not normally distributed. And then outliers were removed, resulting in 60 sample companies. The following are the results of the descriptive statistical analysis after removing outliers:

Table 2. Descriptive Statistical Analysis After Outliers Removed

	n	Minimum	Maximum	Mean	Std. Deviation
Tax Avoidance	60	-0.22	0.70	0.2395	0.16477
Liquidity	60	0.49	3.65	1.5402	0.61084
Solvency	60	0.20	2.44	0.8613	0.48861
Profitability	60	-0.05	0.21	0.0447	0.04845
Green Accounting	60	2.00	5.00	3.1167	0.52373
Valid N (listwise)	60				

3.3. Normality Test

Table 3. Normality Test Result (Kolmogorov-Smirnov)

		Unstandardized Residual
N		60
Normal Parameters ^{a,b}	Mean	-0.0057605
	Std. Deviation	0.42174722
	Most Extreme Differences	
	Absolute	0.055
	Positive	0.047
	Negative	-0.055
Test Statistic		0.055
Asymp. Sig. (2-tailed)		0.200 ^{c,d}

- a. Test distribution is Normal.
- b. Calculated from data.
- c. Lilliefors Significance Correction.
- d. This is a lower bound of the true significance.

Based on table 3, it can be seen that after removing 15 outliers, the number of samples used in the normality test is 60 from the previous 75. This outlier removal aims to improve data quality to conform to a normal distribution. After removing outliers, the results of the Kolmogorov-Smirnov test show that the residual data now has a significance value or Asymp. Sig. (2-tailed) of 0.200 which is greater than 0.05. This means that the residuals in the model have been normally distributed, which fulfills one of the important assumptions in linear regression and statistical analysis.

3.4. Multicollinearity Test

The multicollinearity test is a way to determine whether there is an excessively strong relationship between the independent variables in a regression model.

Table 4. Multicollinearity Test Result

Model		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	0.038	0.012		3.098	0.003		
	Liquidity	0.052	0.013	0.452	4.085	0.000	0.733	1.363
	Solvency	0.006	0.035	0.018	0.166	0.869	0.751	1.332
	Profitability	-0.088	0.013	-0.711	-6.837	0.000	0.831	1.203
	Green Accounting	0.006	0.009	0.060	0.618	0.539	0.938	1.066

a. Dependent Variable: Tax Avoidance

From the results of the analysis, it can be concluded that there is no indication of multicollinearity in the regression of this study, because all variables have a Tolerance value above 0.10 and a VIF below 10.

3.5. Heteroscedasticity Test

The purpose of the heteroscedasticity test is to determine whether there is a non-constant or variable variance in the regression data.

Table 5. Heteroscedasticity Test Result

Model		Unstandardized Coefficients		Standardized Coefficients		t	Sig.
		B	Std. Error	Beta			
1	(Constant)	0.047	0.009			5,509	0.000
	Liquidity	-0.009	0.009	-0.165		-1.076	0.287
	Solvency	-0.025	0.024	-0.154		-1.013	0.316
	Profitability	0.004	0.009	0.068		0.469	0.641
	Green Accounting	0.006	0.007	0.129		0.951	0.346

a. Dependent Variable: ABS_Res

Overall, because all variables have a significance value above 0.05, it can be concluded that this regression data meets the assumption of homoscedasticity, which means the analysis results are more accurate and reliable.

3.6. Autocorrelation Test

The autocorrelation test using the Durbin-Watson approach aims to evaluate whether there is a relationship between data in a time sequence or chronologically related data.

Table 6. Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.711 ^a	0.506	0.470	0.07816	1.759

a. Predictors: (Constant), Green Accounting, Solvency, Profitability, Liquidity

b. Dependent Variable: Tax Avoidance

Based on the results of the autocorrelation test, the Durbin-Watson value was 1.759. When compared to the predetermined limit, which is $1.6889 < 1.759 < 2.3111$, this value is between dU and $(4 - dU)$. This means that the data does not show a recurring relationship pattern over time, so the regression model can be said to be valid without any autocorrelation interference that could affect the analysis results.

3.7. Multiple Regression Test

Table 7. Results of Multiple Regression Test with Moderation

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.030	0.010		3.152	0.003
	Liquidity	0.054	0.010	0.473	5.583	0.000
	Solvency	0.002	0.027	0.006	0.074	0.941
	Profitability	-0.114	0.012	-0.913	-9.588	0.000
	Green Accounting	-0.009	0.015	-0.098	-0.626	0.534
	X1M	-0.066	0.017	-0.453	-3.830	0.000
	X2M	-0.060	0.040	-0.226	-1.508	0.138
	X3M	-0.025	0.012	-0.253	-2.015	0.049

a. Dependent Variable: Tax Avoidance

$$TA = 0,030 + 0,054 LQ + 0,002 SOLV - 0,114 PROF - 0,066 LQ*GA - 0,060 SOLV*GA - 0,025 PROF*GA + e$$

Information:

- PP = Tax Avoidance
- α = Konstanta
- LQ = Liquidity
- SOLV = Solvency
- PROF = Profitability
- GA = Green Accounting
- LQ*GA = Liquidity * Green Accounting
- SOLV*GA = Solvency * Green Accounting
- PROF*GA = Profitability * Green Accounting
- e = Error

3.8. Coefficient of Determination Test

This analysis aims to measure the significant impact of the independent variable on the dependent variable.

Table 8. Results of the Determination Coefficient Test with Moderation

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	0.858 ^a	0.736	0.701	0.05873

a. Predictors: (Constant), X3M, Solvency, X1M, Liquidity, X2M, Profitability, Green Accounting

The results of the coefficient of determination test with moderation in the table above show that 70.1% of the variation in the Tax Avoidance variable can be explained by the independent variables, namely Liquidity (LIK), Solvency (SOLV), Profitability (PROF), as well as the interaction of each variable with Green Accounting (LIKGA, SOLVGA, and PROF*GA). In other words, the regression model used is increasingly stronger in explaining changes that occur in Tax Avoidance after considering the moderating role of Green Accounting. Meanwhile, the remaining 29.9% (100% - 70.1%) is influenced by other factors not analyzed in this study.

3.9. F-Test (Model Feasibility)

The F-Test (Model Feasibility) aims to determine the feasibility of the research model.

Table 9. Results of the F-Test (Model Feasibility) with Moderation

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.501	7	0.072	20.732	0.000 ^b
	Residual	0.179	52	0.003		
	Total	0.680	59			

a. Dependent Variable: Tax Avoidance

b. Predictors: (Constant), X3M, Solvency, X1M, Liquidity, X2M, Profitability, Green Accounting

Based on the F test result (model feasibility test), the F count was 20.732 and the significance value was 0.000. The significance value was lower than alpha, which was $0.000 < 0.05$, so it can be concluded that the regression data in the study met the feasibility criteria.

3.10. Discussion of Research Findings

3.10.1. The Effect of Liquidity on Tax Avoidance

Hypothesis one (H1) states that liquidity has a positive effect on tax avoidance. The results of this study support this hypothesis. They indicate that increased liquidity will increase the level of corporate tax avoidance. Therefore, the higher a company's liquidity, the greater the likelihood of tax avoidance. This result aligns with previous studies by Abdullah (2020) and Indradi D. (2018), which also stated that companies with high liquidity tend to prioritize profits over paying taxes, thus increasing the likelihood of tax avoidance.

3.10.2. The Effect of Solvency on Tax Avoidance

Hypothesis two (H2) states that solvency has a positive effect on tax avoidance. The results of this study indicate that solvency has no significant effect. Solvency reflects a company's ability to meet its long-term obligations, as measured by the Debt to Equity Ratio (DER). In this study, solvency did not significantly influence tax avoidance, possibly due to other factors, such as stricter tax regulations, which can limit tax avoidance strategies for companies with high solvency.

This result differs from previous research by Rumbi et al. (2024) and Wanda & Halimatusadiah (2021), which found that companies with high solvency tend to have more resources to develop tax avoidance strategies, for example by utilizing equity-based financing structures rather than debt.

3.10.3. The Effect of Profitability on Tax Avoidance

The third hypothesis (H3) stated that profitability has a positive effect on tax avoidance. The results of this study indicate a negative and significant effect. Profitability is a company's ability to generate profits, which is often a key indicator for companies in determining tax strategies. This study found that the higher the profitability, the lower the level of tax avoidance. This may be due to corporate transparency, as more profitable companies tend to be more compliant with tax regulations and more focused on their reputation with investors and other stakeholders. The result of this study is not in line with previous studies by Tanjaya & Nazir (2021) and Twinfirst (2023) found that companies with high profitability tend to be more motivated to avoid taxes to maintain optimal profit levels.

3.10.4. Green Accounting as a Moderating Variable Affects Liquidity on Tax Avoidance

The fourth hypothesis (H4) states that green accounting weakens the effect of liquidity on tax avoidance. The results of this study support this hypothesis. Green accounting is an accounting concept that considers environmental aspects in a company's financial recording and reporting. By implementing green accounting, companies with high liquidity are more likely to allocate their resources to environmentally sustainable activities, thereby reducing the company's costs of tax avoidance. The results of this study align with a study by Ahyani et al. (2024), which showed that implementing green accounting encourages companies to be more transparent in their

financial reporting and tax compliance. Therefore, the higher the implementation of green accounting, the less likely companies with high liquidity are to engage in tax avoidance practices.

3.10.5. Green Accounting as a Moderating Variable Affects Solvency on Tax Avoidance

The fifth hypothesis (H5) states that green accounting strengthens the influence on tax avoidance. However, the result of this study indicate that, even with moderation, green accounting does not have a significant effect on solvency in corporate tax avoidance. In this study, the implementation of green accounting did not significantly moderate the relationship between solvency and tax avoidance in companies. This could be due to a lack of effective green accounting implementation or differences in how companies with high solvency manage their tax policies. Thus, although green accounting has the potential to increase the transparency of environmental costs, in the context of solvency, this factor is not strong enough to reduce or increase corporate tax avoidance.

Previous research by Priscilia et al. (2024) showed that companies with high solvency have greater capabilities in their financial strategies, including tax avoidance.

3.10.6. Green Accounting as a Moderating Variable Affects Profitability on Tax Avoidance

The sixth hypothesis (H6) states that green accounting weakens the effect of profitability on tax avoidance. The research result support this hypothesis. High profitability is often associated with a company's tendency to engage in tax avoidance to maintain optimal profits. With green accounting, companies are more likely to consider the impact of their tax strategies on the environment and regulatory compliance. A previous study by Wanda & Halimatusadiah (2021) showed that companies implementing green accounting tend to be more responsible in their tax policies, as they recognize that aggressive tax avoidance can damage the company's reputation and image as a sustainability-oriented company. Therefore, the higher the implementation of green accounting, the lower the incentive for profitable companies to engage in tax avoidance.

4. Conclusion

Based on the analysis, we conclude that:

1. Liquidity has a positive and significant effect on tax avoidance.
2. Solvency does not have a significant effect on tax avoidance. This indicates that a company's debt level is not a major factor in tax avoidance decisions.
3. Profitability has a negative and significant effect on tax avoidance. Companies with high profitability tend to be more compliant with tax policies than companies with low profitability.
4. Green Accounting weakens the effect of liquidity on tax avoidance. Companies with strong Green Accounting practices focus more on sustainability and tax compliance.
5. Green Accounting does not have a significant moderating effect on the relationship between solvency and tax avoidance.

6. Green Accounting weakens the effect of profitability on tax avoidance, indicating that companies implementing this concept are more responsible in their tax management.

The following are limitations of this study that may influence the results: 1). This study only covers manufacturing companies in the basic materials sector listed on the Indonesia Stock Exchange (IDX) in 2019-2023. 2). Using the PROPER report as an indicator of Green Accounting implementation may not fully reflect the environmental policies implemented by companies.

Based on the limitations identified in this study, suggestions for further research are: 1). Future research could expand the scope of industrial sectors so that the research results can be more applicable to various types of companies. 2). Use other research methods or seek other data sources to obtain more accurate information on the implementation of corporate green accounting.

This study has the following implications: 1). Companies can utilize the results of this study to develop more responsible financial strategies oriented towards optimal tax compliance. Furthermore, the implementation of Green Accounting can also enhance the company's reputation. 2). For regulators, the results of this study can serve as a basis for designing more effective tax policies, including incentives for companies that implement Green Accounting. With regulations that better support sustainable practices, the government can encourage companies to be more environmentally responsible and reduce the desire for tax avoidance.

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