

ABSTRACT

Tax transparency and sustainability reporting have become increasingly prominent trends in corporate reporting, particularly among firms seeking to maintain legitimacy with stakeholders. The GRI 207 standard represents the first attempt to formally integrate tax-related disclosures into the widely adopted GRI sustainability reporting framework. This study investigates the effect of GRI 207 tax disclosure, alongside key firm characteristics (profitability, leverage, growth opportunities, and firm size), on corporate tax avoidance, drawing on Legitimacy Theory and Agency Theory.

This study employs a sample of LQ45-listed firms on the Indonesia Stock Exchange over the 2022–2024 period. Panel data regression using the Fixed Effects Model is applied to examine the relationship between GRI 207 tax disclosure, firm characteristics, and tax avoidance.

The empirical results suggest that GRI 207 tax disclosure is not significantly related to tax avoidance, indicating that voluntary tax transparency does not independently constrain firms' tax positions in this setting. Instead, tax avoidance is more strongly driven by firm-specific financial characteristics: profitability is associated with greater tax avoidance, while leverage is associated with more aggressive, rather than more conservative, tax positions. Growth opportunities and firm size show no independent explanatory power, though all firm characteristics considered jointly provide a statistically significant account of tax avoidance behaviour among Indonesia's most prominent listed firms.

Keywords: *GRI 207, Tax Disclosure, Tax Avoidance, Legitimacy Theory, Agency Theory, Profitability, Leverage*