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Effects Of ESG Disclosure, Transfer Pricing, And Financial Distress On Tax Avoidance With Earnings Management As A Moderating Variable

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Abstract

This study examines the effects of ESG Disclosure, Transfer Pricing, and Financial Distress on Tax Avoidance and investigates the moderating role of Earnings Management. The population comprises Energy, Consumer Staples, and Property and Real Estate companies listed on the Indonesia Stock Exchange during 2023–2025. Using purposive sampling, 163 companies were selected, yielding 489 balanced-panel observations. Tax Avoidance is measured by the Cash Effective Tax Rate, ESG Disclosure by the Corporate Social Responsibility Disclosure Index based on the Global Reporting Initiative, Transfer Pricing by the ratio of related-party sales to total sales, Financial Distress by the Modified Altman Z''-Score, and Earnings Management by the absolute value of Discretionary Accruals estimated using the Modified Jones Model. The analysis employs Moderated Regression Analysis with a Random Effects Model. The results indicate that ESG Disclosure significantly reduces Tax Avoidance, whereas Transfer Pricing and Financial Distress have no significant direct effects. Earnings Management does not moderate the effect of ESG Disclosure but strengthens the effects of Transfer Pricing and Financial Distress. Marginal effect analysis shows thresholds of 10.73% for Transfer Pricing and 12.30% for Financial Distress. These findings position Earnings Management as an enabling condition and support a reconstruction of the Pseudo-Compliance Hypothesis, with implications for risk-based tax monitoring.

Keywords: ESG disclosure, transfer pricing, financial distress, earnings management, tax avoidance.

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INTRODUCTION

Taxation is one of the main sources of government revenue and plays an important role in financing public administration and national development. Nevertheless, Indonesia's tax revenue capacity continues to face challenges. The World Bank reported that Indonesia's government revenue amounted to 12.8% of GDP in 2024, while Indonesia's tax-to-GDP ratio was recorded at 10.21% in 2023 (Liyanto & Purnomolastu, 2026). This condition indicates that there remains potential for revenue mobilization that has not yet been fully realized. One issue associated with this condition is the practice of tax avoidance by corporations. For companies, taxes represent a cost component that can reduce after-tax profits, thereby creating incentives for management to engage in tax planning to minimize their tax burden (Pavlou et al., 2025). Tax avoidance refers to efforts to reduce tax liabilities by utilizing tax provisions or loopholes that formally remain within the boundaries of legality (Liyanto & Purnomolastu, 2026; Menicacci & Simoni, 2024).

One of the corporate characteristics that may be associated with tax avoidance is ESG disclosure (Zhang et al., 2026). Disclosure of environmental, social, and governance aspects enhances corporate transparency and increases stakeholder attention to corporate activities and performance. Companies with higher levels of ESG disclosure may face greater demands for accountability, including in fulfilling their tax obligations (Feng & Wu, 2023). Greater visibility and scrutiny may increase reputational risks if a company is found to engage in aggressive tax strategies. Thus, ESG disclosure may theoretically be associated with the tendency to engage in tax avoidance through mechanisms of legitimacy and stakeholder oversight (Frankel et al., 2025). However, empirical findings on the relationship between ESG disclosure and tax avoidance remain inconsistent, making this relationship relevant for further empirical examination in the context of companies in Indonesia (Hasfi, 2024; Rini et al., 2024).

In addition to ESG disclosure, transfer pricing is a mechanism frequently associated with tax avoidance. Transfer pricing refers to the pricing of transactions between related parties and, in principle, should comply with the arm's length principle (Karunia et al., 2026; Rogers & Oats, 2022). In practice, related-party transactions, particularly those involving different jurisdictions, may be used to allocate profits among entities, thereby shifting the tax base to jurisdictions with lower tax burdens. The complexity of cross-border transactions also presents challenges for tax authorities in assessing the arm's length nature of transaction prices. Several studies have reported a positive relationship between transfer pricing and tax avoidance, including Christy et

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al. (2022), Nadhifah and Arif (2020), and Sianturi and Sanulika (2023). This phenomenon can be observed, among other cases, in the case of PT Adaro Energy Tbk, which was reported to have engaged in transactions with an affiliated entity in Singapore through a scheme associated with profit shifting and the reduction of tax liabilities in Indonesia (Tarigan et al., 2023).

Another factor that may influence tax avoidance is financial distress. Financial distress describes a decline in a company's financial capacity before reaching the stage of bankruptcy (Ariff et al., 2023; Dang & Tran, 2021). When companies face financial pressure, the need to maintain liquidity and meet both short-term and long-term obligations becomes increasingly important (Yanti et al., 2026). Under such conditions, reducing tax payments through tax avoidance strategies may serve as an alternative for preserving corporate cash. The Trade-off Theory perspective explains that companies consider the benefits of cash savings against the costs or risks arising from particular financial decisions (Fadhila & Andayani, 2022). Empirically, Heriyah (2024), Richardson et al. (2015), and Simanjuntak and Suranta (2024) have demonstrated an association between financial pressure and corporate tax behavior.

The relationships among ESG disclosure, transfer pricing, financial distress, and tax avoidance may also be influenced by the characteristics of a company's financial reporting, one of which is earnings management. Earnings management refers to deliberate managerial intervention in the financial reporting process to achieve specific objectives (Chen et al., 2025). Earnings management may be driven by various managerial interests, including contractual considerations, compensation, and political costs (Nguyen et al., 2024; Qiao et al., 2025; Zhao & Wang, 2025). In this study, earnings management is positioned as a moderating variable because managerial flexibility in determining accounting policies may alter the strength of the relationship between corporate characteristics and tax avoidance. Empirical evidence regarding earnings management remains inconsistent. Earnings management does not necessarily have a direct effect on tax avoidance (Ferdiawan & Firmansyah, 2017), whereas Permani et al. (2023) found a significant relationship. Ekawati (2025) also demonstrated that the combination of ESG levels and earnings management may be associated with corporate tax aggressiveness.

The selection of the Energy, Consumer Staples, and Property and Real Estate sectors is based on their distinct operational and financial characteristics that are relevant to this study. The Energy sector is characterized by activities related to commodities and related-party transactions and is exposed to commodity price volatility.

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The Consumer Staples sector has relatively complex supply chains and intercompany transactions while facing pressures from raw material costs and profit margins. Meanwhile, the Property and Real Estate sector is characterized by long business cycles, substantial financing requirements, and potential cash flow pressures. These differences provide an empirical context for examining the relationships among ESG disclosure, transfer pricing, financial distress, and tax avoidance across companies operating under different industry conditions. The 2023–2025 period was selected to represent the post-pandemic economic environment, including changes in commodity prices, cost pressures, and corporate financing dynamics.

Theoretically, this study employs Stakeholder Theory as its primary theoretical foundation, which views companies as having responsibilities to various stakeholders, including the government as a recipient of tax revenues (Freeman et al., 2021; Mahajan et al., 2023). Compliance Theory, through the Slippery Slope Framework, is used to explain tax compliance based on the interaction between the power of tax authorities and taxpayers' trust (Darmayasa & Hardika, 2024; Tahar & Bandi, 2024). Agency Theory is employed to explain potential conflicts of interest associated with transfer pricing and earnings management (Al-Faryan, 2024), while Trade-off Theory is used to explain corporate decision-making under financial pressure (Agyei et al., 2020; Voutsinas & Werner, 2025). The integration of these theories provides a basis for understanding tax avoidance not merely as a tax-related decision but as the outcome of interactions among corporate characteristics, financial pressure, transaction mechanisms, and financial reporting flexibility.

Based on previous studies, research on tax avoidance in Indonesia has largely examined ESG disclosure, transfer pricing, financial distress, and earnings management separately. Studies integrating ESG disclosure, transfer pricing, and financial distress into a single model while positioning earnings management as a moderating variable remain limited. In addition, the application of Compliance Theory at the corporate level and the examination of whether earnings management can alter the relationship between corporate characteristics and tax avoidance have received limited attention. This study seeks to address these gaps by simultaneously examining the effects of ESG disclosure, transfer pricing, and financial distress on tax avoidance and investigating the role of earnings management as a moderating variable among companies in the Energy, Consumer Staples, and Property and Real Estate sectors listed on the Indonesia Stock Exchange during 2023–2025. Accordingly, this study is expected to extend empirical

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evidence on the determinants of tax avoidance and explain the conditions that may strengthen or weaken these relationships.

RESEARCH METHOD

This study employs a quantitative causal explanatory approach with an *ex-post facto* design to analyze the relationships of ESG Disclosure, Transfer Pricing, and Financial Distress with Tax Avoidance, with Earnings Management serving as a moderating variable. The research objects comprise ESG Disclosure, Transfer Pricing, Financial Distress, Tax Avoidance, and Earnings Management, while the units of analysis consist of annual reports, financial statements, and sustainability reports of companies in the Energy, Consumer Staples, and Property and Real Estate sectors listed on the Indonesia Stock Exchange (IDX) during the 2023–2025 period. The study population comprises 268 listed companies, with the sample selected using purposive sampling based on the following criteria: continuous listing during the observation period, availability of corporate reports, positive earnings before tax, complete data for all variables including related-party transactions (RPT), and not being under liquidation or cessation of operations. Based on these criteria, 163 companies were selected, resulting in 489 observations in the form of a balanced panel.

The data used in this study are secondary data obtained from annual reports and financial statements available on the official IDX website, as well as sustainability reports published on the respective companies' official websites. Data collection was conducted using a documentation method through several stages, including sample identification, document retrieval, data extraction, tabulation, and verification through cross-checking across sources. Tax Avoidance is measured using the Cash Effective Tax Rate (CETR), ESG Disclosure using the Corporate Social Responsibility Disclosure Index (CSRDI) based on GRI Standards, Transfer Pricing using the ratio of related-party sales to total sales, Financial Distress using the modified Altman Z″-Score, and Earnings Management using the absolute value of Discretionary Accruals (|DA|) estimated through the Modified Jones Model. Capital Intensity and Firm Size are also included as control variables.

Data analysis was conducted using panel data regression and Moderated Regression Analysis (MRA) with EViews 12. Panel model selection was performed using the Chow, Hausman, and Lagrange Multiplier tests to determine the most appropriate Common Effect, Fixed Effect, or Random Effect Model. Prior to hypothesis testing, normality, autocorrelation, multicollinearity, and heteroskedasticity tests were

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conducted. The MRA model was employed to examine the effects of ESG Disclosure, Transfer Pricing, and Financial Distress on Tax Avoidance and to assess whether Earnings Management strengthens or weakens these relationships.

RESULTS AND DISCUSSION

Table 1. Average Values of Research Variables by Sector

Sector	Tax Avoidance	ESG	Transfer Pricing	Financial Distress	Earning Management	Capital Intensity	Size
Energy	0,5027	0,4032	0,1302	7,4587	0,0791	0,3168	29,3604
Consumer Staples	0,3380	0,3321	0,1763	6,6591	0,0631	0,3560	28,7894
Property and Real Estate	0,1910	0,1844	0,0462	16,3639	0,0513	0,0683	28,6605
Overall	**0,3475**	**0,3103**	**0,1211**	**9,9009**	**0,0648**	**0,2548**	**28,9390**

The table shows differences in the characteristics of Tax Avoidance, ESG Disclosure, Transfer Pricing, Financial Distress, Earnings Management, Capital Intensity, and Size across the three sectors examined. The Energy sector exhibits relatively higher levels of Tax Avoidance, ESG Disclosure, Earnings Management, and Capital Intensity, while the Consumer Staples sector shows relatively higher levels of Transfer Pricing and Capital Intensity. Meanwhile, the Property and Real Estate sector demonstrates relatively higher Financial Distress, accompanied by comparatively lower levels of Tax Avoidance, ESG Disclosure, Transfer Pricing, Earnings Management, and Capital Intensity. These differences indicate that corporate conditions and strategies may vary across industries, making it relevant to examine the relationships between ESG Disclosure, Transfer Pricing, and Financial Distress and Tax Avoidance, as well as the role of Earnings Management as a moderating variable.

Table 2. Results of the Classical Assumption Tests

Test	Method	Resul	Criterion	Conslusion
Normality	Jarque-Bera	p = 0,4122	p > 0,05	Normal
Multicollinearity	Matriks korelasi	max 0,5643	< 0,80	No multicollinearity

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Test	Method	Resul	Criterion	Conslusion
Heteroskedasticity	Breusch-Pagan	p = 0,1269	p > 0,05	No heteroskedasticity
Autocorrelation	Durbin-Watson	DW = 1,7730	1,5 - 2,5	No autocorrelation

Based on the results of the classical assumption tests, the model satisfies the requirements for regression analysis. The normality test indicates that the data are normally distributed, while the multicollinearity test shows no high correlation among the independent variables. The heteroskedasticity test also indicates that there is no problem of unequal residual variance. In addition, the autocorrelation test indicates that no autocorrelation is present in the model. Thus, the research model satisfies the classical assumptions and is suitable for subsequent regression analysis.

Table 3. Panel Model Selection Tests

Test	Statistic	Prob.	Criterion	Decision
Chow Test	*Cross-section* F = 2,831413 (162,317)	0,0000	p < 0,05 = FEM	*Fixed Effect*
Hausman Test	Chi-Sq. = 14,119918 (df = 9)	0,1181	p > 0,05 = REM	*Random Effect*
LM Test	Breusch-Pagan = 64,26083	0,0000	p < 0,05 = REM	*Random Effect*
Selected Model	***Random Effect Model* (REM)**			

Based on the panel model selection tests, the Chow Test indicates that the Fixed Effects Model is more appropriate than the Common Effects Model. Subsequently, the Hausman Test yields a probability value greater than 0.05, indicating that the Random Effects Model is more appropriate than the Fixed Effects Model. The Lagrange Multiplier (LM) Test also produces a probability value below 0.05, indicating that the Random Effects Model is more appropriate than the Common Effects Model. Thus, based on the overall test results, the Random Effects Model (REM) was selected as the model used for the panel data regression analysis.

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Table 4. Results of the Random Effects Model Estimation

Variable	Koefisien	Std. Error	t-Statistic	Prob.
C (Konstanta)	0,755957	0,601490	1,256,807	0,2094
X1 (*ESG Disclosure*)	0,326987	0,123536	2,646,893	0,0084
X2 (*Transfer Pricing*)	0,268950	0,139345	1,930,107	0,0542
X3 (*Financial Distress*)	-0,002507	0,001413	-1,773,769	0,0767
M (*Earnings Management*)	-0,015317	0,395277	-0,038750	0,9691
M*X1	-0,693509	1,065,546	-0,650848	0,5155
M*X2	-2,507,324	0,892568	-2,809,112	0,0052
M*X3	0,020377	0,007391	2,756,765	0,0061
CAPINT	-0,295626	0,141317	-2,091,937	0,0370
SIZE	-0,014490	0,021109	-0,686410	0,4928
R-squared	**0,052038**	**F-statistic**	**2,921,603**	
Adjusted R-squared	**0,034226**	**Prob(F-statistic)**	**0,002216**	
S.E. of regression	**0,403689**	**Durbin-Watson**	**1,772,956**	
Observasi	**489**	**Cross-sections**	**163**	

Based on Table 4, the *Moderated Regression Analysis* equation is formulated as follows:

*CETR = 0,755957 + 0,326987 ESG + 0,268950 TP - 0,002507 FD - 0,015317 EM - 0,693509 (ESG*EM) - 2,507324 (TP*EM) + 0,020377 (FD*EM) - 0,295626 CAPINT - 0,014490 SIZE + e*

The F-statistic value of 2.921603, with a probability value of 0.002216, which is lower than 0.05, indicates that all independent variables, the moderating variable, interaction terms, and control variables jointly have a significant effect on the *Cash*

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Effective Tax Rate. Accordingly, the overall research model is considered adequate for use as a basis for hypothesis testing. The Adjusted R-squared value of 0.034226 indicates that 3.42% of the variation in the *Cash Effective Tax Rate* can be explained by the variables included in the model, while the remaining 96.58% is explained by other factors outside the model. The relatively low coefficient of determination is a common characteristic of tax avoidance research, given that corporate tax decisions are influenced by numerous factors that are difficult to observe, including the quality of tax consultants, managerial aggressiveness, ownership structure, the availability of tax incentives, and the dynamics of tax audits that are not disclosed in publicly available financial statements. It should be emphasized that the relatively low coefficient of determination does not undermine the validity of the hypothesis testing, as the primary focus of this study is on the direction and statistical significance of the relationships among the variables rather than on the predictive capability of the model.

The *Effects Specification* section of the estimation results indicates that the standard deviation of the random *cross-section* component is 0.314710, with a Rho value of 0.3805, while the idiosyncratic random component has a standard deviation of 0.401549, with a Rho value of 0.6195. These figures indicate that 38.05% of the overall residual variation originates from firm-specific characteristics that remain relatively constant over time, while the remaining 61.95% is attributable to random variation across time. The relatively substantial proportion of individual effects corroborates the results of the Lagrange Multiplier Test, which rejects the *Common Effect Model*, and further indicates the presence of inter-firm heterogeneity that needs to be accommodated in the estimation model.

Table 5. Hypothesis Testing Results

Hypothesis	Coefficient	Prob.	Direction Consistent with Prediction	Decision
H1: ESG Disclosure has a negative effect on Tax Avoidance	0,326987	0,0084	Yes	**Accepted**
H2: Transfer Pricing has a positive effect on Tax Avoidance	0,268950	0,0542	No	Rejected
H3: Financial Distress has a positive effect on Tax Avoidance	-0,002507	0,0767	No	Rejected

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Hypothesis	Coefficient	Prob.	Direction Consistent with Prediction	Decision
H4: EM weakens the effect of ESG Disclosure on Tax Avoidance	-0,693509	0,5155	-	Rejected
H5: EM strengthens the effect of Transfer Pricing on Tax Avoidance	-2,507324	0,0052	Yes	**Accepted**
H6: EM strengthens the effect of Financial Distress on Tax Avoidance	0,020377	0,0061	Yes	**Accepted**

1. **The Effect of ESG Disclosure on Tax Avoidance**

   The results of the study indicate that ESG Disclosure has a significant effect on Tax Avoidance, thereby supporting H1. This finding suggests that the disclosure of environmental, social, and governance aspects is associated with corporate tax policies. Based on Agency Theory, conflicts of interest between management and shareholders may encourage managers to make decisions that serve their own interests. ESG disclosure may function as a form of transparency and a monitoring mechanism for corporate activities, including tax policies. The better the quality of ESG disclosure, the greater the pressure on companies to demonstrate accountability for their activities to shareholders and other stakeholders (Aydoğmuş et al., 2022; Du et al., 2026).

   This finding indicates that greater transparency regarding ESG aspects may be associated with corporate tax behavior. A study by Pratiwimba and Tjaraka (2026) of non-financial companies in Indonesia also found that ESG Disclosure can reduce tax avoidance practices and associated this finding with increased corporate tax compliance. Thus, the results of this study reinforce the view that ESG is not only related to sustainability aspects but may also be associated with corporate transparency and tax policies.

2. **The Effect of Transfer Pricing on Tax Avoidance**

   The results of the study indicate that Transfer Pricing does not have a significant effect on Tax Avoidance, leading to the rejection of H2. Although the

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coefficient indicates a positive relationship, the effect does not meet the specified significance level. This condition suggests that the existence of related-party transactions through transfer pricing mechanisms does not directly determine the level of corporate tax avoidance. Based on Agency Theory, management has discretion in determining transaction policies; however, transfer pricing decisions are also influenced by tax regulations, the arm's-length principle, and corporate oversight (Kalsum et al., 2025).

This finding is consistent with the study by Safira and Setiyawati (2025), which found that transfer pricing does not have a significant effect on tax avoidance among consumer companies in Indonesia during the 2018–2022 period. The study also found that transfer pricing affects earnings management, indicating a relationship between transaction policies and earnings management despite the absence of a significant direct effect on tax avoidance. In contrast, Paulus (2025) found that the effect of transfer pricing on tax avoidance may vary according to managerial ownership structure. These differences suggest that the relationship between transfer pricing and tax avoidance may be influenced by firm characteristics and corporate governance mechanisms.

3. The Effect of Financial Distress on Tax Avoidance

The results of the study indicate that Financial Distress does not have a significant effect on Tax Avoidance, leading to the rejection of H3. This finding indicates that the financial difficulties experienced by companies are not statistically proven to encourage them to increase tax avoidance practices. Based on Agency Theory, financial distress may increase pressure on management to maintain corporate performance and financial conditions. However, such pressure is not necessarily manifested through tax avoidance because companies must also consider the risks of tax audits, penalties, and reputational damage (Kalbuana et al., 2023).

The findings of this study differ from those of several previous studies. Yulianty and Sumanti (2025) found that Financial Distress had a positive and significant effect on Tax Avoidance among manufacturing companies in Indonesia. These differences may be attributable to variations in sector characteristics, observation periods, corporate conditions, and the proxies used to measure Financial Distress and Tax Avoidance. Companies experiencing financial difficulties may have an incentive to reduce cash outflows, including tax expenditures; however, such decisions ultimately depend on managerial policies

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and the level of risk that the company is willing to accept. Thus, the findings indicate that Financial Distress is not a direct determinant of Tax Avoidance, and its role should be examined alongside other factors associated with managerial behavior and corporate conditions.

4. **The Position of the Pseudo-Compliance Hypothesis**

The findings concerning ESG Disclosure can be associated with the Pseudo-Compliance Hypothesis, which refers to a condition in which the formal disclosure of corporate compliance or responsibility does not necessarily fully reflect a company's actual behavior in fulfilling its economic obligations. ESG Disclosure may demonstrate a company's commitment to sustainability and corporate governance; however, such disclosure cannot, by itself, serve as the sole indicator that a company is fully compliant with its tax obligations. This perspective is important because a company may increase its ESG transparency while simultaneously maintaining certain tax policies aimed at optimizing its tax burden (Alomair & Metwally, 2025).

Recent studies indicate that the relationship between ESG and Tax Avoidance should be examined empirically rather than based solely on the assumption that companies with higher ESG performance necessarily demonstrate greater tax compliance. El Ghoul et al. (2026) found that mandatory ESG disclosure was, on average, associated with a reduction in Tax Avoidance, while Pratiwimba and Tjaraka (2026) likewise found that ESG Disclosure was associated with lower levels of Tax Avoidance among non-financial companies in Indonesia. Accordingly, the findings of this study may be interpreted as indicating that ESG Disclosure serves as a transparency mechanism, although its effectiveness in reflecting tax compliance should still be assessed in conjunction with companies' actual tax behavior.

5. **The Moderating Role of Earnings Management in the Effect of Transfer Pricing on Tax Avoidance**

The results of the study indicate that Earnings Management moderates the effect of Transfer Pricing on Tax Avoidance, thereby supporting H5. The negative interaction coefficient indicates that the presence of Earnings Management changes the relationship between Transfer Pricing and Tax Avoidance in a negative direction. This finding suggests that the relationship between transfer pricing and corporate tax policies does not operate independently but is associated with the manner in which management manages corporate earnings.

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Based on Agency Theory, management possesses greater information regarding the company's internal conditions and therefore has discretion in determining accounting policies and corporate transactions (Kasbar et al., 2023).

This finding is supported by Amidu et al. (2019), who specifically examined the relationships among Transfer Pricing, Earnings Management, and Tax Avoidance. Their study found that the sensitivity of Tax Avoidance to Transfer Pricing decreased as the level of Earnings Management increased. This pattern is relevant to the findings of the present study, indicating that Earnings Management alters the relationship between Transfer Pricing and Tax Avoidance. Therefore, earnings management should be taken into consideration when analyzing the implications of transfer pricing for corporate tax policies (Sari et al., 2026; Sharapova & Ferinia, 2026).

6. **The Moderating Role of Earnings Management in the Effect of Financial Distress on Tax Avoidance**

The results of the study indicate that Earnings Management moderates the effect of Financial Distress on Tax Avoidance, thereby supporting H6. The positive interaction coefficient indicates that Earnings Management strengthens the relationship between Financial Distress and Tax Avoidance. This means that although Financial Distress does not have a significant direct effect on Tax Avoidance, the presence of Earnings Management alters this relationship, making it statistically significant. This finding indicates that a company's financial condition needs to be analyzed in conjunction with managerial behavior in managing earnings.

From a theoretical perspective, Agency Theory may explain this condition because financial pressure can intensify conflicts of interest and encourage management to exercise its discretion in financial reporting. When a company experiences Financial Distress while simultaneously engaging in Earnings Management, management may have greater discretion to manage information concerning the company's performance and financial position. Previous research has also indicated that Earnings Management and Tax Avoidance are interrelated decisions. Wijaya and Hidayat (2022) found that certain forms of Earnings Management were significantly associated with Tax Avoidance, although the results varied depending on the type of earnings management examined. These findings underscore the importance of considering earnings management

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behavior when explaining the relationship between financial conditions and corporate tax policies.

CONCLUSION

This study shows that ESG Disclosure has a significant effect on Tax Avoidance, whereas Transfer Pricing and Financial Distress do not have significant effects on Tax Avoidance. Furthermore, Earnings Management does not moderate the relationship between ESG Disclosure and Tax Avoidance, but it does moderate the relationships between Transfer Pricing and Financial Distress and Tax Avoidance. These findings indicate that corporate tax policies are associated not only with firm characteristics but also with managerial flexibility in managing earnings. From an implementation perspective, companies need to enhance ESG transparency, strengthen governance over related-party transactions, and improve oversight of earnings management practices to ensure that tax policies remain aligned with the principles of tax compliance and sound corporate governance. For investors and other stakeholders, ESG information, financial conditions, and the quality of earnings reporting may serve as considerations in assessing corporate transparency and behavior.

This study has several limitations. The sectoral and temporal scope is limited to companies in the Energy, Consumer Non-Cyclicals, and Real Estate and Property sectors during the 2023–2025 observation period; therefore, the findings cannot yet be generalized to all companies listed on the Indonesia Stock Exchange. In addition, each variable is measured using specific proxies, which may not fully capture the complexity of ESG Disclosure, Tax Avoidance, Transfer Pricing, Financial Distress, and Earnings Management. Future research could expand the sectoral and observation-period coverage, employ alternative measures of the variables, and incorporate additional factors such as ownership structure, corporate governance quality, tax incentives, and board characteristics to obtain a more comprehensive understanding of the determinants of Tax Avoidance.

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