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The Contribution of Green Accounting and Green Tax to Tax Avoidance

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Abstract

This study aimed to analyze the effect of green accounting and green tax on tax avoidance in energy companies within the coal subsector listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period. This research employed a quantitative approach using purposive sampling, resulting in 20 companies observed over three years. Data were obtained from sustainability reports and annual reports and analyzed using multiple linear regression with SPSS. The results showed that green accounting had a positive and significant effect on tax avoidance, while green tax had no significant effect. Simultaneously, both variables significantly influenced tax avoidance. These findings support legitimacy and stakeholder theories, suggesting that companies seek to maintain a sustainable image while managing their tax burdens. Therefore, to enhance the effectiveness of green fiscal policies in improving tax compliance, the government should strengthen environmental tax regulations and oversight. This study contributes to the literature by simultaneously examining green accounting and green tax in relation to tax avoidance in the Indonesian energy sector, which remains relatively underexplored.

INTRODUCTION

Tax avoidance practices are not new in the business world; such practices are considered to exploit weaknesses in tax regulations to reduce tax burdens (Putri et al., 2025). Nevertheless, the persistently high level of tax avoidance indicates that fiscal transparency and corporate compliance remain suboptimal, thereby necessitating a more comprehensive approach to promote corporate fiscal accountability (Wijaya et al., 2020).

A number of previous studies have primarily focused on the relationship between tax transparency, governance, and sustainability practices and tax avoidance. However, empirical findings indicate that the effect of sustainability disclosure on corporate fiscal behavior remains inconsistent (Indarto & Ani, 2023). Companies with high Environmental, Social, and Governance (ESG) performance are generally perceived to have better accountability, yet this does not always correspond to higher levels of tax compliance (Thiart, 2023). Moreover, several studies suggest that sustainability disclosure may be used as a legitimization tool to obscure aggressive fiscal behavior (Elamer et al., 2024). These inconsistent findings indicate that sustainability approaches do not necessarily and automatically constrain tax avoidance behavior, highlighting the need for further examination of the mechanisms underlying this relationship.

The implementation of Green Accounting represents an initiative undertaken by business entities to mitigate potential negative environmental impacts arising from their operational activities (Nuritami et al., 2024). Green accounting requires companies to recognize and report environmental costs, such as waste management, emission control, and other environmental obligations, which may suppress corporate tax avoidance through stricter oversight and enhanced accountability. This practice is expected to improve corporate transparency and accountability

toward stakeholders (Riyadh et al., 2020). However, the increase in environmental costs resulting from the adoption of green accounting is not always accompanied by an increase in operating revenues. This condition may put pressure on corporate profits and cash flows, thereby encouraging management to seek fiscal efficiency strategies, one of which is tax avoidance (Jiang et al., 2022 ; Sastroredjo et al., 2025). On the other hand, extensive environmental disclosure can intensify legitimacy pressures and public scrutiny, which in turn may constrain opportunistic managerial behavior (A. Firmansyah et al., 2022). These divergent research findings indicate that the effect of green accounting on tax avoidance remains inconclusive and is influenced by specific contextual factors.

In addition to green accounting, another sustainability instrument that is relevant in the fiscal context is the green tax. Green tax is also a fiscal instrument designed to encourage environmentally friendly behavior by providing incentives to minimize adverse impacts such as environmental pollution and the excessive exploitation of natural resources (Leonard et al., 2023 ; Mpofu, 2022). This tax includes carbon taxes, pollution taxes, and taxes on the utilization of natural resources. The implementation of this instrument has become increasingly important given the high level of carbon emissions generated by business operations involving the combustion of carbon-based compounds. Regionally, Asia is one of the major contributors to global greenhouse gas emissions due to rapid industrialization and high energy consumption. Indonesia, as part of this region, also contributes significantly to rising carbon emissions. Based on data from the European Commission through the Emissions Database for Global Atmospheric Research (EDGAR), the volume of greenhouse gases emitted in Indonesia in 2022 reached 1.24 gigatons, indicating a 10% increase compared to previous years. These gases consist of carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), and fluorinated gases (F-gases). Although the government ratified the Kyoto Protocol through Law Number 17 of 2004 as a form of commitment to reducing greenhouse gas emissions, the disclosure of carbon emission data by corporations in Indonesia remains voluntary. Therefore, the primary objective of implementing a green tax is to reduce pollution levels and greenhouse gas emissions while simultaneously optimizing industrial energy efficiency (Harfianto & Setiaji, 2023).

In Indonesia, green tax has been implemented at both the central and regional levels through energy taxes, transportation taxes, pollution taxes, and swiftlet nest taxes, although it has not been formally designated as a green tax (Safitra & Hanifah, 2021). However, the implementation of this policy also entails consequences in the form of increased environmental compliance costs. The rise in such costs may encourage companies to engage in tax avoidance as a strategy to maintain financial performance and cash flows (Feng et al., 2022).

This context becomes increasingly relevant in the energy sector, particularly the coal subsector, which plays a strategic role in the national economy while simultaneously serving as a major contributor to carbon emissions and natural resource exploitation (Widianingsih, 2025).

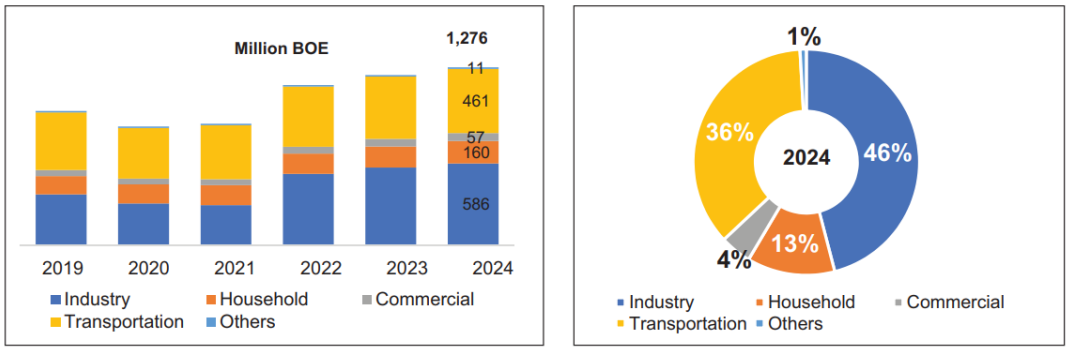

Figure 1. Final Energy Consumption

Source: Kementrian Energi dan Sumber Daya Mineral, 2024

The above data indicate that, based on sectoral energy consumption from 2019 to 2024, the industrial sector was recorded as the largest energy consumer, accounting for 46% of total national energy consumption in 2024. The dominance of energy consumption in the industrial sector reflects the high intensity of primary energy use in production activities. Given that Indonesia's national energy mix remains heavily dominated by fossil energy, particularly coal, high energy consumption indirectly reflects the substantial role of the coal subsector in supporting the national economy. This condition has implications for increased carbon emissions and intensified exploitation of natural resources. Continuous resource exploitation without adequate control poses a serious threat to environmental sustainability and the well-being of future generations, thereby attracting widespread attention at both global and national levels (Sari et al., 2025). Nevertheless, fiscal transparency and tax-related information disclosure in this subsector remain relatively limited (Aulia, 2024).

Although a number of studies have examined the relationship between sustainability and tax avoidance, the empirical evidence remains inconsistent. Some studies focus on the role of green accounting in enhancing financial performance or corporate social responsibility, while research on green tax generally emphasizes environmental policy aspects and their impact on emissions.

To date, there is still limited research that simultaneously integrates green accounting and green tax in explaining tax avoidance behavior, particularly in the energy sector, specifically the coal subsector, which is characterized by high emission levels and strong regulatory pressure. By integrating these two sustainability instruments, this study is expected to provide a more comprehensive understanding of corporate fiscal behavior within a sustainability context, extend the empirical testing of legitimacy theory and stakeholder theory, and generate relevant policy implications for the development of green tax policies as well as for investor decision-making.

LITERATURE REVIEW

Stakeholder Theory

Stakeholder theory in the business context emphasizes the disclosure of corporate activities that have direct impacts, such as pollution management, sponsorship activities, and various initiatives aimed at maintaining environmental safety and sustainability (Zain, 2024).This theory asserts that organizations continuously seek to align themselves with the demands and expectations of various stakeholders, including employees, suppliers, investors, and the broader community. Accordingly, scholars explain that business entities are not merely focused on fulfilling their own interests but are also responsible for creating value and ensuring equitable benefits for all parties involved and affected by corporate activities. Therefore, gaining stakeholder support becomes

crucial, as a company's sustainability and long-term survival are highly dependent on the extent of such support (Rahima, 2025).

Legitimacy Theory

Legitimacy theory defines legitimacy as a corporate effort to obtain social acceptance by maintaining its social functions in accordance with prevailing norms and values (Zain, 2024). To achieve public legitimacy, industries are encouraged to provide objective and high-quality voluntary disclosures, particularly regarding carbon emission information. Such practices function as a means to demonstrate that companies have fulfilled their environmental social responsibilities in line with the existing social contract. Through voluntary carbon emission disclosure, firms can signal their commitment to environmental protection, which ultimately strengthens stakeholder support and enhances corporate legitimacy in the eyes of society (Ratmono et al., 2023). Companies commonly utilize annual reports as a medium to communicate their commitment to environmental responsibility, thereby gaining public acceptance and legitimacy (Rahima, 2025).

Green Accounting

Green accounting is an accounting approach that incorporates environmental aspects into a company's financial reporting mechanisms. The core principle of this concept is the integration of environmental costs and benefits arising from corporate activities into the processes of financial measurement and reporting (Ramadhani & Asih, 2025). Several corporate activities reflect the implementation of green accounting, including: (1) the use of environmentally friendly resources, (2) proper waste management to reduce pollution, and (3) the implementation of corporate social responsibility as a manifestation of the business entity's role in supporting the balance of the surrounding ecosystem (Nuritami et al., 2024).

Green Tax

Green tax refers to additional financial levies imposed on activities that cause ecosystem damage, such as pollution. This instrument serves as a government effort to encourage both individuals and corporations to adopt more environmentally friendly practices by controlling pollution levels (A. W. Firmansyah et al., 2022). This type of tax includes carbon taxes, air pollution taxes, and taxes on the exploitation of natural resources. Among these instruments, the carbon tax has emerged as a key policy implemented by governments to reduce carbon emissions and support the achievement of sustainable development goals (Leonard et al., 2023).

Companies with strong and stable financial positions generally have greater capacity to allocate resources for the analysis and preparation of carbon emission reports. Firms that disclose carbon emission information often receive positive recognition from the public and environmental authorities (Al-Mari & Mardini, 2024).Carbon emissions, particularly carbon dioxide (CO_2), have a significant impact on environmental preservation efforts and global sustainability (Widianingsih, 2025).

Tax Avoidance

Tax avoidance refers to actions taken by companies to maximize profits by minimizing the amount of tax liabilities paid, while still remaining within the framework of applicable tax regulations (Adi et al., 2025). Tax avoidance is generally regarded as a legally permissible practice because it does not violate tax laws. It reflects a pattern of transactions deliberately structured to reduce tax obligations by exploiting loopholes or deficiencies in a country's tax legislation (Pakpahan et al., 2024).

HYPOTHESIS

The Effect of Green Accounting on Tax Avoidance

The implementation of green accounting reflects a company's effort to integrate environmental aspects into its accounting system and financial reporting, including the recognition and recording of environmental costs arising from operational activities (Nuritami et al., 2024). From the perspective of stakeholder theory, this practice is carried out to fulfill stakeholders' demands for transparency and corporate environmental responsibility (A. Firmansyah et al., 2022). Meanwhile, legitimacy theory explains that environmental disclosure serves as a mechanism for companies to obtain and maintain social acceptance through enhanced public accountability (Ratmono et al., 2023).

However, the increase in environmental costs resulting from the adoption of green accounting may put pressure on corporate profits and cash flows, thereby encouraging management to pursue fiscal efficiency strategies, including tax avoidance practices (Jiang et al., 2022). On the other hand, a high level of environmental disclosure also intensifies public scrutiny and legitimacy pressures, which may constrain opportunistic managerial behavior, including tax avoidance (A. Firmansyah et al., 2022). Empirical evidence provided by Uthari Nabilah, (2025) indicates that green accounting has a significant influence on corporate tax avoidance behavior.

H1: Green Accounting has an effect on Tax Avoidance.

The Effect of Green Tax on Tax Avoidance

Green tax is an instrument designed to promote the development of a sustainability-oriented economy (Sari et al., 2025). From the perspective of stakeholder theory, companies are required to meet the expectations of the government and society as key stakeholders through compliance with environmentally based fiscal policies (A. Firmansyah et al., 2022). Meanwhile, legitimacy theory explains that compliance with environmental taxes and the disclosure of carbon emissions are used by companies as means to maintain legitimacy and safeguard their public reputation (Ratmono et al., 2023).

Several studies indicate that the implementation and enforcement of green tax can enhance external monitoring and reduce incentives for tax avoidance (Du et al., 2021). However, Feng et al., (2022) find that the implementation of green tax policies significantly increases corporate tax avoidance practices. In addition, (Elamer et al., 2024) show that companies often use environmental disclosure as a legitimization tool to obscure aggressive tax behavior.

H2: Green Tax has an effect on Tax Avoidance.

The Effect of Green Accounting and Green Tax on Tax Avoidance

Within the stakeholder theory framework, companies face demands from various stakeholders, including the government and society, to enhance the transparency of environmental reporting and ensure fiscal compliance (A. Firmansyah et al., 2022). Simultaneously, the implementation of green accounting and green tax creates dual pressures on companies in the form of increased environmental costs and heightened demands for accountability and transparency. These pressures strengthen external monitoring mechanisms over managerial behavior (Du et al., 2021).

From the perspective of legitimacy theory, corporate involvement in tax avoidance practices may increase legitimacy risks, particularly for firms with high levels of environmental disclosure (A. Firmansyah & Estutik, 2020). To maintain reputation and social acceptance, companies tend to adjust their fiscal strategies by reducing tax aggressiveness (Hassan et al., 2021). In certain conditions, firms may increase green investments and reduce opportunistic behavior, including tax

avoidance (Huang & Lei, 2021). However, in other circumstances, cost pressures may instead encourage companies to engage in tax avoidance as a fiscal efficiency strategy (Pesak & Karandureng, 2023).

H3: Green Accounting and Green Tax have an effect on Tax Avoidance.

METHODS

This study employs a quantitative method using a descriptive research design. The data are obtained from corporate financial reports, including sustainability reports and annual reports. The study focuses on energy sector companies, specifically the coal subsector, listed on the Indonesia Stock Exchange (IDX), utilizing secondary data covering the period from 2022 to 2024. The research sample consists of 20 companies selected through a purposive sampling technique based on specific criteria, as presented in Table 1 below.

Table 1. Sample Selection Criteria

No	Kriteria	Jumlah
1	Coal subsector companies listed on the Indonesia Stock Exchange (IDX) during the 2022–2024 period	30
2	Companies that did not publish sustainability reports during 2022–2024	(10)
	Total Sample Companies	20
	Total Research Observations (20 × 3)	60

Source: Author, 2025

The annual report data used in this study were obtained from the official website of the Indonesia Stock Exchange (www.idx.co.id), as well as from the official websites of each company that met the predetermined research criteria. The data collected include sustainability reports and annual financial statements. The use of multiple data sources aims to obtain detailed and accurate information so that the research findings can comprehensively and representatively reflect the conditions of the variables under investigation.

The analytical method applied in this study is quantitative analysis, which includes descriptive analysis, classical assumption testing, and hypothesis testing. Data processing was conducted using the SPSS application. To ensure conceptual clarity and proper operationalization of the variables, each variable is defined operationally. The operational definitions are formulated to explain the variable concepts, measurement indicators, and scales used, enabling quantitative analysis. The detailed operational definitions of the variables are presented in Table 2.

Table 2. Operational Definition of Variables

No.	Variable	Definition	Measurement
1	**Green Accounting (X1)**	Green Accounting refers to the application of accounting practices that focus on the measurement and recording of environmental costs as well as the implementation of environmental management systems (Nuritami et al., 2024).	Measured using a dummy variable. A value of 1 is assigned if the company discloses environmental costs, and 0 if the company does not disclose environmental costs.

2	**Green Tax (X2)**	Green Tax is an economic instrument implemented to address environmental degradation by encouraging industries or organizations to change their behavior in reducing and preventing carbon emissions, while shifting toward cleaner, environmentally friendly, and sustainable energy resources (A. W. Firmansyah et al., 2022).	Green Tax is proxied by carbon emission disclosure, measured as: Carbon Emissions $= \frac{Number\ of\ item\ disclosed}{Number\ of\ items\ that\ should\ be\ disclosed}$ (Sari et al., 2025)
3	**Tax Avoidance (Y)**	Tax avoidance is a business strategy conducted legally and safely without violating applicable tax regulations. This strategy utilizes various methods and techniques that exploit provisions, including advantages and loopholes within tax laws (Cahyati et al., 2023).	Tax avoidance is measured using the Effective Tax Rate (ETR): $\text{ETR} = \frac{Income\ Tax\ Expense}{Profit\ Before\ Tax}$ (Pakpahan et al., 2024)

Source: Author, 2025

RESULTS AND DISCUSSION

Tabel 3. Hasil Uji Statistik Deskriptif

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Green Accounting	60	,86	1,00	,9440	,04937
Green Tax	60	,67	,94	,8417	,08486
Tax Avoidance	60	,17	,29	,2209	,03040
Valid N (listwise)	60				

Source: Processed Data, 2025

In this study, the Green Accounting variable has a minimum value of 0.86 and a maximum value of 1.00. The mean value of the sustainability report indicator is 0.9440, with a standard deviation of 0.04937. The Green Tax variable shows a minimum value of 0.67 and a maximum value of 0.94, with a mean of 0.8417 and a standard deviation of 0.08486. For the tax avoidance variable, the minimum recorded value is 0.17, while the maximum value reaches 0.29. The mean value of tax avoidance is 0.2209, with a standard deviation of 0.03040. The total number of observations (N) in this study is 60.

Normality Test

The normality test is an important step in regression analysis to determine whether the residual variables are normally distributed. The assumption of residual normality is essential, as it forms the basis for the validity of statistical inferences, such as hypothesis testing and the construction of confidence intervals.

Table 4. Results of the Normality Test

One- Sample Kolmogrov-Smirnov Test

	Unstandardized Residual
N	60

Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,02879548
Most Extreme Differences	Absolute	,082
	Positive	,082
	Negative	-,035
Test Statistic		,082
Asymp. Sig. (2-tailed)		,200[c,d]

Source: Processed Data, 2025

Based on Table 4, the results of the one-sample Kolmogorov–Smirnov test on the unstandardized residuals show an Asymp. Sig. value greater than 0.05, namely 0.200, which exceeds the significance level of 0.05. Therefore, it can be concluded that the residual data in the regression model are normally distributed. This result indicates that the normality assumption has been fulfilled, allowing the regression model to be used for subsequent hypothesis testing.

Multicollinearity Test

The multicollinearity hypothesis states that independent variables should not be strongly correlated with one another. Multicollinearity diagnostics aim to assess whether there is a high correlation among independent variables, which could potentially distort the regression results. This condition can be examined through the Coefficients table by observing tolerance and Variance Inflation Factor (VIF) values.

Table 5. Results of the Multicollinearity Test

Coefficients			
		Collinearity Statistics	
Model		**Tolerance**	**VIF**
1	Green Accounting	,851	1,175
	Green Tax	,851	1,175

Source: Processed Data, 2025

Based on the table, the Green Accounting and Green Tax variables show tolerance values of 0.851 and a Variance Inflation Factor (VIF) value of 1.175. Since the VIF values for all independent variables are below 10, it can be concluded that there is no multicollinearity problem in the regression model.

Heteroscedasticity Test

In the context of regression analysis, heteroscedasticity testing is a mandatory procedure as part of the classical assumptions that must be satisfied. This test aims to determine the presence or absence of unequal residual variances across observations. If the residual variance for each observation is constant, the condition is referred to as homoscedasticity. Conversely, if the residual variance varies across observations, this indicates heteroscedasticity. An effective regression model should ideally not exhibit symptoms of heteroscedasticity.

Table 6. Results of the Heteroscedasticity Test

Coefficients						
		Unstandarized	**Coefficients**	**Standardized Coefficients**		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	,065	,044		1,473	,146

	Green Accounting	-,021	,050	-,061	-,427	,671
	Green Tax	-,026	,029	-,126	-,892	,376

Source: Processed Data, 2025

Based on the table, the Green Accounting variable has a significance value of 0.671, while the Green Tax variable has a significance value of 0.376. Since the significance values of both variables are greater than 0.05, it can be concluded that there is no heteroscedasticity problem in the regression model.

Autocorrelation Test

Table 7. Results of the Autocorrelation Test

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,320[a]	,103	,071	,02930	1,983

Source: Processed Data, 2025

Based on the output presented in the table above, the Durbin–Watson (d) value is 1.982. This value is then compared with the Durbin–Watson critical values at a 5% significance level using the parameters (k; N), where the number of independent variables (k) is 2 and the total sample size (N) is 60, resulting in (k; N) = (2; 60). Referring to the Durbin–Watson table, the lower bound value (dL) is 1.514 and the upper bound value (dU) is 1.652. Since the Durbin–Watson statistic lies between dU and (4 − dU), it can be concluded that the regression model is free from autocorrelation.

MULTIPLE LINEAR REGRESSION ANALYSIS

Coefficient of Determination Test

Basically, the adjusted coefficient of determination (Adjusted R-square) is used to assess the ability of the model to explain the influence of independent variables on the dependent variable. An Adjusted R-square value closer to 1 indicates that the independent variables provide almost all the information needed to predict the dependent variable. The results of the coefficient of determination test are presented in the following table.

Table 8. Results of the Coefficient of Determination Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,320[a]	,103	,071	,02930

Source: Processed Data, 2025

The table above shows that the Adjusted R-square value is 0.071, indicating that the independent variables, namely green accounting and green tax, are able to explain the dependent variable, tax avoidance, by 7.1 percent. Meanwhile, the remaining proportion (92.9 percent) is explained by other factors that are not included in this regression model.

t-Test

The purpose of the t-test is to measure the extent to which each independent variable individually influences the dependent variable. The results of the t-test serve as the basis for decision-making, where a significance value (Sig.) greater than 0.05 indicates that the independent variable does not have a significant effect on the dependent variable. Conversely, if the Sig. value

is less than 0.05, the independent variable is considered to have a significant effect. The significance values of the t-test results are presented in the table below.

Table 9. Results of the t-Test

Coefficients						
		Unstandardized Coefficients		Standardized Coefficient		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	,118	,074		1,602	,115
	Green Accounting	,192	,084	,312	2,294	,025
	Green Tax	-,094	,049	-,261	-1,919	,060

Source: Processed Data, 2025

Referring to the results presented in the table, the significance value (Sig.) of variable X1 is 0.025, which is below the 0.05 threshold. This indicates that Green Accounting has a significant effect on Tax Avoidance. Meanwhile, the significance value for variable X2 is 0.060, which exceeds 0.05. Therefore, it can be concluded that Green Tax does not have a significant effect on Tax Avoidance in energy sector companies, particularly the coal subsector, during the 2022–2024 period.

F-Test

The F-test is conducted to determine whether all independent variables in the research model simultaneously influence the dependent variable. This test is performed by examining the probability or significance value. If the probability or significance value is less than 0.05, the independent variables included in the model are considered to have a simultaneous effect on the dependent variable. The results of the F-test are presented in the table below.

Table 10. Results of the F-Test

ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,006	2	,003	3,260	,046
	Residual	,049	57	,001		
	Total	,055	59			

Source: Processed Data, 2025

Based on Table 9, the probability value of the F-statistic is 0.046, which is less than 0.05. Therefore, it can be concluded that the green accounting and green tax variables simultaneously have a significant effect on tax avoidance in energy sector companies, particularly the coal subsector, during the 2022–2024 period.

Multiple Linear Regression Test

Regression testing, also referred to as hypothesis analysis, is conducted to evaluate the influence of each variable included in the model. Multiple linear regression analysis is used to determine the effect of two or more independent variables (X) on a dependent variable (Y). This relationship is then formulated in mathematical notation, known as the regression equation.

Table 11. Results of the Multiple Linear Regression Test

Coefficients					
	Unstandardized Coefficients		Standardized Coefficient		
Model	B	Std. Error	Beta	t	Sig.

1	(Constant)	,118	,074		1,602	,115
	Green Accounting	,192	,084	,312	2,294	,025
	Green Tax	-,094	,049	-,261	-1,919	,060

Source: Processed Data, 2025

The coefficient table above explains the multiple regression equation. The regression equation applied in this study is as follows:

$$Y = \alpha + \beta 1x1 + \beta 2x2$$

$$Y = 0.118 + 0.192X1 - 0.094X2$$

The results of the regression equation can be clearly explained as follows:

The regression coefficient for variable X1 is positive, with a value of 0.192. This indicates that an increase in Green Accounting (X1) is associated with an increase in the Tax Avoidance variable (Y), assuming other variables remain constant.

The regression coefficient for variable X2 is negative, with a value of −0.094. This implies that when Green Tax (X2) increases, the Tax Avoidance variable (Y) tends to decrease, and vice versa.

DISCUSSION

The Effect of Green Accounting on Tax Avoidance

The results of the regression analysis indicate that green accounting has a significant effect on tax avoidance. These findings suggest that an increase in the recognition and disclosure of environmental activities in corporate sustainability and annual reports is not always accompanied by higher levels of tax compliance. Instead, the implementation of green accounting may encourage companies to manage their fiscal burdens more strategically as a response to rising environmental compliance costs.

This finding is consistent with Pesak & Karandureng, (2023) as well as Pakpahan et al., (2024), who argue that environmental activities generate additional costs, thereby motivating management to maintain financial efficiency through strategic tax planning. Jiang et al., (2022) also find that the adoption of green accounting through mandatory social and environmental responsibility disclosures increases operational costs without being offset by significant revenue growth, prompting companies to engage in tax avoidance to preserve cash flow and financial stability.

Furthermore, this result is reinforced by Gu & Wang, (2023) who state that environmental disclosure does not always function solely as a transparency mechanism, but can also be utilized as a form of symbolic legitimacy while companies continue to engage in tax avoidance practices. In addition, Sastroredjo et al., (2025) provide evidence of a positive relationship between environmental practices and the level of tax avoidance, where rising environmental compliance costs drive firms to adopt more aggressive, yet still legally permissible, tax planning strategies.

From the perspective of legitimacy theory, these findings support the view that companies seek to gain social acceptance by demonstrating concern for environmental issues. However, such legitimacy is not always realized through increased fiscal compliance. Firms may use green accounting as a means of building a socially responsible image while simultaneously managing their tax obligations strategically to maintain financial performance (A. Firmansyah et al., 2022).

From the standpoint of stakeholder theory, increased environmental disclosure represents a response to stakeholder demands, yet it does not necessarily eliminate corporate incentives to engage in tax avoidance. Therefore, the finding that green accounting increases tax avoidance does not contradict these theories but rather extends their application within the context of corporate fiscal management.

The Effect of Green Tax on Tax Avoidance

The results of this study indicate that green tax does not have a significant effect on tax avoidance. This finding is consistent with A. W. Firmansyah et al., (2022)), who explain that the implementation of green tax policies in Indonesia is still in the stage of regulatory strengthening, and therefore has not yet directly influenced corporate tax avoidance behavior. Mpofu, (2022) also states that green taxes function as fiscal instruments to internalize environmental costs; however, they are often perceived by companies as additional burdens, thus exerting a greater influence on general financial decision-making rather than on tax avoidance strategies.

Furthermore, studies by Leonard et al., (2023) and Sari et al., (2025) emphasize that green tax regulations are primarily focused on funding renewable energy initiatives rather than on constraining corporate fiscal strategies. These findings are further supported by Safitra & Hanifah, (2021) who explain that challenges in implementing environmental taxes in Indonesia remain closely related to system readiness and the level of awareness among business actors.

From the perspective of stakeholder theory, these findings do not contradict the theory but rather indicate that stakeholder pressure exerted through environmental tax instruments has not been sufficiently strong to influence corporate tax behavior. Stakeholder theory posits that corporate responses depend on the intensity of pressure, the strength of regulations, and the enforcement mechanisms in place (Zheng et al., 2023). Therefore, the insignificant effect of green tax reflects the specific context of policy implementation in Indonesia. Accordingly, although the direction of green tax policy supports sustainability objectives, its impact on tax avoidance remains insignificant, as it primarily functions as an environmental control instrument rather than as a mechanism for reducing corporate tax avoidance.

The Effect of Green Accounting and Green Tax on Tax Avoidance

The regression analysis results indicate that green accounting and green tax simultaneously affect tax avoidance. Although, on a partial basis, green accounting is proven to have a significant effect, while green tax does not show a significant influence, both variables still play a role in shaping how companies manage their tax avoidance strategies.

Feng et al., (2022) explain that environmental regulatory pressure occurring simultaneously with sustainability demands encourages companies to manage their tax burden strategically as a form of adaptation. Jiang et al., (2022) and Sastroredjo et al., (2025) further emphasize that the combination of environmental disclosure and environmental compliance costs creates financial pressure that motivates firms to manage their tax burden strategically. This finding is consistent with the study by Indarto & Ani, (2023) which confirms that the implementation of green accounting and environmental tax policies serves as a climate change mitigation instrument while also influencing corporate financial strategies. In addition, Cahyati et al., (2023) reveal that corporations with strong environmental disclosure tend to exhibit more measured and controlled tax practices.

From the perspective of legitimacy theory, the combination of green accounting and green tax reflects corporate efforts to maintain a balance between compliance with social norms and the sustainability of financial performance. Meanwhile, stakeholder theory explains that

simultaneous pressure from the government, society, and investors encourages companies to adjust their fiscal strategies in order to maintain stakeholder support. Therefore, it can be concluded that the simultaneous implementation of green accounting and green tax not only represents corporate compliance with sustainability principles, but also plays a role in managing fiscal burdens and strategic decision-making that ultimately influences the level of tax avoidance.

CONCLUSION

This study confirms that practices originating from a company's internal mechanisms play a strategic role in shaping corporate tax behavior. The integration of environmental accounting into corporate accounting systems enhances the transparency and accountability of environmental cost management, which ultimately influences financial decision-making and tax compliance. These findings indicate that green accounting does not merely function as an instrument for financial reporting and social responsibility, but also constitutes a strategic consideration in corporate fiscal policy.

Meanwhile, green tax policies have not yet fully emerged as a determining factor in corporate tax decision-making. Accordingly, environmental aspects in accounting and taxation practices are not solely normative in nature, but have become part of strategic considerations in corporate fiscal policy. Nevertheless, these findings are subject to limitations arising from the quantitative research approach and the specific sectoral scope of the study; therefore, the results should be interpreted within their contextual boundaries.

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