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THE ROLE OF CORPORATE SOCIAL RESPONSIBILITY IN MODERATIONG PROFITABILITY AND TAX AVOIDANCE IN THE PROPERTY, REAL ESTATE AND BUILDING CONSTRUCTION SECTORS IN 2014-2017

Radhi Abdul Halim Rachmat [1], Hafied Noor Bagja [2], Yoga Tantular Rachman[3]
[1,2,3,] Accounting Study Program, Faculty of Economics and Business, Widyatama University

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E-mail:
radhi.abdul@widyatama.ac.id

ABSTRACT

This study aims to find out whether profitability affects *tax avoidance* in the *property, real estate* and building construction sectors in 2014-2017 with *corporate social responsibility (CSR)* as a variable Moderate. The population in this study was 144 *companies, real estate* and construction in the 2014-2017 time frame. Using *the purposive sampling* method, 68 samples were obtained. The results showed that the data had met the requirements of classical assumptions, followed by hypothesis testing using multiple linear regression analysis and Moderated Regression *Analysis* (MRA). The test results show that profitability has a significant positive effect on tax avoidance, and the CSR variable as a moderating variable strengthens the positive effect of profitability on tax evasion.

1. INTRODUCTION

Infrastructure development has been one of the key priorities of government initiatives ever since the president took office. One of the government's significant efforts to raise the standard of infrastructure in the future is to eliminate subsidies and replace them with a state budget allocation for infrastructure development. This is anticipated to result in more economic growth and advancement [1]. The expansion of infrastructure development has an effect on the expansion of the property, real estate, and construction development industries. It also, of course, has an effect on tax receipts from these industries. Entrepreneurs in this area are anticipated to earn more money the more government money is spent on it, so it stands to reason that the higher the tax

At least 13 percent of infrastructure projects were finished as of 2017. Of the 225 projects slated for completion in 2019, 30 have already been finished. The construction of dams has advanced the greatest, at 49.2%. Moreover, airport building (33.3%) and electricity infrastructure came next (31 percent). Just roughly 268 km, or about 26.8%, of the 1,000 km of toll roads that were intended to be built have actually been completed. The progress of building a railroad, which is in last place, is only at 15%. Only 487.7 km of the 3,258 km railway line have been completed as of this writing. Additionally, several unfinished projects are still in the early stages of the construction and auction processes.

The truth is that this sector's growth in terms of tax income is not optimal, thus by making improvements in this area, the government will see considerably faster growth and much higher tax revenues. Researchers discovered claims of avoidance by businesses in the property, real estate, and building construction industries from the aforementioned statement.

The Directorate General of Taxation will pursue taxes from businesses operating in the real estate industry. The government body responsible for tax collection started inspecting all Indonesian real estate firms in July and August, paying particular attention to those based in big cities. Property firms that already have the status of a taxable company (PKP) will be investigated by the Directorate General of Taxation to see whether taxes have been lawfully collected and remitted.

For your information, a transfer duty on land and building rights (BPHTB) of 5% of the sale value is currently levied on each and every real estate sale and purchase transaction. The municipal government is in charge of collecting this tax. Then, property businesses pay a 2.5% income tax (PPh) and buying customers pay a 10% value added tax (VAT).

There are six ways for property companies to avoid paying taxes. These six points are the focus of tax inspectors as they randomly check documents and physical buildings in the field. To begin, divide property business units by function to avoid differences in tax liability. Breaking down into construction companies and marketing companies, for example. Second, the state's value added tax (VAT) should be paid at the time of signing the sale and purchase agreement. However, property companies calculate it when physical possession is delivered, payments are repaid, or rights are transferred, causing the receipt of VAT to be delayed.

Third, avoiding the luxury goods sales tax (PPnBM) by: (1) Using a different building area in the outstanding tax return (SPPT) than the one shown on the building permit (IMB) and actual structures. 2) In contrast to home contractors, the addition of buildings beyond the original specifications under separate contracts, such as work on garages and swimming pools. 3) The vertical and horizontal unification of units is unreported. 4) Landed home structures contain some components that are not counted as building area components. Fourth, there are two ways to avoid taxes on canceled orders: 1) The Directorate General of Taxation is never notified of VAT payments made on units of cancelled real estate. 2) Revenue from cancellation penalties and booking fees is never filed a report with the General Directorate of Taxation.

Fifth, the developer acknowledged that the sale was completed in stages so that tax payments were modified to include installments. In actuality, customers or banks have already made complete payments. Sixth, a structure that is not constructed entirely at once by one contractor is separated from one that is. This approach ensures that the tax requirements are different [2].

Based on the aforementioned occurrence, the Directorate General of Taxation acknowledges that it is still challenging to pursue property tax avoidance and even evasion that takes place during the sale and purchase of individual properties. The Directorate General of Taxation is currently continuing to investigate and pursue alleged property tax evasion by development businesses [3].

By sticking to the tax laws that do not go against the established tax laws, tax avoidance is an endeavor to reduce taxes that have an influence on one's tax obligations. The method is used to reduce the amount of tax owed so as to make transactions that are not subject to the tax burden. The issue of tax avoidance is complicated and unique because, on the one hand, it does not break the law (it is legal), but on the other hand, the government does not want it to happen.

One metric for evaluating a company's performance is profitability. The ability of an organization to turn a profit over a specific time period at a specific level of revenue, assets, and share capital is referred to as profitability. The return on assets is one of numerous ratios that measure profitability. Return on Assets (ROA) is a metric used to measure how well a firm is performing financially. The higher the ROA value a company can attain, the better its financial performance is considered to be. The company's net profit and the application of income tax (PPh) for corporate taxpaying are used to calculate ROA. The ability of the capital invested in the entire asset to turn a profit is demonstrated by performance measurement with ROA. An indicator of the company's rate of return on its assets is the tax net profit ratio known as ROA. The company's profit in a bad situation (loss) also results in a negative ROA. This demonstrates the capacity of the money spent overall, as the assets have not been able to turn a profit. Because profitable businesses are able to manage their revenue and tax obligations, it is presumed that they do not engage in tax evasion [4]. [5].

Corporate Social Responsibility (CSR) is a promise made by businesses to conduct themselves morally, promote economic growth, and enhance the standard of living for both employees and society. By paying taxes, a business indicates its support for and contribution to the government's infrastructure and public asset development programs, which are designed to promote economic growth for the benefit of the populace. Because tax evasion is viewed as unethical, the level of corporations engaging in it decreases the greater the company's CSR disclosure rate [6].

Several prior studies on tax avoidance using various variables have been conducted. The study's findings showed that Tax Avoidance is positively impacted by Company Strategy [7]. According to the study's findings, tax avoidance is not affected by increase in sales or CSR, but profitability and leverage have a beneficial impact [6]. According to research on tax avoidance and business strategy, profitability, leverage, and company size, neither business strategy nor leverage affect CETR or tax avoidance. Profitability and company size significantly reduce CETR or increase tax evasion, respectively [8]. According to the study's findings, the percentage of the board of commissioners, audit quality, audit committee, and ROA, which are all proxies for corporate governance, have a negative impact, while company risk, a proxy for executive characteristics, has a positive impact. Institutional ownership, another proxy for corporate governance, has no impact on the tax avoidance practices used by manufacturing companies on the Inland Revenue [4]. The findings of the study and discussion show that the size of the company, its age, profitability, and sales growth have a favorable impact and that leverage has no impact on tax evasion [9].

The researcher intends to perform a direct examination of these factors Tax Avoidance due to the disparity in the results of each research result mentioned above. The influence of profitability on tax avoidance in CSR moderation was examined using Property, Real Estate, and Building Construction Businesses listed on the Indonesia Stock Exchange.

2. LITERATURE REVIEW

Tax Avoidance

Taxes are a major expense for the business and reduce the amount of cash available to the business and shareholders. This is a motivator for businesses to engage in tax avoidance strategies [10]. efforts to manage the business to achieve the anticipated profit by the use of tax management, one of which is tax avoidance, or lowering the tax burden in a method that doesn't break any rules or laws governing taxes.

In addition to not breaking the law, tax avoidance can also be described as a component of a tax management strategy. One draft transaction may lower the present value of future tax payments, but if those savings increase other areas of the organization's non-tax expenditures, the transaction is not tax efficient [11].

Tax avoidance is an endeavor to lower owed taxable income [12]. The majority of tax avoidance is carried out by businesses because it involves taking advantage of legal tax exemptions and deductions, postponing payment of taxes that have not been covered by applicable tax legislation, and generally doing so through executive-level decisions. The use of tax avoidance is not incidental; in fact, many businesses benefit from efforts to lower their tax burden by engaging in tax avoidance activities. Because it is legal to avoid paying taxes, but it is also not advisable, tax avoidance poses a challenging and unique dilemma [9].

Profitability

Each business will evaluate its profitability. The company, or in this case, the management party, will be able to assess the level of income in proportion to the amount of sales, the value of assets, and specific investments on the part of the company thanks to the measurement of profitability.

The size of the level of profit obtained in relation to sales and investments is used to assess the overall management effectiveness. The profitability ratio serves as a better indicator of a company's capacity to generate large earnings. The Return On Asset (ROA) ratio was used in this study as the profitability metric. This ratio was chosen because it can demonstrate how well a firm manages its investments and can demonstrate the return on investment for all corporate money, including both owned capital and borrowed capital.

Also, due of its thoroughness, ROA is considered as ethical from a financial perspective. When employing ROA analysis tools, management can assess the effectiveness of working capital, production efficiency, and sales department effectiveness whether the company has followed acceptable accounting procedures.

Return on Assets (ROA) is a measure of a firm's financial performance, and the higher the ROA value a company can attain, the better it may be classified as having good financial performance [4]. The company's net profit and the application of income tax (PPh) for corporate taxpaying are used to calculate ROA. The ability of the capital invested in the entire asset to turn a profit is demonstrated by performance measurement with ROA. An indicator of the company's rate of return on its assets is the tax net profit ratio known as ROA. The company's profit in a bad situation (loss) also results in a negative ROA. This demonstrates the capacity of the money spent overall, as the assets have not been able to turn a profit. Profitable businesses are presumed to not engage in tax evasion since they can control their income and tax obligations.

Corporate Social Responsibility (CSR)

According to ISO 26000, corporate social responsibility (CSR) is the responsibility of an organization for the effects of decisions and activities on society and the environment. This responsibility manifests itself in the form of honest and ethical behavior that is consistent with sustainable development and community welfare, takes stakeholder expectations into account, is in compliance with established laws and international standards of conduct, and is integrated with the organization as a whole. Corporate Social Responsibility (CSR) is regarded as a crucial element in the success and survival of the company, according to [13].

According to the definition of CSR, a company's commitment to participate in the growth of its own business and economy within the company while also paying attention to the welfare and development of its employees as people who support the company's operations as well as paying attention to the welfare of the community around the company by having a positive impact on the life and development of the community around the company If businesses don't execute CSR appropriately, they will not only face social backlash but also lose the consumers' loyalty.

CSR Moderation in the Effect of Profitability on *Tax Avoidance*

From 5.07% to 5.17%, the economy grew in 2018. With this rise, it is anticipated that state revenue will likewise exceed the planned objective; nevertheless, state revenue continues to fall short of or is unable to do so. One metric for evaluating a company's performance is profitability. The ability of an organization to turn a profit over a specific time period at a specific level of revenue, assets, and share capital is referred to as profitability.

The business successfully manages its assets to take advantage of tax breaks and other tax benefits without being detected as engaging in tax evasion [9]. According to [4], however, this shows that the ability of the capital invested in the assets as a whole has not been able to produce returns. Profitable businesses are presumed to not engage in tax evasion since they can control their income and tax obligations. There have been numerous prior research on tax avoidance that included profitability as an independent variable. Businesses that uphold their CSR responsibilities are seen as caring about the long-term viability of their operations and adhering to all relevant laws, including tax laws.

Based on the study above, the hypothesis of this research is as follows:

H1 : Effect of Profitability on Tax Avoidance

H2 : CSR moderates the effect of profitability on tax avoidance

3. METHODS

This study is an example of an explanatory research, which is defined by [14] as a study that seeks to understand the "how" and "why" of a phenomenon in order to explain and demonstrate the relationship between research variables.

The secondary data used in this study came from the annual reports of the 144 manufacturing businesses that were listed on the Indonesia Stock Exchange between 2015 and 2017. The Indonesia Stock Exchange's official website, www.idx.co.id, and a network of connected businesses were used to gather this corporate information. The purposive sampling approach, a sampling methodology for data sources with specific concerns, is used in this study as the sample technique [15]. Several linear regression analysis techniques and moderate regression analysis are used in the data analysis for this investigation (MRA). Multiple linear regression analysis (MLRA) and moderated regression analysis (MRA) will also be used, along with descriptive statistical tests, traditional assumption tests, and hypothesis testing. The purposive sampling method, which selects samples based on predetermined criteria, is used in this study to determine samples from the population of the manufacturing company. Purposive sampling, as the name implies, is a non-probability sampling strategy utilized in this study. Samples are taken with a specific goal in mind [14].

In light of the aforementioned knowledge, the samples for this investigation were chosen based on the following standards:

a. Companies in the property, real estate, and building construction subsectors that have been listed on the Indonesia Stock Exchange (IDX), released audited financial statements as of December 31, and remained listed on the IDX for the entire year from 2014 to 2017.
b. Since the study was carried out in Indonesia, financial statements are expressed in rupiah currency.
c. Possess the necessary data regarding the calculation indicators, namely business strategy, profitability, and CSR, that are employed as variables in this study.

According to the explanation given above, the companies that are the focus of this study are companies in the property, real estate, and building construction sub-sectors that are listed on the Indonesia Stock Exchange. According to data obtained from www.idx.co.id, there are 73 companies in these sub-sectors.

Table 1 *Sample Selection Criteria*

Criterion		Total
Companies included in the Property, *real estate* and building construction sectors listed on the IDX in 2014-2017		73
1	Companies that do not use rupiah currency units	(0)
3	Companies that do not have complete data	(56)
Number of companies selected as a sample		**17**

Source: www.idx.co.id (data has been reprocessed)

Table 2 Operational Variables

Variable	Indicators	Scale	Research Instruments
Enterprise Profitability (X2) [4]	*Return On Asset* (ROA) = **Net profit / Total Assets x 100%**	Ratio	Financial Report
Corporate Social Responsibility (CSR) (X3) [16]	*check list* referring to the G4 *Global Reporting Initiative Sustainability Reporting Guidelines* indicators	Ratio	Financial Report
Tax Avoidance [8]	*Cash Effective Tax Rate* (CETR)	Ratio	Financial Report

This study's data analysis method is a traditional assumption test that includes a normalcy test. Also, the profitability link in tax evasion is tested utilizing the Moderate Regression Analysis (MRA) analysis technique, where CSR serves as a coding variable. Descriptive statistics make up the initial stage of the data analysis methodologies used in this study. The purpose of descriptive statistics is to give a summary or description of a set of data, including the minimum, maximum, mean, and standard deviation from the study data.

The degree to which the model can account for the fluctuation in the dependent variables is fundamentally measured by the coefficient of determination (R2). Between 0 and 1, the coefficient of determination has a value. The ability of independent variables to describe very few dependent variables is shown by a low value (R2) [17].

The t statistical test (t test) demonstrates the extent to which one independent variable impacts the dependent variable on an individual basis [17]. 0.05 was used as the significance level for the test (a=5%). The following factors are used to determine whether a hypothesis should be accepted or rejected:

1) H0 is rejected or accepted if the significance level is less than 0.05, indicating that the independent variable has an impact on the dependent variable.
2) The independent variable has no effect on the dependent variable if the significance level exceeds 0.05, and H0 is either accepted or rejected.

4. RESULTS AND DISCUSSION

Result

In this study, the traditional assumptions that were tested included normality, multicolonierity, heteroskedasticity, and autocorrelation. From the data table above, it is known that the significance value of 0.200 is greater than 0.05 in the Kolmogrorof-Smirnov (K-S) test for normality, indicating that the data in this study are normally distributed. It can be observed from the tolerance value of > 0.10 and VIF 10 based on the table above that the tolerance value and VIF meet the criteria for testing the multicolonierity criteria so that it is considered to be free from multicoloniality. As these variables have a significance level over 5% or 0.05, it may be said that the regression model does not rely on the assumption of heteroskedasticity. The Durbin-Watson (DW) test can be used to identify autocorrelation signs. The value is 1.885 according to the Durbin-Watson (DW) test's criteria of DW values between -2 and 2. Hence, there is no autocorrelation, according to this.

Table 3 Classic Assumption Test

Test	Test Normality		Test Multicolonierity		Test Heteroskedastisity	Test Autocorrelation
	Z	P	Tolerance	VIFs	Sig	DW
Unstandardized Residual	0,093	0,200				
ROA			0.969	1,032	0,190	
.CSR			0.969	1,032	0, 051	1,682
Durbin-Watson						

Model Summary

R	R-sq	MSE	F	df1	df2	p
,3762	,1415	,0607	3,5168	3,0000	64,0000	,0200

Table 4 Hypothesis Test

	coeffisien	one	t	p	LLCI	ULCI
constant	-0,2726	0,3652	-0,7466	0,458	-1,0022	0,4569
ROA	0,1499	0,0658	2,2784	0,026	0,0185	0,2813
CSR	2,4663	1,2052	2,0463	0,0448	0,0585	4,874
Int_1	-0,5866	0,2252	-2,6051	0,0114	-1,0365	-0,1368

Discussion

It has been demonstrated that profitability as measured by ROA has an impact on tax evasion. The significant level of 0.026, which is less than the value of 0.05 %, indicates this. Profitability additionally exhibits a favorable coledisian value of 0.1499.

Companies with high profitability have a tendency to engage in tax avoidance. Since profitability measures a company's ability to generate net profit, the higher the net profit a company achieves directly impacts the amount of income tax that must be paid. As a result, the management of the company will attempt to lower profits by implementing various strategies to lower tax costs. This load is thought to directly affect how well the business performs. Due to the corporation's potential to generate huge profits, it is thought that the company has the capacity to engage in tax evasion by utilizing any available tax law loopholes [18].

According to statistical findings, which reveal that the interaction between ROA and CSR has a significant value below 0.05%, particularly by 0.0114, CSR is proven to strengthen the influence of ROA on tax evasion. Moreover, the ROA and CSR interaction exhibits a negative coefficient value of -0.5866.

It has been demonstrated that businesses in the property, real estate, and construction sectors that reveal CSR to highly profitable businesses increase their tax avoidance strategies. this means that the corporation tends to allocate its income to CSR initiatives in order to avoid taxes the higher the net profit the company earns. The corporation will employ the CSR-related costs to lower the level of corporate profit, which will naturally have an impact on net profit because as net profit declines, so will tax revenue. CSR initiatives are highly advantageous for the business, the community, and the environment. The following studies highlight the advantages of CSR and demonstrate how businesses may use it to win the community's trust [16]. By CSR, the community is made to believe that the business cares about the environment, enhancing its reputation and, of course, its ability to make money [19]. A positive reputation will raise the company's value and dispel any suspicions that it is engaging in tax evasion [20].

5. CONCLUSION

Tax evasion is significantly influenced favorably by profitability. The influence of profitability on tax evasion is significantly and positively strengthened by the moderating corporate social responsibility variable.

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