The Effect of Business Strategy, Investment Opportunity Set, and Political Connections on Tax Aggressiveness: The Moderating Role of ESG Disclosure

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Abstract

This study aims to examine the effect of business strategy, Investment Opportunity Set (IOS), and political connections on tax aggressiveness, with Environmental, Social, and Governance (ESG) disclosure serving as a moderating variable among non-financial companies in Indonesia. Tax aggressiveness is proxied by Abnormal Book-Tax Differences (ABTD). Business strategy is proxied using the prospektor strategy typology, Investment Opportunity Set is measured by the Market-to-Book Value of Equity (MBVE), political connections are measured based on the involvement of directors, commissioners, or major shareholders with political affiliations, while ESG disclosure is measured using the ESG Score obtained from LSEG Workspace. The results indicate that a prospektor business strategy and political connections have a positive effect on tax aggressiveness, whereas the Investment Opportunity Set has no significant effect on tax aggressiveness. Furthermore, ESG disclosure weakens the positive effect of a prospektor business strategy and political connections on tax aggressiveness but does not moderate the relationship between the Investment Opportunity Set and tax aggressiveness.

Keywords*: Tax Aggressiveness, Abnormal Book-Tax Differences, ESG Disclosure, Investment Opportunity Set, Political Connections, Prospektor Business Strategy*

PENGARUH STRATEGI BISNIS, *INVESTMENT OPPORTUNITY SET* DAN KONEKSI POLITIK TERHADAP AGRESIVITAS PAJAK DENGAN PENGUNGKAPAN ESG SEBAGAI VARIABEL MODERASI

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Abstrak

Penelitian ini bertujuan menganalisis pengaruh strategi bisnis, *Investment Opportunity Set* , dan koneksi politik terhadap agresivitas pajak dengan pengungkapan ESG sebagai variabel moderasi pada perusahaan nonkeuangan di Indonesia. Agresivitas pajak diproksikan menggunakan *Abnormal Book-Tax Differences* sebagai proksi utama, Strategi bisnis diproksikan menggunakan tipologi prospektor, *Investment Opportunity Set* diukur menggunakan *Market-to-Book Value of Equity*, koneksi politik diukur berdasarkan keterlibatan direksi, komisaris, atau pemegang saham utama yang memiliki hubungan politik, sedangkan pengungkapan ESG diukur menggunakan ESG Score dari LSEG Workspace. Hasil penelitian menunjukkan bahwa strategi bisnis prospektor dan koneksi politik berpengaruh positif terhadap agresivitas pajak, sedangkan *Investment Opportunity Set* tidak berpengaruh terhadap agresivitas pajak. Selain itu, pengungkapan ESG terbukti mampu memperlemah pengaruh positif strategi bisnis prospektor dan koneksi politik terhadap agresivitas pajak, tetapi tidak mampu memoderasi hubungan antara *Investment Opportunity Set* dan agresivitas pajak..

Kata kunci: Agresivitas Pajak, *Abnormal Book-Tax Differences*, ESG, *Investment Opportunity Set*, Koneksi Politik, Strategi Bisnis Prospektor.