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SUSTAINABILITY REPORTING AND TAX AGGRESSIVENESS BEFORE AND DURING COVID-19: GCG MODERATING VARIABLE

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Abstract

This research aimed to examine the incremental effect of COVID-19 on sustainability reports disclosures towards tax aggressiveness by moderating Good Corporate Governance (GCG) in a balanced period before and during COVID-19. Disclosure of sustainability reports and tax aggressiveness are measured using the GRI Standards index and the Effective Tax Rate (ETR), respectively. Meanwhile, GCG is measured based on 15 indices (ICGI) developed by Tanjung (2020). An analytical method in the form of multiple linear regression was used on 100 companies listed on the Indonesia Stock Exchange (IDX) from 2019 to 2020 as the research object. The results did not show significance in proving the incremental effect of COVID-19 on the variables tested. Additional testing was carried out with a split per year, which showed that before COVID-19, sustainability reports disclosures did not affect tax aggressiveness, as opposed to during its occurrence. Before COVID-19, GCG weakened the negative relationship between disclosure of sustainability reports and tax aggressiveness. Meanwhile, during COVID-19, it had a lower level of weakening the negative relationship between the two.

Keywords: COVID-19, Sustainability Report, Tax Aggressiveness, Good Corporate Governance (GCG)

Abstrak

Penelitian ini bertujuan untuk menguji pengaruh inkremental COVID-19 pada pengungkapan laporan keberlanjutan terhadap agresivitas pajak dengan moderasi *Good Corporate Governance* (GCG) dalam periode yang seimbang pada masa sebelum dan selama COVID-19. Pengungkapan laporan keberlanjutan dan agresivitas pajak masing-masing diukur menggunakan indeks *GRI Standards* dan *Effective Tax Rate* (ETR). Sedangkan, *Good Corporate Governance* diukur berdasarkan 15 indeks (ICGI) yang dikembangkan oleh Tanjung (2020). Metode analisis berupa regresi linier berganda digunakan pada 100 perusahaan yang terdaftar di Bursa Efek Indonesia (BEI) dari tahun 2019 hingga 2020 sebagai objek penelitian. Hasilnya tidak menunjukkan signifikansi dalam membuktikan efek inkremental COVID-19 pada variabel yang diuji. Pengujian tambahan dilakukan dengan pembagian per tahun, yang menunjukkan bahwa sebelum COVID-19, pengungkapan laporan keberlanjutan tidak memengaruhi agresivitas pajak, berlawanan dengan saat terjadinya. Sebelum COVID-19, GCG melemahkan hubungan negatif antara pengungkapan laporan keberlanjutan dan agresivitas pajak. Sementara di masa COVID-19, tingkat pelemahan hubungan negatif kedua variabel lebih rendah.

Kata kunci: COVID-19, Laporan Keberlanjutan, Agresivitas Pajak, *Good Corporate Governance* (GCG)

INTRODUCTION

Strategic efforts adopted by companies to boost their value are inseparable from the economic conditions of the country where it operates (Junensie et al. 2020). In respect to this case, the COVID-19 pandemic, which emerged in December 2019, has had a significant global impact on the health, social and economic sectors (*United Nations* 2020). This also triggered an economic crisis, which led to a recession in 2020. Moreover, various sectors' profits and financial performance were greatly affected (Akbar and Humaedi 2020; Devi et al. 2020).

The decline in tax revenues also proves the macro impact of COVID-19 on the Indonesian economy. Incidentally, it is one of the largest sources of generating funds for the state. In 2020, the tax revenue budget was reduced to 1,404.5 trillion Rupiah, and it is expected to temporarily reach 91.3% or 1,282.8 trillion Rupiah (Kementerian Keuangan Republik Indonesia 2021). This led to the implementation of tax incentive policy PMK No. 44/PMK.03/2020 concerning Tax Incentives for Taxpayers Affected by the Corona Virus Disease 2019 (COVID-19) Pandemic. It is the first step employed by the government to boost economic recovery, with the hope of sustaining and maintaining the continuity of the business sector, which is the most significantly affected (Devi et al. 2020).

The comparison of tax revenues from 2018 to 2020 shows the growth of realized income which has diminished consecutively by -11.54%, -1.77%, and 17.03%. In addition, these were also triggered by tax aggressiveness (Septiawan et al. 2021). Aggressive actions such as tax avoidance measures realized through exploiting loopholes in related regulations are employed by companies perceived as corporate taxpayers (Junensie et al. 2020).

Taxes are considered as form of contribution aimed at boosting national development. However, its implementation contradicts the relationship between the government and companies as tax collectors and taxpayers, respectively (Ramadani and Hartiyah 2020). The issue of declining state revenues emerged because many organizations adopted tax aggressiveness. The government views taxes as the largest contributor to state revenues, while companies see it as a burden that reduces net profit.

Tax aggressiveness in Indonesia did not only arise due to the degradation of tax revenues. The acquired macro data also proved other main contributors. In 2018 and 2019, Indonesia was ranked the second lowest concerning tax ratio, namely 10.23% and 9.75%, respectively, when compared to the ASEAN countries (Asian Development Bank 2020; World Bank 2021). The Tax Justice Network report titled "The State of Tax Justice 2020: Tax Justice in the Time of COVID-19" stated that as of November 2020, a total loss of US$4.86 billion, equivalent to IDR 68.7 trillion, was recorded due to tax evasion in the country. According to Cobham et al. (2020), 98.38% of the loss, equivalent to US$4.79 billion, was also contributed by corporate tax avoidance.

Tax aggressiveness has a negative impact on companies due to the costs of audits regarding the detection of fraud, the reputation and image of the firm being threatened, as well as loss of legitimacy (Baudot et al. 2020; Lanis and Richardson 2018; Raithatha and Shaw 2021). A companies's reputation and legitimacy can be boosted through various planned initiatives to improve its activities, such as Corporate Social Responsibility (CSR), and be portrayed as "good business". CSR activities prevent firms from taking actions that negatively affect society's values, norms, and expectations, such as tax aggressiveness (Alsaadi 2020; Ostas 2020).

Sustainability reporting plays a relevant role in how companies report CSR activities (Bini and Bellucci 2020) as a concept to realize its economic, legal, ethical, and philanthropic responsibilities to society

in general and stakeholders. Sustainability reports highlight the organization's positive achievements and legitimize the negative aspects (Ekasari Harmadji et al. 2018). Companies are real-world entities where paying taxes is a form of corporate social obligation to assist in funding the provision of public goods in society (Laguir et al. 2015), as well as promoting national development (E.G and Murtanto 2021; Ramdhani et al. 2021; Setyoningrum 2019). This mechanism is an indirect form of social responsibility that contributes to the environmental conditions in which the companies operates (Gunawan et al. 2019).

Companies need to pay attention to stakeholders because they are greatly affected by their activities (Schaltegger et al. 2019). For example, they must consider the government's interests by obediently paying taxes without adopting aggressive tax planning efforts (Sagala and Ratmono 2015). According to Ramadhan and Amrin (2019), the effectiveness and efficiency of CSR implementation are considered to have several shortcomings. It was alleged that the motivation for CSR disclosure is to maintain a good reputation for shareholders, however, its execution is perceived as a weakness. Issuance of Law of Indonesia No. 40 of 2007 is only a compliance instrument for companies. This is also in line with the disclosure in the sustainability report, although it does not comply with the implemented regulations, where the first one was issued through POJK No. 51/ POJK.03/2017.

Companies' viewpoint on tax is a contributing factor in decision-making (Baldenius and Dyreng 2021; Fuadah and Kalsum 2021). The role of Corporate Governance (CG) has a significant impact on improving CSR performance and disclosure, as well as the dedication and adoption of ethical practices (El Gammal et al. 2020; Zubeltzu-Jaka et al. 2018). Its structure is expected to facilitate and monitor the effectiveness of the management to ensure compliance with the law and prevent illegal acts (Naciti 2019).

It has become a trend to integrate sustainability into Good Corporate Governance (GCG) (Almagtome et al. 2020), where disclosure is also a consequence of this practice (Triwacananingrum et al. 2020). In managing companies' activities, it is necessary to improve good governance to ensure that the organization operates ethically and does not violate the law, including the exhibition of tax aggressiveness (Rohyati and Suripto 2021). The quality of GCG practices tends to affect how the management can strengthen disclosure in sustainability reports (Jahid et al. 2020).

This research provides information on whether or not the disclosure in sustainability reports impacts the level of tax aggressiveness, specifically before and during the COVID-19 pandemic. The role of GCG was also tested to reveal whether it strengthens or weakens the effect of disclosures on tax aggressiveness. It was further reported that these variables had been tested simultaneously in a few research. Firdayanti and Kiswanto (2020) and Natalia et al. (2021) stated that GCG cannot moderate the relationship between sustainability report disclosures and tax aggressiveness.

Interestingly, different results were obtained by Ariani and Prastiwi (2020), Fitri and Munandar (2018), Kurniawati (2019), Sari and Tjen (2019), Wijaya et al. (2021), that the disclosure of CSR activities, similar to the one in the sustainability report, has a negative effect on tax aggressiveness. The research carried out by Handayani et al. (2018), including Ramadani and Hartiyah (2020), reported otherwise.

Specifically, this present research discusses the relationship between sustainability reporting, tax aggressiveness, and GCG before and during COVID-19. Previous research failed to discuss the implication of the pandemic. This condition became relevant in the context of time both before and during its occurrence and from the perspective of companies' sustainability to be able to survive during uncertain situations.

Various gaps have been discovered where previous research covered only conditions before COVID-19 with Global Reporting Initiative (GRI) G4 as the frequently used standard to measure the indicators of sustainability report disclosures. This present research employed the latest standard published in 2016, thereby supporting its relevance along with the increasing awareness of companies to disclose non-financial aspects through sustainability reports.

This research aims to determine the impact of COVID-19 using a uniform standard during the investigation period. The consideration to adopt the GRI Standards as an indicator for measuring sustainability reports relates to the consistency maintained by those applied in 2019 and 2020. In addition, by using a comparable research period before and during COVID-19, companies were able to fully adopt the GRI Standards in the disclosure of the sustainability report index. Compared to previous research covering the most recent period until 2018, there was a transition from adopting G4 to GRI Standards.

The pandemic also poses new challenges for companies that employ GCG mechanism. Previous research measured this variable based on the internal mechanisms, widely proxied by the Independent Commissioners (Putri and Andriyani 2020), Institutional and (Ratnawati et al. 2019), Managerial Ownerships (Ramdhani et al. 2021) as well as Audit Committee (E.G and Murtanto 2021). This research refers to the ICGI indexes developed by Tanjung (2020), which combined both internal and external mechanisms of GCG to provide a balanced view.

The comprehensive use of the CG index provides accuracy in testing the interrelationships of the diverse variables. The leadership role of the board of commissioners and directors as part of the CG index was used as the determining factor on how companies tend to integrate and coordinate their different functions, while also being accountable to the sustainability report. This includes how the establishment contributes to stakeholders' interests in terms of paying taxes to the government. External auditors who are also part of the CG index in this research provide independent validation of companies' performance. Therefore, using internal and external mechanisms to measure CG indexes is essential to evaluate these companies' accountability to stakeholders and to sustain their existence.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Literature Review

Legitimacy Theory

Legitimacy theory explained the difference between the activities carried out by companies and the community's expectations (Lanis and Richardson 2018). Understanding its concept leads to a management system oriented towards instilling harmony between members of society and the government or regulator. The broad scope of legitimacy theory has been used to explain companies' decision to transparently disclose its activities (Dai et al. 2018).

The urgent implementation of social and environmental responsibilities has promoted companies to provide disclosures in sustainability reports (Qomariah 2021). Meanwhile, disclosure of sustainability issues is for strategic purposes rather than just to fulfil one's responsibility to the community (Bini and Bellucci 2020). It is aimed at maintaining companies' good image in the eyes of the public (Makhfudloh et al. 2018), thereby emphasizing the effective disclosure of non-financial information as a form of gaining legitimacy for the firm (Dube and Maroun 2017).

The legitimacy concept continuously shows that companies which treat tax payment mechanisms aggressively are forced to disclose additional information related to their social responsibilities in various dimensions within the sustainability report to reduce public concern. This leads to

fulfilling its obligations to the community in terms of altering the people's expectations of their activities (Deegan et al. 2002). Companies provide sustainability reports to influence (or even manipulate) stakeholder perceptions of their image, performance, and impact (Manetti and Bellucco 2017; Bini and Bellucci 2020).

Tax aggressiveness tends to damage companies' image in the eyes of the public (Dewi and Cynthia 2018). Therefore, when the payment of taxes, which is perceived as part of accountability, is made without tax aggressiveness planning practices, it will lead to a good relationship with the government, alongside an influence on the public's view of companies. From a stakeholder's perspective, these actions are supported by contributing factors such as government regulations, community pressure, and environmental organizations. The emphasis on stakeholders and gaining legitimacy are based on the fact that these two exhibits a complementary nature in terms of understanding the context of sustainability disclosure.

Stakeholders' Theory

The stakeholders' ability to understand companies in its environment has become a strong component intended to broaden the management's vision in terms of discharging its responsibilities asides from maximizing profits to boosting the interests of non-shareholder groups. Various literature research, including Fuadah and Kalsum (2021), Hidayat et al. (2016), Rengganis and Dwiha Putri (2018), as well as Sugiyanto and Fitria (2019), revealed that the stakeholder's perspective by Freeman and Reed in 1983 is centered on the fact that the entire community or individuals can influence or be influenced by companies' strategic actions.

With the two-way relationship between various stakeholders and companies, the purpose of its business is designed to benefit the employees, customers, suppliers, government, credit lenders, and financiers. Affected stakeholder groups also include environmental interest units involved in issues related to business activities in the form of products and services, taxes, or improvements made to the environment (Schaltegger et al. 2019). Companies management is expected to be able to execute and report all activities that are considered important for stakeholders. This shows that its success is influenced by companies' ability to meet various expectations and information needs (Fuadah and Kalsum 2021).

The government, as the regulator, is one of the influential stakeholders influenced by companies' activities (Sagala and Ratmono 2015; Sugiyanto 2018) and involved in fulfilling its tax obligations. Based on personal interests, companies avoid paying taxes, which in turn affects state revenues possibly used for the welfare of society (Dewi and Cynthia 2018). Therefore, companies' actions to minimize tax payments have deviated from the views and expectations of the community. This is due to the implications of taxes paid by companies financing public goods. From the perspective of stakeholders' theory, tax aggressiveness is an action that benefits only companies and without considering other investors such as the government and society (Ratmono and Sagala 2016).

Signaling Theory

Corporate communication on environmental activities is considered important to gain competitive advantage, exhibit the importance of social responsibility issues in companies, strengthen relationships with stakeholders, as well as improve the organization's image and reputation (Herold and Lee 2017; Uyar et al. 2020). Sustainability reports are published to show companies' values, goals, and achievements concerning various social and ethical issues (Bini and Bellucci 2020). This also serves as a signal to stakeholders (Ching and Gerab 2017).

Signaling theory is rooted in the emergence of information asymmetry, where companies management makes decisions regarding matters that need to be

disclosed (Taj 2016) in the sustainability report. Information asymmetry creates a potential conflict between the management and agents. This gap is reduced by sending quality information to various parties. Although the management or authority decides on the matters that need to be published in the sustainability report, they mainly focus on the various signals received from the market, stakeholders, and society.

Companies often disclose certain activities in sustainability reports to signal or engage in the practice of greenwashing. Delmas and Burbano (2011) defined this act as a corporate behavior that intersects between poor contributions and communication as well as its impact on good social responsibility performance. When companies give a signal, then a better social responsibility performance will be disclosed. Meanwhile, the practice of greenwashing leads to selective disclosure (Lyon and Maxwell 2011), such as filtering poor social responsibility performances in sustainability reports to change the stakeholders' perceptions of companies' actual contribution.

Companies that also engage in tax management responsibly are those concerned about social welfare (Hardeck and Hertl 2014). However, its ability to differentiate itself in terms of excellence from competitors results in the tendency to make certain disclosure in the sustainability report. This serves as an indication that companies is not involved in tax avoidance practices and is also responsible for improving its social welfare (Rudyanto and Pirzada 2020).

Hypothesis Development

The Effect of COVID-19 on Sustainability Report Disclosures towards Tax Aggressiveness

Sustainability report disclosures indicate that companies are being operated ethically. Legitimacy theory explains the concept of corporate accountability to stakeholders to maintain companies' continuity (Natalia et al. 2021). However, companies' involvement in CSR activities, further disclosed in the sustainability report, is an acceptable ethical obligation and act that is more than just complying with the law (Rudyanto and Pirzada 2020).

The significant impact of COVID-19 has increased these companies' awareness concerning sustainability issues (Ikram et al. 2020). The pandemic is a multifaceted crisis that affected various dimensions of corporate sustainability. It also struck a balance between social, economic, and environmental issues that strengthens and ensures that corporate social responsibilities meet the stakeholders' expectations in current times and the future (Nicoletti Junior et al. 2018). This led to the obligation for companies to disclose more information related to health and safety practices as a form of actively fighting the pandemic (Boiral et al. 2021).

As a form of continuity from the issuance of sustainability reports before the pandemic, the decline in the financial performance of companies in the country failed to rule out the possibility of exhibiting a socially responsible attitude towards the community and government. Similarly, the tax payment mechanisms with its significant role in overcoming shocks in aspects of state life during the pandemic (Yunus and Rezki 2020). In this case, incentives were given to reduce the income tax rate for Corporate Taxpayers by 3% when they meet certain conditions stipulated in Government Regulation No. 30 of 2020.

Tax incentives provided in the form of lower income rates enable these companies to plan aggressive tax avoidance, in which efforts to minimize the burden are adopted (Suhaidar et al. 2021), as well as to maximize net profit or at least be able to reduce its losses. With the sustainability report disclosures, firms' perception of tax avoidance tends to have a detrimental effect. This is due to non-compliance with taxes, thereby leading to competitive losses. In addition, companies need to maintain a competitive advantage even during uncertain conditions such as the COVID-19

Table 1
Sample Selection According to Research Criteria

Description	Number of Companies
Companies listed on the Indonesia Stock Exchange in 2019 and 2020	750
Companies that issued Sustainability Reports respectively in 2019 and 2020	85
Companies that issued Annual Reports and Financial Statements respectively in 2019 and 2020	85
Companies that did not attach the GRI Standards index in the 2019 and 2020 Sustainability Reports	(4)
Companies that suffer losses before tax	(11)
Companies using a non-Rupiah currency	(10)
Companies that suffer losses before tax and use a non-Rupiah currency	(10)
Companies that met the criteria in this research	**50**
Observation period (years)	**2**
Number of sample observations in this research	**100**

Source: Authors' Work 2021

pandemic (Gribnau and Van Steenbergen 2021).

Previous research were limited to testing two disclosure variables in sustainability reports and the tax aggressiveness level in accordance with the implications of COVID-19. These research further reported the significant role played by GRI standards to guide best practices in sustainability reporting during the pandemic, including dealing with change proactively (Zharfpeykan and Ng 2021). Suhaidar et al. (2021) conducted research that proved differences in the level of tax evasion before and during the pandemic.

H_1: COVID-19 has a negative incremental effect on the relationship between sustainability report disclosures and tax aggressiveness.

The Effect of COVID-19 on Good Corporate Governance (GCG) in Moderating the Relationship between Sustainability Report Disclosures and Tax Aggressiveness

Companies are presumed to have a good governance system, supposing it complies with the disclosure and transparency process. This includes fulfilling the tax obligations influenced by the culture embedded in the implementation of the governance system. Therefore, implementing weak CG is considered to take advantage of loopholes in the direction containing deviations. The authority or management are expected to make decisions that will lead to increased performance and compliance or, in contrast, trigger deviations in the practice of tax aggressiveness (Ramdhani et al. 2021). Good governance plays an important role in controlling the consequences of agency-related problems in the practice of tax aggressiveness. This practice triggers opportunistic behavior towards the orientation of short-term profits.

The implications of the COVID-19 pandemic on the disclosure of CSR activities affect the number of companies that publish sustainability reports as part of their corporate strategy to identify best practices. According to Boiral et al. (2021), this includes the dimension of GCG. Effective governance practices under normal conditions tend to become ineffective in a crisis. This shows companies' urgency to adopt different strategies to mitigate the crisis caused by COVID-19 (Jebran and Chen 2021).

Integrating health issues due to the pandemic and economic, social, and environmental problems into sustainability practices can motivate these companies to focus on social legitimacy and external pressures (Boiral et al. 2019). Evaluating the relationship between good governance and tax planning can be a complex issue. This is because it allows opportunistic

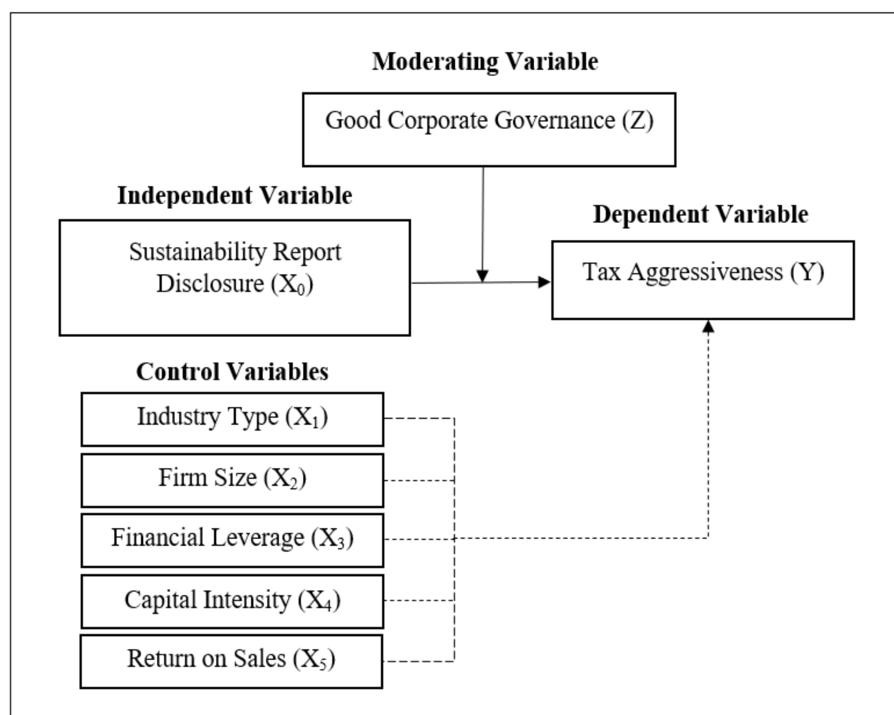

Figure 1
Research Framework
Source: Authors' Work 2021

managerial behavior, which creates significant uncertainty when associated with agency problems.

The impact of COVID-19 on companies' financial condition refers to engaging in risky tax aggressiveness (Chytis et al. 2020) or taking advantage of tax incentives as part of a short-term strategy to minimize the amount of payable tax. However, consideration of corporate social legitimacy through sustainability report disclosures increases the optimization of governance mechanisms (Jebran and Chen 2021) to act ethically. This is realized by the wise use of tax incentives, which reduces tax aggressiveness.

The research by Natalia et al. (2021) stated that governance mechanisms cannot moderate the negative effect of social responsibility on tax avoidance, and it was carried out before the pandemic. This indicates that other governance mechanisms tend to affect the level of tax avoidance, such as the existence of external monitoring through audit activities by independent parties. Furthermore, no research has been conducted to test the impact of GCG during the COVID-19 period.

H_2: COVID-19 has an incremental effect on Good Corporate Governance to strengthen the negative relationship between sustainability report disclosures and tax aggressiveness.

RESEARCH METHOD

The research populations are companies listed on the Indonesia Stock Exchange (IDX) in 2019 and 2020. Financial and non-financial data for each of these firms were obtained from fiscal statements, sustainability, and annual reports published on their respective official websites. The research year was selected based on the fact that these companies completely adopted the GRI standards. The essence was to compare the periods before and when the pandemic occurred in Indonesia.

A non-probability sampling method was employed with each population selection having different opportunities to be used as a sample. Meanwhile, the purposive sampling technique was used

Table 2
Research Instruments

Variables	Measurement
Dependent Variable: Tax Aggressiveness (TAX_AGG)	Effective Tax Rate (ETR) is the ratio of income tax expenses to pretax income. Companies that suffered income losses or were exempted from paying taxes were excluded from this research. The low ETR value is an indication of tax aggressiveness practices. In respect to the interpreted results, the lower the ETR, the higher the level of tax aggressiveness (Fuadah and Kalsum 2021; Laguir et al. 2015; Pratiwi and Kiswara 2019; Wijaya et al. 2021).
Independent Variable: Sustainability report disclosures (SR_DISC)	The score in decimal numbers was generated from the total disclosures of companies' sustainability report through the GRI indexes, and this amounted to 240 indexes addressed by the GRI Standards. The dummy variable below one is used when the indexes under GRI Standards are disclosed, and zero when otherwise. Therefore, the score varies from zero to a maximum of one.
Moderating Variable: Good Corporate Governance (GCG)	The Indonesian Corporate Governance Index (ICGI) was developed by Tanjung (2020). It involved the addition of the actual scores of the CG index divided by the total number of indices which amounted to 15. Each index is assigned a score of one when companies fulfil the required compliance disclosure and zero when otherwise. Therefore, the score varies from zero to a maximum of one.
Control Variables: Industry Type (IND)	A dummy variable with a score of one and zero for companies with high and low-profile industry classifications (Ariyani and Hartomo 2018).
Firm Size (SIZE)	Natural logarithm (Ln) of total assets owned by companies (Saragih et al. 2021).
Financial Leverage (DER)	*Debt-to-Equity Ratio* (DER) is the ratio of total short and long-term liabilities to total equity (Jin 2021).
Capital Intensity (CAPINT)	The ratio of total net fixed assets to total assets (Utami and Mahpudin 2021).
Return on Sales (ROS)	The ratio of pretax income to total sales (Ariani & Prastiwi 2020).

Source: Authors' Work 2021

depending on certain criteria the authors determined. The sample selection criteria and instrument variables used are listed in Tables 1 and 2.

The analytical method used in this research is a multiple linear regression model, with the ability to test variables with quantitative or numerical data, such as ratios and nominal or ordinal scales, referred to as dummy variables. It was designed to examine the effect of the independent variable, namely sustainability report disclosures, on the dependent one, Tax Aggressiveness. This research also uses GCG, which moderates the relationship between the dependent and the independent variables. To test the first hypothesis (H_1), the following empirical Model (1) was developed:

$$TAX_AGG_{i,t} = \propto_0 + \propto_1 SR_DISC_{i,t} + \propto_2 COVID_{i,t} + \propto_3 (SR_DISC_{i,t}\ x\ COVID_{i,t}) + \propto_4 IND_{i,t} + \propto_5 SIZE_{i,t} + \propto_6 DER_{i,t} + \propto_7 CAPINT_{i,t} + \propto_8 ROS_{i,t} + \varepsilon_{i,t} \text{ ....Model (1)}$$

The second hypothesis (H_2) to be tested includes a moderating effect, namely GCG, which was developed in Model (2) as follows:

$$TAX_AGG_{i,t} = \propto_0 + \propto_1 SR_DISC_{i,t} + \propto_2 GCG_{i,t} + \propto_3 (SR_DISC_{i,t}\ x\ GCG_{i,t}) + \propto_4 COVID_{i,t} + \propto_5 (SR_DISC_{i,t}\ x\ GCG_{i,t}\ x\ COVID_{i,t}) + \propto_6 IND_{i,t} + \propto_7 SIZE_{i,t} + \propto_8 DER_{i,t} + \propto_9 CAPINT_{i,t} + \propto_{10} ROS_{i,t} + \varepsilon_{i,t} \text{ ....Model (2)}$$

RESULT AND ANALYSIS

Descriptive Analysis

Descriptive analysis is a method used to describe the summary that quantitatively explains the statistical results of the variables used in a research model. Table 3 shows the average (mean), standard deviation, minimum and maximum values of the observed variables from a total of 100 selected sample observations. These data, which cover 2019 and 2020, were winsorized using a standard deviation with an equivalent number of 50 sample

Table 3
Descriptive Statistical Analysis Results

Variable	Obs	Mean	Std. Dev.	Min	Max
TAX_AGG	100	0.28706	0.1269902	0.0158	0.6817
SR_DISC	100	0.407921	0.1188868	0.1958	0.7583
SR_DISC x COVID	100	0.213835	0.2313422	0	0.7583
GCG	100	0.614664	0.0901852	0.4	0.8
SR_DISC x GCG	100	0.248036	0.0710901	0.1175	0.455
SR_DISC x GCG x COVID	100	0.129452	0.1399653	0	0.455
DER	100	2.647582	2.356216	0.0183	8.3493
SIZE	100	17.57444	1.896932	13.71133	21.18641
CAPINT	100	0.231986	0.2317623	0.0052	0.8837
ROS	100	0.15573	0.1258731	0.0037	0.5685
IND		**Score**	**Frequency**	**Percentage**	
	100	0	66	0.66	
	100	1	34	0.34	

Source: STATA ver 15.0

Notes:

TAX_AGG	Tax Aggressiveness	**SR_DISC x GCG x COVID**	Interaction variable between Sustainability report disclosures, Good Corporate Governance, and COVID-19
SR_DISC	Sustainability report disclosures		
SR_DISC x COVID	Interaction variable between Sustainability report disclosures and COVID-19 period	**IND**	Industry Type
		DER	Debt-to-Equity Ratio (Financial Leverage)
GCG	Good Corporate Governance	**SIZE**	Companies Size
SR_DISC x GCG	Interaction variable between Sustainability report disclosures and Good Corporate Governance	**CAPINT**	Capital Intensity
		ROS	Return on Sales

observations for each period to prevent data outliers.

The tax aggressiveness variable (TAX_AGG) exposure using the Effective Tax Rate (ETR) as a proxy can be seen in the minimum, and maximum values obtained. The minimum and maximum values obtained with the application of the corporate income tax rate of 25% and 22% for the fiscal year 2019 and 2020 before the tax incentive of 3% could not be compared in aggregate with the applicable corporate income tax rates.

Meanwhile, the minimum value obtained is due to fiscal reconciliation, obtained from construction service income subject to final income tax. This is also excluded from the calculation of the total income tax expense. In addition, it is also supported by the existence of tax incentives in Article 3 of Government Regulation No. 30 of 2020, by lowering the income tax by 3% from the effective rate of 22% for publicly listed companies with a minimum of 40% tradeable shares in the Indonesia Stock Exchange.

The sustainability report disclosures variable (SR_DISC) in this research reaches the maximum and minimum scores of 75.83% and 19.58% from a total of 240 indicators GRI Standards. Therefore, the number of social topics disclosed in sustainability reports can justify the minimum and maximum scores. In addition, the average value of the SR_DISC variable shows that the level of disclosure reaches a proportion of 40.79%, which is less than 50% of the total GRI Standards index. This is largely contributed by the high average sustainability report disclosures related to general topics.

The measurement of Good Corporate Governance (GCG) as a moderating variable uses a total of 15 ICGI indices, where the minimum and maximum value level in the governance index is traced to whether it has fulfilled the number of compositions of the Board of Directors and Commissioners. Companies in the financial sector fulfil compliance with disclosures, especially on the proportion of the Board. In this context, it can be concluded that there is a level of awareness to implement Good Corporate Governance effectively in the financial sector.

SR_DISC x GCG is an interaction variable used to explain whether the moderating effect of GCG could affect the relationship between independent and dependent variables. IND has a greater frequency in low-profile companies by 66% than the high-profile ones, even though they have lower exposure to social and environmental activities. On average, the DER variable shows that companies have a debt proportion that is 265% greater than the total equity owned. With its relationship to the calculation of interest expense in the context of taxation, the ratio can be described as 2.65:1, which corresponds to the interest expense earned with a maximum of 4:1. SIZE variable describes the natural logarithm of companies' total assets with an implication that the larger the size, the greater the potential profit to be obtained as an object of income tax.

The number of fixed assets owned by companies obtained by calculating the CAPINT variable contains depreciation expense deductible from taxable income. The lower standard deviation of variable ROS over the mean indicates that the sales have reduced fluctuation during the pandemic. This is because the sample chosen does not need to suffer a loss before and during the pandemic.

Data analysis result

The classical assumption test examines the relationship between variables by tracing the data obtained. This test is also performed to avoid bias due to the limitations of all data that can be used in the regression model. It is a statistical criterion or requirement that must be met in multiple linear regression analysis or Ordinary Least Square (OLS) and comprises normality, multicollinearity, heteroscedasticity, and model specification tests.

The Shapiro-Wilk test results in the normality test indicate that data are not normally distributed, and this can be overcome through the Box-Cox Transformation method. The Box-Cox transformation results show that data are normally distributed and can overcome the previous problem of heteroscedasticity if no treatment was conducted. The authors used the data before treatment with abnormal distribution results to justify that regression testing had better significance. In addition, based on the Central Limit Theorem, research by Kwak and Kim (2017) carried out with a data size of more than 30 observations ($n \geq 30$) showed that data can be normally distributed. This research used a sample size of 100 observations hence it met the outlined criteria.

Based on the test results, the research variable in Model 1 does not have a multicollinearity problem, as opposed to in Model 2. Therefore, the problem is reasonable in connection with the results of Model 2, which is related to the interaction variable SR_DISC x GCG and SR_DISC x GCG x COVID containing multicollinearity problems. This means that no solution was made to overcome the multicollinearity problem of Model 2 in this research.

The test results showed a heteroscedasticity problem with a significant Prob > chi2 value at the 10% level for Models 1 and 2. A series of treatments have been carried out in connection to data on the normality problem. The Box-Cox transformation process is expected to overcome the heteroscedasticity problem even though it does not solve normality-related problems.

This research also conducted the winzorization process on data that contains outliers using the upper and lower limits

Table 4
Model 1 Regression Test Result

Linear Regression				Number of obs =		100
				F (8, 91) =		2.01
				Prob > F =		0.0540
				R-squared =		0.1802
				Root MSE =		0.11993
TAX_AGG	Coef.	Robust Std. Err.	t	P > [t]	[95% Conf. Interval]	
SR_DISC	-0.032317	0.1559257	-0.21	0.836	-0.3420443	0.2774102
COVID	0.0753295	0.0650773	1.16	0.250	-0.0539385	0.2045976
SR_DISCxCOVID	-0.1900524	0.1635118	-1.16	0.248	-0.5148484	0.1347437
IND	0.0483576	0.0363836	1.33	0.187	-0.0239139	0.1206291
DER	-0.0049504	0.0063435	-0.78	0.437	-0.017551	0.0076501
SIZE	0.0204689	0.0084112	2.43	0.017	0.0037611	0.0371767
CAPINT	0.053144	0.0799518	0.66	0.508	-0.1056705	0.2119584
ROS	-0.2576809	0.0848679	-3.04	0.003	-0.4262606	-0.0891012
_cons	-0.0320463	0.1439124	-0.22	0.824	-0.3179106	0.2538181

Source: STATA ver 15.0

Table 5
Model 2 Regression Test Result

Linear Regression				Number of obs =		100
				F (8, 91) =		2.05
				Prob > F =		0.0373
				R-squared =		0.2311
				Root MSE =		0.11744
TAX_AGG	Coef.	Robust Std. Err.	t	P > [t]	[95% Conf. Interval]	
SR_DISC	-1.674559	0.6036945	-2.77	0.007	-2.874087	-0.4750309
GCG	-1.102989	0.4102311	-2.69	0.009	-1.918109	-0.2878682
SR_DISCxGCG	2.812662	1.037807	2.71	0.008	0.7505617	4.874761
COVID	0.0817519	0.0778285	1.05	0.296	-0.0728917	0.2363956
SR_DISCxGCGx COVID	-0.3563334	0.3216898	-1.11	0.271	-0.9955242	0.2828575
IND	0.0561069	0.0371743	1.51	0.135	-0.0177578	0.1299715
DER	-0.006378	0.0060739	-1.05	0.297	-0.0184467	0.0056907
SIZE	0.0243706	0.0093522	2.61	0.011	0.005788	0.0429531
CAPINT	0.0549377	0.077378	0.71	0.480	-0.0988107	0.2086861
ROS	-0.2409943	0.0811888	-2.97	0.004	-0.4023147	-0.079674
_cons	0.5500223	0.2425894	2.27	0.026	-0.0680024	1.032042

Source: STATA ver 15.0

Notes:

TAX_AGG Tax Aggressiveness

SR_DISC Sustainability report disclosures

GCG Good Corporate Governance

SR_DISC x COVID Interaction variable between Sustainability report disclosures and COVID-19 period

SR_DISC x GCG Interaction variable between Sustainability report disclosures and Good Corporate Governance

SR_DISC x GCG x COVID Interaction variable between Sustainability report disclosures, Good Corporate Governance, and COVID-19 period

IND Industry Type

DER Debt-to-Equity Ratio (Financial Leverage)

SIZE Companies Size

CAPINT Capital Intensity

ROS Return on Sales

Table 6
Summary of Research Hypothesis Test Results

Hypothesis Development	STATA Test Results		Description
	Coef.	Sig.	
H_1: COVID-19 has a negative incremental effect on the relationship of sustainability report disclosures towards tax aggressiveness.	-0.1901	0.248	No effect and coefficient show opposite result with the hypothesis, hence **H_1** is rejected
H_2: COVID-19 has an incremental effect on Good Corporate Governance towards strengthening the negative relationship of sustainability report disclosures on tax aggressiveness.	-0.3563	0.271	No effect while the positive coefficient shows that Good Corporate Governance can strengthen the relationship between variables, hence **H_2** is rejected

Source: Research Results 2021

determined using +/- 2 standard deviations. It, therefore, refers to the use of data before the Box-Cox treatment, where the regression results can be proven better in showing a significant effect. In addition, it uses cross-sectional data with the potential to cause heteroscedasticity problems in regression analysis (Sholihin and Anggraini 2020). Hence the heteroscedasticity problem is overcome by the winzorization process and the use of regression, known as the White treatment or robust standard error.

Research analysis

Multiple linear regression model testing was conducted to test whether the results of research and data processing support the hypothesis formulated in this research. The test is carried out in regression analysis, and the results are shown in Tables 4 and 5.

Research discussion

Further discussion is needed for each hypothesis development by emphasizing the contextual relationship of research variables. Table 6 presents a summary of the hypothesis test results.

Table 6 shows that both hypotheses were rejected due to the generation of insignificant effects. It can be concluded that the COVID-19 effect made it impossible to determine the possibility of an incremental effect on the variables tested. Additional regression analysis was conducted to provide detailed results before and during the pandemic in 2019 and 2020, respectively. Table 7 presents a summary of additional testing in accordance with the hypothesis developed in this research.

Table 7 shows that the results on regression Model 1 before COVID-19 have higher positive coefficient than during the pandemic. This supports the rejection of the first hypothesis in more detail, where COVID-19 has a lower positive effect on the variable of sustainability report disclosures on tax aggressiveness. It can be concluded that sustainability report disclosures are considered a separate concept from the context of tax planning, where no significant relationship was found before the pandemic. Therefore, there is more awareness to relate how the context of sustainability report disclosures affects tax planning, including its aggressive attempt during the pandemic.

In the period before COVID-19, the sustainability report disclosures which are separate from the tax payment mechanism for companies did not have a negative effect on tax aggressiveness. This means that the sustainability report cannot influence companies' awareness to comply with paying taxes. It also contradicts the theory of legitimacy that underlies the relationship, with emphasis that companies need to operate in accordance with social boundaries, norms, and values through tax payment to contribute to the welfare of society. The justification for the results emphasizes two concepts, which are compliance with the regulations and the

Table 7
Summary of Hypothesis Additional Test Results Based on Research Period

Hypothesis Development	Period	STATA Test Results		Description
		Coef.	Sig.	
H_1: COVID-19 has a negative incremental effect on the relationship of sustainability report disclosures towards tax aggressiveness.	Before COVID-19	-0.0264	0.881	No effect
	During COVID-19	-0.2076	0.093	Positive effect at 10% level of significance
H_2: COVID-19 has an incremental effect on Good Corporate Governance to strengthen the negative relationship of sustainability report disclosures towards tax aggressiveness.	Before COVID-19	3.4202	0.022	The negative coefficient indicates Good Corporate Governance weakens the relationship between the variables at the 5% and 10% level of significance
	During COVID-19	1.7469	0.061	Negative coefficient with a higher value compared to the period before the pandemic, indicate that Good Corporate Governance does not weaken further at a 10% level of significance

financing of social responsibility activities as a deductible expense for income tax calculation.

Companies issue sustainability reports to show the fulfillment of the obligations stipulated in Article 10 of POJK No.51/POJK.03/2017 concerning the Implementation of Sustainable Finance for Financial Services Institutions, Issuers, and Public Companies. This policy mandates companies to issue sustainability reports from January 1 to December 31, 2020, for other Financial Services Institutions. In addition, Article 13 of POJK No. 51/POJK.03/2017 applies administrative sanctions on companies that violate this policy in the form of a written warning as also regulated in Law of Indonesia No. 36 of 2008 concerning Income Tax. The law applies administrative sanctions in the form of interest, fines, and increases that are coercive for taxpayers to pay off debts. The sustainability report disclosures are only a form of compliance instrument with the application of sanctions that does not show a binding nature as regulated in tax regulations.

The next justification shows that the disclosure in the sustainability report contains activities related to CSR, which incur costs in the context of calculating Taxable Income. This can be categorized as costs to earn, collect, and maintain income (3M). Article 6 Letters I, J, K, L, M in Income Tax Law no. 36 of 2008 stipulates various forms of donations, which include the costs of developing social infrastructure in Letter K as a form of CSR with an allowed cost limit of 5% net fiscal income in the previous tax year. CSR is part of the sustainability report of companies, which is mainly for the stakeholders' means of contributing to society (Bini and Bellucci 2020).

The financing of CSR activities is insignificant in reducing the amount of Taxable Income, hence, it is unable to reduce the level of tax aggressiveness. Companies also have the possibility to focus on other expenses that are considered significant in reducing tax payments. According to law, CSR is located in the gray area, between legal and illegal actions.

Preliminary research conducted by Setyoningrum (2019), Gunawan et al. (2019), Firdayanti and Kiswanto (2020), and Ramdhani et al. (2021) showed that CSR disclosure activities are sustainable and have no effect on tax aggressiveness, which is in line with this research. Conversely, Sari and Tjen (2019) and

Junensie et al. (2020) showed negative and positive influences, respectively.

The sustainability report disclosure is a positive effect on tax aggressiveness during the pandemic. According to signaling theory, companies disclose sustainability reports as a medium for communicating forms of social responsibility to obtain a positive reputation. This is capable of covering companies' actions in the context of other social responsibility and negligence, such as tax avoidance aggressively. Similarly, this positive image refers to the improvement of companies' reputation to attract public attention, obtain a good impression by the community in terms of financial and non-financial performance, such as profit earned and sustainability reports.

Therefore, for companies to maintain and increase profits during the pandemic, their tax payments need to be reduced by a significant amount. It is important to note that the context of tax efficiency has led to aggressive tax evasion, which has largely affected the economy.

The provision of a 3% tax incentive as regulated in Government Regulation No. 30 of 2020 concerning the Reduction of Income Tax Rates for Domestic Entity Taxpayers in the Form of a Public Company is considered unable to reduce the burden of paying taxes. This is justified by the existence of tax obligations that must be fulfilled with the simultaneous urgency to maintain companies' financial position and profitability. Companies' low awareness in viewing taxes as part of its social responsibility prevents it from contributing to the country's economy.

Companies can still carry out aggressive tax management to maintain profitability. This is usually conducted with the justification that these actions can be covered through disclosures in sustainability reports including all economic, environmental, and social topics. The government's provision of tax incentives is unable to increase companies' awareness to pay taxes ethically. This statement is conceptually contradictory to the concept that sustainable companies will receive these incentives as a form of relief during a pandemic.

The second hypothesis was unable to provide adequate discussion on the practice of GCG due to insignificant results. This positive coefficient result from regression Model 2 indicates that GCG is able to strengthen the negative relationship between variables. However, testing by separation of years indicated a negative coefficient of GCG, specifically during the pandemic does not weaken the negative relationship between variables.

Before COVID-19, GCG weakened the negative relationship between sustainability report disclosures to tax aggressiveness. This refers to the role of management through governance which is considered less or even ineffective due to the strategic decisions that do not link the urgency of the sustainability report and tax management at the top management level. Exposure to sustainability reports, which include CSR activities, can increase companies' long-term value with the support of effective governance in fulfilling corporate social responsibility, complying with obligations related to the environment, thereby creating an ethical work environment, and enhancing companies' reputation (Rezaee 2020). However, the element of governance, which includes the CSR index, is considered inadequate and incomprehensive when it is associated with the concept of a sustainability report with a wider scope.

In a deeper context, there is an argument that the implementation of GCG in Indonesia is considered weak and only disclosed in terms of compliance with regulations. The use of 15 ICGI in this research is based on the key elements of weak governance in its implementation in companies. Therefore, the results of testing this hypothesis indirectly prove the weak implementation of CG in Indonesia.

Despite the availability of sustainability reports that are not only historically

oriented, but a strategic plan of the management in the long term through disclosure instruments was also unable to the governance principles applied in suppressing tax aggressiveness. The opportunistic behavior in the governance system plays a role in causing potential consequences of agency problems in tax avoidance practices. This practice becomes a gap for managers to achieve companies goals only for short-term interests (Natalia et al. 2021).

The preliminary research by Suprimarini and Suprasto H (2017) only covered the internal mechanism of GCG. Meanwhile, the research by Natalia et al. (2021) proved that GCG cannot moderate the relationship between CSR disclosure and tax avoidance. This refers to the absence of external mechanisms, such as audit quality through KAP Big 4 which can have an effect on reducing the gap for companies to carry out tax aggressiveness. The presence of these external mechanisms strengthens the implementation of GCG to monitor the effectiveness of companies management.

During the pandemic, GCG did not further weaken the negative relationship between sustainability report disclosures to tax aggressiveness. This is because it is among the factors that are beyond management's control during a crisis. The COVID-19 pandemic has increased attention to governance practices in business that are not disrupted by external influences and are capable of becoming ineffective. The pandemic raised a new health crisis, which in dealing with it does not rule out the possibility to rely on previous management experience in improving the practice of GCG.

The government's provision of tax incentives for corporate income tax of 3% through Government Regulation No. 30 of 2020 can reduce the significance of the role of GCG in alleviating the problem of tax aggressiveness. The measurement of the Effective Tax Rate (ETR) of companies that are the sample of this research with a higher level in the year 2020 indicates exposure to tax incentives, compared to the year 2019. This shows a lower level of tax aggressiveness, hence, the government needs to improve governance mechanisms in uncertain conditions (Jebran and Chen 2021).

However, the implementation of GCG from companies' perspective can be assessed as low due to the availability of other main supporting components. It is imperative for companies to prevent information asymmetry by responding to changes and making decisions upon occurring uncertainty.

The role of the risk management committee is one of the most influential governance mechanisms in terms of risk control during a crisis (McNulty et al. 2013). The risk management committee should consist of independent directors who are better at evaluating the impact of the crisis on companies' condition. The number of independent directors in this research is only limited to one person, and when there is a diversification in the composition of the board with a higher dominance of independent directors, it can provide insight into solving complex business problems. The evolution of the COVID-19 pandemic led to urgent attention in risk management mapping.

The results also found that the issuance of GRI Standards for GRI 207: Tax is another factor that contributed to the economy. The role of the GRI standards as guidelines for the sustainability report disclosures was reported on or after January 1, 2021 (GRI, 2019). However, the research results before COVID-19 showed that the unrelated sustainability report disclosures to tax aggressiveness triggered companies' low sensitivity to the importance of taxation aspects that can be disclosed in sustainability reports. This is because Indonesia has a high level of tax aggressiveness through a low tax ratio compared to other ASEAN countries. Companies can focus on aspects of financial stability and health due

to the pandemic when GRI is first implemented.

Disclosure of GRI 207: Tax on sustainability reports can affect the weak implementation of GCG in strengthening tax aggressiveness. When sustainability reports become a trend of GCG, the GRI Standards-based disclosure index can act as a foundation for top management in making decisions related to material aspects of a business. Furthermore, it is expected to suppress tax aggressiveness in more than one compliance with regulations.

CONCLUSION

This research examined and analyzed the disclosure effect of the Sustainability Report on Tax Aggressiveness with GCG moderation. The scope is in the period before and during COVID-19, which was recognized in accordance with the first positive case in Indonesia in 2020. This research uses 100 companies data from all sectors listed on the IDX, which met the sample selection criteria. The data collected were analyzed using the multiple linear regression method, which was followed by classical assumption tests as a requirement in producing a BLUE (Best Linear Unbiased Estimator) principle. The results produced through hypothesis testing showed an insignificant incremental effect of COVID-19 on variables tested in this research. Additional testing is conducted to evaluate the sustainability report and its effect on tax aggressiveness before the pandemic. Sustainability report disclosures are seen as a separate concept from the tax payment mechanism, hence, it is not in line with the underlying legitimacy theory.

Legitimacy theory can encourage sustainability report disclosures which in practice are only limited to fulfilling obligations and compliance with regulations. This is also applicable to tax payments where there is no integration in companies' decisions to promote social responsibility that covers various aspects regardless of economic, environmental, and social topics such as contained in the GRI Standards. It was also triggered by the disclosure of GRI 207: Tax published in 2019 and has not been disclosed by companies in the sustainability report due to various issues related to the transparency of tax payments which led to tax aggressiveness.

During COVID-19, the sustainability report disclosures had a positive effect on tax aggressiveness. In times of uncertainty, there is an interest in companies to maintain a positive image in front of the public through financial and non-financial performance. Sustainability report disclosures are rapidly being increased to show companies' concern in dealing with the pandemic, specifically on social topics where its non-financial performance is visible. Meanwhile, the provision of incentives for corporate income tax is considered to reduce companies' financial performance in terms of net income. It will try to balance the two performances by maximizing opportunities, one of which is in tax regulations to deal with economic turmoil due to the pandemic.

Before the pandemic, GCG weakened the negative relationship between sustainability report disclosures to tax aggressiveness. The role of companies' management through governance mechanisms is considered less or ineffective in supporting decisions regarding sustainability report disclosures as well as in suppressing aggressive tax planning.

The measurement of GCG through the 15 ICGI components in this research is the key element in the weak implementation of corporate governance in Indonesia. External mechanisms such as audit quality by Big 4 Accounting Firms cannot ensure the effectiveness of governance in Indonesia alone. This shows the importance of including other external mechanisms in ensuring the effectiveness of the principles of GCG to inclusively control agency problems, support sustainability report disclosures, and suppress tax aggressiveness.

GCG did not further weaken the negative relationship of sustainability report disclosures to tax aggressiveness during the pandemic. This is because the effectiveness of these practices can have different implications when applied to normal companies' conditions.

The tax incentives provided by the government are based on their responsibility as a regulator to improve governance mechanisms for conditions of uncertainty. Therefore, GCG in companies acted as a form of supervision and accountability during the pandemic. The role of risk management can be significant to control risks during the pandemic, in the form of reputational risks that are addressed through sustainability report disclosures and tax risks. This is related to the disclosure of GRI 207: Unexecuted taxes as a form of transparency in paying taxes which are a strategic part of the companies' sustainability strategy.

This research is expected to provide practical and theoretical implications as follows:

1. Practical

The practical implication is useful for management to make strategic decisions within companies. The dynamics of the business environment need to be accompanied by adaptive actions, specifically when faced with uncertainties. Companies operating in an accountable manner needs to be based on the urgency of providing social contributions in addition to building a good corporate reputation.

Therefore, tax planning needs to be aggressively conducted by considering the credibility and transparency of companies to obtain an ethical action. The implementtation of adequate GCG is crucial to be emphasized to ensure that companies have a sustainable business orientation through the delivery of accountable financial and non-financial performance results.

Secondly, the role of stakeholders can influence companies' strategic decisions and the formation of its reputation. This is irrespective of the stakeholders regarding transparent, accountable, and credible business practices with companies. In addition, some interests cover a wide scale, not limited to those of shareholders or based on the amount of profit. The implications of COVID-19 have provided other essential views regarding non-financial factors, including sustainability report disclosures.

These factors are related to companies' disclosure practices in the financial aspect, which includes the treatment of taxation aspects. The context of tax payments has a sustainable impact on companies operations, which are not only able to maintain financial performance, specifically during the pandemic, but also as a form of social contribution allocated to the government to be distributed for the welfare of the community.

2. Theoretical

The research results can provide the theoretical knowledge needed for the development of the sustainability reporting concept and indications of tax aggressiveness practices in Indonesia. The development of GCG practices can also be a reference for the further research, specifically during the pandemic, which led to various adjustments to the application of tax rules.

These aspects need to be accompanied by effective governance that promotes corporate culture to go beyond just complying with obligations, but also to continuously demonstrate ethical business practices. Therefore, there is an opportunity for further research to examine the development of the variables extensively using recent findings.

This research contains several limitations, which were found in the results. First, the measurement of the sustainability report disclosures indicators contains the subjectivity of the authors, and the basis depends on their understanding of the context of the GRI standards which is matched with the index disclosed by companies.

Second, the use of the Effective Tax Rate (ETR) as a proxy for tax aggressiveness only considers the amount of income tax paid by companies, while ignoring other aspects such as Value Added Tax (VAT). Third, this research only analyzed companies that earn profits, hence, no conclusions can be drawn for those that experience losses and continue to pay taxes.

Fourth is the measurement of GCG using 15 ICGI indices, which comprehensively included internal and external mechanisms without specifically emphasizing the sustainability report disclosures and tax aggressiveness. Further research needs to include other external mechanisms besides the Big 4 Accounting Firms in supporting the assessment of the aspects of GCG in Indonesia.

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