

The Effect of Green Accounting and Management Compensation on Tax Avoidance with Family Ownership as a Moderating Variable

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Abstract

This study aims to analyze the effect of Green Accounting and management compensation on tax avoidance with family ownership as a moderating variable in Consumer Non-Cyclicals sector companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. This study uses a quantitative method with secondary data obtained from the company's annual financial reports. The sampling technique used purposive sampling, resulting in 7 companies with a total of 35 observations. Data analysis was performed using panel data regression with the help of the EViews 12 program. The data analysis methods used include multiple linear regression analysis to test the direct effect and Moderated Regression Analysis (MRA) to test the role of moderating variables. The results show that Green Accounting has a positive and significant effect on tax avoidance. Management compensation also has a positive and significant effect on tax avoidance. Simultaneously, Green Accounting and management compensation have a significant effect on tax avoidance. However, family ownership is unable to moderate the relationship between Green Accounting and tax avoidance, and is unable to moderate the relationship between management compensation and tax avoidance.

Keywords: *Green Accounting, Management Compensation, Family Ownership, Tax Avoidance*

INTRODUCTION

Taxes represent a fundamental source of state revenue utilized to finance national development, public services, and infrastructure, functioning both as government funding and a regulatory tool for socio-economic policies (Sasana et al., 2024; Pucantika & Wulandari, 2022; Raspati et al., 2024). The rapid growth of industry and technology brings negative impacts such as industrial waste, prompting stringent environmental regulations. Companies, as economic actors, seek cost efficiency through tax

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management to minimize fiscal burdens. Tax avoidance is a frequently utilized strategy, involving the legal reduction of tax liabilities by exploiting loopholes in tax regulations without explicitly violating the law (Ramadhani & Rusdi, 2025; Pakpahan et al., 2024; Sinaga & Siagian, 2024). This practice creates an ethical dilemma when companies ignore social and environmental impacts to pursue financial efficiency (Ramadhani & Wahyuni, 2025).

The practice of tax avoidance stems from diverging interests between managers acting as agents and shareholders acting as principals, a condition detailed by agency theory (Regina et al., 2021). Agency theory posits a contractual relationship where principals delegate decision-making authority to agents, who may act opportunistically to prioritize personal interests over shareholder goals (Nuansari & Ratri, 2022; Novia & Halmawati, 2022; Jurnal & Mea, 2023). Shareholders focus on investment returns, whereas managers prioritize bonuses or incentives, leading to agency conflicts that drive tax avoidance strategies. Concurrently, legitimacy theory emphasizes that companies must secure social recognition by aligning operations with prevailing social norms and values to maintain operational stability and reputation (Gray et al., 1996; Hutomo et al., 2021; Krisna & Juliarto, 2024).

Green accounting constitutes the recording, measurement, and reporting of integrated financial, social, and environmental information for corporate decision-making (Margie et al., 2024). Implementing green accounting allows companies to factor environmental costs into operational activities, theoretically reducing conflicts of interest between management and owners. Green accounting can be manipulated to inflate environmental expenditures, thereby reducing taxable income and facilitating tax avoidance (Putri & Barli, 2024). Fiscal adjustments for corporate social responsibility decrease taxable profit by allowing deductions from gross income (Nusantari et al., 2022). Calculating environmental costs aims for production efficiency, yet empirical findings on its effect on tax avoidance remain inconsistent (Chairina et al., 2024). Angelina and Nursasi (2024) documented a partial effect of green accounting on tax avoidance, contrasting with findings that found no such influence (Kepatuhan & Literatur, 2023).

Providing compensation to management serves as a mechanism to control opportunistic behavior, aligning management interests with corporate goals (Asih & Setiawan, 2022; Darma, 2021). Rohyati and Suropto (2021) observed a significant negative effect of management compensation on tax avoidance, indicating that adequate compensation encourages operational efficiency over tax manipulation. Compensation can also incentivize managers to undertake higher risks, including tax avoidance, to maximize reported profits and secure larger incentives. Pucantika and Wulandari (2022) and Yuliandini and Masripah (2023) found no significant effect of management



compensation on tax avoidance, whereas Darma (2021) and Budiadnyani (2020) reported varying significant impacts, underscoring unresolved debates in the literature.

Family ownership introduces distinct characteristics into corporate governance, primarily a long-term orientation focused on business sustainability and preserving the family's reputation (Hartono & Sabaruddin, 2022; Lestariwati et al., 2020). Family-owned firms prioritize long-term success over short-term gains that might damage corporate image, such as aggressive tax avoidance. The presence of family ownership can be identified through share ownership dominance and family representation on boards (Krisyadi & Anita, 2021). Krisyadi and Anita (2021) reported a positive and significant effect of family ownership on tax avoidance, whereas Hartono and Sabaruddin (2022) found no direct significant effect.

Driven by the inconsistencies in previous empirical findings regarding green accounting, management compensation, and family ownership, this research investigates the effect of green accounting and management compensation on tax avoidance, utilizing family ownership as a moderating variable in Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange for the 2020–2024 period.

METHOD

This research utilizes a quantitative method with an associative approach to examine the relationship between variables. The population comprises all Consumer Non-Cyclicals sector companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. The sampling technique employed was purposive sampling based on specific criteria, including companies that consecutively published annual and sustainability reports, used Global Reporting Initiative (GRI) standards, generated consistent profits, used the Rupiah currency, and explicitly disclosed family share ownership.

The dependent variable in this study is tax avoidance, proxied by the Effective Tax Rate (ETR), which is calculated by comparing income tax expense to profit before tax. The independent variables consist of green accounting, measured using the GRI 300 disclosure indicators, and management compensation, measured using the natural logarithm of total management compensation. Family ownership serves as the moderating variable, measured by the percentage of family-owned shares relative to total outstanding shares.

The research relies on secondary data collected through documentation and literature studies, primarily sourced from the official IDX website and the published financial and sustainability reports of the selected companies. Data analysis was performed using the E-Views 12 statistical software program. The analytical procedures included descriptive statistical tests, panel data regression model selection utilizing the

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Chow, Hausman, and Lagrange Multiplier tests, and classical assumption tests comprising normality, multicollinearity, heteroskedasticity, and autocorrelation tests to ensure model feasibility.

The primary data analysis utilized panel data regression and Moderated Regression Analysis (MRA) to examine the interaction of the moderating variable. Hypothesis testing was conducted using the coefficient of determination to measure the explanatory power of the independent variables, the simultaneous F-test to assess their collective influence, and the partial t-test to evaluate the individual effects of green accounting and management compensation on tax avoidance, as well as the moderating role of family ownership.

RESULTS AND DISCUSSIONS

Results

This study utilizes 35 observation data points from Consumer Non-Cyclicals sector companies listed on the Indonesia Stock Exchange (IDX) for the 2020–2024 period. The data distribution for Tax Avoidance (TA), Green Accounting (GA), Management Compensation (KM), and Family Ownership (KK) is presented in the descriptive statistics summary.

Table 1. Descriptive Statistics Results

	TA	GA	KM	KK
Mean	0.236656	0.587097	11.15357	0.091022
Median	0.232531	0.645161	11.03263	0.059801
Maximum	0.304046	0.838710	13.82658	0.396348
Minimum	0.184933	0.161290	9.423757	0.000157
Std. Dev.	0.029480	0.224283	1.352505	0.129371
Observations	35	35	35	35

The model selection for the panel data regression involved the Chow Test, Hausman Test, and Lagrange Multiplier Test. The results determined that the Common Effect Model (CEM) is the most appropriate approach for this research.

Table 2. Panel Data Regression Model Selection

Test	Probability	Significance Level	Selected Model
Chow Test	0.3426	> 0.05	Common Effect Model (CEM)
Hausman Test	0.7609	> 0.05	Random Effect Model (REM)



Lagrange Multiplier Test	0.2686	> 0.05	Common Effect Model (CEM)
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Classical assumption testing confirmed the data's feasibility for regression analysis. The residual data is normally distributed with a Jarque-Bera probability of 0.186133 (> 0.05). The model is free from multicollinearity, as the centered VIF for all independent variables is less than 10. The Breusch-Pagan-Godfrey test yielded a probability of 0.3085 (> 0.05), indicating no heteroskedasticity. The Durbin-Watson statistic of 1.401384 falls within the acceptable range, confirming the absence of autocorrelation.

The primary hypotheses were tested using the Common Effect Model (CEM).

Table 3. Panel Data Regression Analysis Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.116060	0.037874	3.064398	0.0044
GA	0.048301	0.019601	2.464173	0.0193
KM	0.008270	0.003250	2.544245	0.0160
R-squared	0.289372		F-statistic	6.515287
Adjusted R-squared	0.244957		Prob(F-statistic)	0.004229

To evaluate the moderating variable, a Moderated Regression Analysis (MRA) was conducted to test the interaction of Family Ownership (KK) on the relationship between the independent variables and Tax Avoidance.

Table 4. Moderated Regression Analysis (MRA) Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.122355	0.040539	3.018231	0.0051
GA	0.059396	0.024963	2.379345	0.0239
KM	0.007342	0.003532	2.078389	0.0463
KK_GA	-0.092135	0.173851	-0.529965	0.6000
KK_KM	0.003327	0.011104	0.299672	0.7665

DISCUSSIONS

The Effect of Green Accounting on Tax Avoidance

Green Accounting (GA) obtained a t-statistic of 2.464173, exceeding the t-table value of 2.036, with a probability of $0.0193 < 0.05$. The regression coefficient of 0.048301



establishes a positive and significant effect on Tax Avoidance. Higher implementation of Green Accounting drives companies to engage in Tax Avoidance. Environmental accounting requires additional costs that affect financial efficiency, prompting companies to manage tax liabilities to optimize expenditures and maintain performance. Legitimacy theory states that companies seek social acceptance through environmental responsibility, while agency theory highlights management's authority in executing strategic tax decisions to preserve profitability. This aligns with Sipayung Pricilia Debby et al. (2024) and Margie et al. (2024), demonstrating that environmental accounting practices influence corporate tax management decisions.

The Effect of Management Compensation on Tax Avoidance

Management Compensation (KM) recorded a t-statistic of 2.544245 against a t-table of 2.036, with a probability of $0.0160 < 0.05$. The coefficient value of 0.008270 signifies a positive and significant impact on Tax Avoidance. Higher compensation linked to corporate performance motivates management to make strategic decisions aimed at increasing efficiency and profitability, specifically through tax burden management within the legal framework. Viewed through agency theory, compensation acts as a control mechanism to align management and shareholder interests; however, it simultaneously incentivizes management to execute tax planning strategies to boost after-tax profits. These findings are supported by Asih and Setiawan (2022) and Widyadhari and Clara (2024), confirming that executive compensation systems actively shape corporate tax strategies.

The Simultaneous Effect of Green Accounting and Management Compensation on Tax Avoidance

The simultaneous F-test yielded an F-statistic of 6.515287, surpassing the F-table of 3.295, with a probability of $0.004229 < 0.05$. Green Accounting and Management Compensation collectively exert a significant effect on Tax Avoidance. Corporate tax decisions are shaped by a combination of environmental commitments and management structures. The interplay of agency theory and legitimacy theory explains that while companies pursue stakeholder approval via green initiatives, compensated management simultaneously engineers tax strategies to sustain economic performance. This conclusion is consistent with Nilammadi et al. (2024) and Adistia and Purwanto (2025).

The Effect of Green Accounting on Tax Avoidance Moderated by Family Ownership

The interaction variable of Family Ownership on Green Accounting (KK_GA) generated a t-statistic of -0.529965 (t-table 2.036) and a probability of $0.6000 > 0.05$. The negative coefficient of -0.092135 indicates that Family Ownership tends to weaken the

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relationship, but the effect is not significant. Family-owned companies emphasize long-term business continuity and reputation over immediate tax savings derived from environmental initiatives. Agency and legitimacy theories indicate that while family control might reduce certain agency conflicts, decisions regarding tax avoidance are heavily dictated by external regulations and operational strategies rather than ownership structure alone. This matches the findings of Adistia and Purwanto (2025) and Putri and Arifin (2025), proving family ownership is not a primary moderating factor.

The Effect of Management Compensation on Tax Avoidance Moderated by Family Ownership

The interaction variable of Family Ownership on Management Compensation (KK_KM) produced a t-statistic of 0.299672 (t-table 2.036) and a probability of 0.7665 > 0.05. The positive coefficient of 0.003327 shows an insignificant strengthening effect. The presence of family ownership fails to alter the relationship between management compensation and tax avoidance. Tax policies remain subject to financial conditions and regulatory frameworks rather than the family's degree of control. Under signaling theory, family ownership signals long-term commitment, but this signal does not necessarily translate into direct changes in management's tax behavior. This aligns with Hendrianto & Hidayati (2022) and Ulhaq et al. (2024), confirming that additional governance factors like family ownership do not significantly alter the impact of compensation on tax decisions.

CONCLUSION

Green Accounting and Management Compensation simultaneously and partially exert a positive and significant effect on Tax Avoidance within Consumer Non-Cyclicals companies listed on the Indonesia Stock Exchange from 2020 to 2024. The implementation of environmental accounting and the provision of performance-based executive compensation actively drive companies to optimize their tax liabilities, confirming that environmental commitments and management incentive structures dictate corporate tax strategies. Family Ownership, however, fails to significantly moderate these relationships. The presence of family control does not alter the impact of green accounting or management compensation on tax avoidance, proving that tax decisions remain driven by external regulations and operational efficiency targets rather than the concentration of family ownership.

This study acknowledges specific limitations, primarily its restricted scope focusing exclusively on the Consumer Non-Cyclicals sector with a small sample of 35 observations, which constrains the generalization of the findings. The reliance on quantitative proxies also limits the capture of qualitative nuances in green accounting

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implementation and ownership oversight. Future research should expand the observation to diverse industrial sectors and incorporate variables such as leverage, profitability, firm size, and broader corporate governance mechanisms to construct a more comprehensive understanding of tax avoidance behaviors. Regulators are encouraged to strengthen oversight on sustainability reporting to prevent environmental accounting from being exploited as a tax avoidance instrument, while companies must align financial performance targets with transparent corporate responsibility.

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