UNDERSTANDING TAX AVOIDANCE : INSIGHTS FROM COMMISSIONERS, OWNERSHIP, AUDIT, EXECUTIVES

Michael[1*]; William Widjaja[2]
Akuntansi, Universitas Pradita, Tangerang[1]; Manajemen Retail, Universitas Pradita, Tangerang[2]
Email : michael@pradita.ac.id[1]; william.widjaja@pradita.ac.id[2]

ABSTRACT

This study looks at the impact of institutional ownership, independent commissioners, external audits, and executive personality on tax avoidance within food and beverage sector in Indonesia. The findings demonstrate that independent commissioners significantly reduce the incidence of tax evasion. Analyzing 60 financial reports spanning 2018 to 2022, it finds that independent commissioners significantly decrease tax avoidance, highlighting the importance of internal oversight for transparency. However, institutional ownership, external audit, and executive character show no significant impact. These results underscore the intricate nature of tax avoidance and advocate for a comprehensive supervisory framework to manage tax risks and uphold corporate reputation effectively. The research contributes valuable insights into corporate governance and tax compliance, offering practical guidance for practitioners to enhance transparency and integrity within their organizations. Ultimately, these efforts aim to improve tax compliance and reputation management in the food and beverage sector.

Keywords : Audit External; Executive Character; Independent Commissioner; Institutional Share Ownership; Tax Avoidance

ABSTRAK

Penelitian ini bertujuan untuk menganalisis penghindaran pajak di industri makanan dan minuman Indonesia, mengeksplorasi pengaruh komisaris independen, kepemilikan institusional, audit eksternal, dan karakter eksekutif. Menganalisis 60 laporan keuangan dari tahun 2018 hingga 2022. Hasil penelitian menunjukkan bahwa komisaris independen secara signifikan mengurangi penghindaran pajak, menyoroti pentingnya pengawasan internal untuk transparansi. Namun, kepemilikan institusional, audit eksternal, dan karakter eksekutif tidak menunjukkan dampak yang signifikan. Hasil penelitian ini menggarisbawahi rumitnya penghindaran pajak dan menganjurkan kerangka kerja pengawasan yang komprehensif untuk mengelola risiko pajak secara efektif dan menegakkan reputasi perusahaan. Penelitian ini memberikan wawasan yang berharga mengenai tata kelola perusahaan dan kepatuhan pajak, menawarkan panduan praktis bagi para praktisi untuk meningkatkan transparansi dan integritas di dalam organisasi mereka. Pada akhirnya, upaya-upaya ini bertujuan untuk meningkatkan kepatuhan pajak dan manajemen reputasi di sektor makanan dan minuman.

Kata kunci : Audit Eksternal; Karakter Eksekutif; Komisaris Independen; Kepemilikan Saham Institusional; Penghindaran Pajak

INTRODUCTION

Tax issues in Indonesia are an important concern as taxation is the main source of state revenue, contributing 78.5% by 2022. Nevertheless, the tax ratio only amounted to 10.26%, suggesting that the level of compliance remains relatively low and below the OECD average and neighboring countries. In contrast to tax evasion, tax avoidance is a legal strategy that can result in significant losses, with multinational companies estimated to avoid up to 10% of their pre-tax profits. Factors such as the role of independent commissioners, institutional shareholding, external audit, and executive character are thought to influence tax avoidance, which may impact tax practices in various sectors, including the food and beverage industry, which accounts for 17.2% of total tax revenue in 2022.

To address this issue, scholars and policymakers have been examining the factors that contribute to tax avoidance in various industries. One industry that has received considerable attention in this regard is the food and beverage sector. Multiple studies have discovered that food and beverage companies exhibit a higher propensity for participating in tax avoidance strategies when compared to other industries (Dewianawati & Setiawan, 2021; Mutmainah, 2022) . An influential aspect in tax avoidance within the food and beverage business is the inclusion of autonomous commissioners on corporate boards (Chau & Gray, 2010).

The proposal to include independent commissioners on company boards has been suggested as a potential cause of tax evasion in the food and beverage industry, and it is crucial to consider the wider framework of corporate governance and tax regulations. Some experts argue that the focus on independent commissioners may overlook other crucial factors that contribute to tax avoidance, such as complex tax laws, international tax planning, and aggressive tax strategies employed by multinational corporations (Rizqia & Lastiati, 2021; Sa'diah & Afriyenti, 2021).

Institutional ownership relates to the possession of a corporation's stocks or shares by institutional investors, including mutual funds, pension funds, and insurance companies. Institutional investors frequently influence a company's governance and decision-making processes. They hold large ownership stakes and can exert influence through voting rights and engagement with management (Jiang et al., 2021; Khurana & Moser, 2013). While institutional ownership can influence a company's governance and decision-making processes, it is important to consider that tax avoidance may not necessarily be driven by institutional ownership (Badertscher et al., 2013; Chasbiandani et al., 2019).

Research conducted on manufacturing firms listed on the Indonesia Stock Exchange and the Malaysia Stock Exchange revealed that the level of audit quality is inversely related to the extent of tax avoidance (Hadaming & Daito, 2023; Rizqia & Lastiati, 2021) . Furthermore, studies have indicated that the inclusion of autonomous commissioners on the supervisory board does not exert a substantial impact on tax evasion. This implies that the impact of external auditors in evaluating a company's financial reporting processes has a more significant effect on tax avoidance compared to the presence of independent commissioners on the supervisory board (Irfansyah et al., 2020).

However, there are differing opinions regarding the influence of external audit quality on the practice of tax avoidance. A viewpoint suggests that high-quality external audits could facilitate tax avoidance instead of preventing it. A study published in the Journal of Accounting Research revealed that corporations audited by Big Four accounting firms exhibit a higher propensity to employ tax avoidance tactics than those audited by non Big Four firms. The researchers proposed that the extensive expertise and abundant resources possessed by Big Four firms empower them to discern and capitalize on legal gaps in tax legislation, ultimately resulting in elevated levels of tax evasion among their clientele (Boone et al., 2010; Choi et al., 2008; Francis et al., 2013).

Companies often look for ways to reduce their tax liability to maximize profits legally. This certainly cannot be separated from the intervention of company leaders as strategic decision-makers. Previous research has shown that executive character significantly influences tax decisions, including decisions related to tax avoidance (Ma'sum et al., 2023; Windyasari et al., 2019). The higher the risk value in a company, the more likely the company has a risk-taker character and is more likely to do tax avoidance (Dyreng et al., 2010; Hadaming & Daito, 2023) . Risk-averse executive character or tends to avoid risk, which is negatively related to tax avoidance. However, a positive relationship exists between executive character and tax avoidance, where executive characters who are risk-takers tend to do higher tax avoidance. In addition, previous research also shows that executive characteristic factors such as experience, knowledge, and personal values can also influence decisions related to tax avoidance (Windyasari et al., 2019).

Tax avoidance, different from tax evasion, is a legal strategy that can cause significant losses, especially in the food and beverage industry sector, which is the largest tax contributor. To address this issue, research investigating factors that influence tax avoidance, such as the role of independent commissioners, institutional shareholding, external audit, and executive character, is crucial. Although some studies show a relationship between these factors and tax avoidance, different views highlight the complexity of taxation, tax policy, and multinational corporate strategies. In addition, the debate on the impact of external audit quality on tax avoidance also highlights the complexity of this issue. Thus, this research is important to provide deeper insights to stakeholders and help formulate effective policies to improve tax compliance in Indonesia.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

Agency theory is a prominent and contentious theory in organizational behavior and management (Eisenhardt, 1989) . The theory centers on the correlation between a principal and an agent. The principal is a person or organization that assigns work or responsibilities to the agent, who subsequently carries out those activities on behalf of the principal. Agency theory posits that conflicts of interest can emerge between the principal and agent due to divergent objectives, interests, or knowledge asymmetry (Shailer, 2018).

The main focus of agency theory is to address the problem sometimes referred to as the agency problem. The agency problem arises when there is a conflict between the objectives or aspirations of the principal and the agent, leading to challenges for the principal in verifying the agent's actions and determining if they are in the principal's best interests. This issue frequently occurs due to information asymmetry, which refers to a situation where the agent possesses more information than the principal regarding possibilities or actions (Pratt & Zeckhauser, 1985) . Information asymmetry might lead to a scenario in which the agent may exhibit opportunistic conduct, prioritizing their interests over those of the principal.

Agency theory also tackles the issue of risk sharing as its second concern. This issue emerges when the principal and agent possess divergent risk preferences. For example, the principal may be risk-averse and prefer conservative strategies, while the agent may be more willing to take risks to maximize their gains or rewards. The risk-sharing problem can lead to conflicts between the principal and agent, as they may have different preferences for decision-making and risk-taking. These conflicts can potentially result in suboptimal outcomes for the principal (Wiseman et al., 2012).

Independent Commissioner and Tax Avoidance

Companies often employ various strategies to minimize tax liabilities and maximize profits. However, the presence of independent commissioners can significantly impact the extent of tax avoidance in the food and beverage industry (Asih & Darmawati, 2022; Ezejiofor & Ezenwafor, 2021) . These commissioners, who are appointed by the shareholders and do not have any affiliations or financial interests in the company, play a crucial role in ensuring transparency and accountability in corporate governance (Listyaningsih & Tanjung, 2019).

By providing objective oversight and acting in the best interests of the shareholders, independent commissioners can actively monitor and discourage tax avoidance practices within the company (Mangoting et al., 2020). Their independence allows them to review financial statements, understand the company's tax planning strategies, and assess whether they comply with relevant tax laws and regulations. Their presence can create a more ethical and responsible corporate culture where tax avoidance is frowned upon and discouraged (Musaddad & Ervina, 2022; Mutmainah, 2022).

Furthermore, independent commissioners can challenge management decisions that may lead to excessive tax avoidance. Their involvement in discussions and decision-making processes can bring a fresh perspective and ensure that tax planning strategies align with the company's overall business objectives without crossing ethical boundaries (Cuadrado-Ballesteros et al., 2015; Haruna et al., 2020).

Independent commissioners nominated by shareholders are crucial in reducing agency risk between management and shareholders. Independent commissioners nominated by shareholders are crucial in reducing agency risk between management and shareholders. Independent commissioners oversee and ensure transparency and accountability in corporate governance, including tax practices. They actively monitor and oppose excessive tax avoidance practices within the company by providing objective oversight in the interest of shareholders. Thus, this study demonstrates how agency theory influences tax avoidance practices and the role of independent commissioners in ensuring compliance with tax laws and encouraging an ethical and responsible corporate culture.

H_1: independent commissioners have a significant effect on tax avoidance

Institutional Share Ownership and Tax Avoidance

Institutional ownership denotes the proportion of a company's shares that institutional investors possess, including mutual funds, pension funds, and insurance companies (Khan et al., 2017). Studies have demonstrated that the level of ownership by institutions can influence the extent to which tax avoidance occurs. Various elements contribute to the impact of institutional ownership on tax evasion in the food and beverage sector. First and foremost, institutional investors generally possess more extensive resources and knowledge in tax preparation strategies than individual investors. This grants them the capability to thoroughly examine and maneuver intricate tax regulations with more efficiency, potentially leading to increased levels of tax evasion (Eaton et al., 2014).

Secondly, institutional investors often have a long-term investment horizon and a vested interest in the financial performance of the companies they invest in. As a result, they may seek to maximize these companies' after-tax profit through tax planning strategies, including tax avoidance (Khurana & Moser, 2013). Additionally, institutional owners may have tax-related objectives or policies that they expect companies to adhere to (Wenwu et al., 2023). This could influence the tax avoidance behavior of companies in the food and beverage industry sector as they strive to meet the expectations and requirements of institutional investors. Moreover, institutional ownership can also affect a company's reputation and public perception. Food and beverage firms that engage in aggressive tax avoidance strategies may face reputational risks and backlash from stakeholders, including institutional investors (Khurana & Moser, 2013).

According to agency theory, institutional shareholders are considered external agents with a long-term interest in the financial performance of the companies they invest in. Institutional shareholders have greater resources and expertise in tax planning than individual investors, according to research findings that suggest they can analyze and navigate complex tax laws more effectively. In addition, institutional shareholders have a long investment horizon and are interested in the company's financial performance.

H_2: institutional ownership has a significant effect on tax avoidance

Audit External and Tax Avoidance

External audits have a substantial impact on evaluating the processes involved in preparing financial statements and effectively contribute to reducing tax avoidance. The phrase implies that the external auditor's oversight in assessing financial statement processes can impact management's choices to minimize tax evasion (Haruna et al., 2020). These findings offer useful insights for investors seeking to quantify the extent of tax avoidance and mitigate future tax fines. Furthermore, these results highlight the importance of having strong audit processes in place to ensure accurate financial reporting and compliance with tax regulations (Brandon et al., 2004; Lai & Pham, 2020; Suwarno et al., 2020)

The negative effect of audit quality on tax avoidance underscores the significance of stringent financial statement procedures and oversight in deterring tax avoidance practices (Lisic, 2014; Simanjuntak & Suranta, 2024) . Furthermore, the lack of significant impact from the presence of independent commissioners suggests that the supervisory role of external auditors is a key determinant in influencing management decisions to minimize tax avoidance (Gul et al., 2002; Krishnan & Visvanathan, 2011).

External auditors monitoring financial reporting systems might influence managerial decisions aimed at reducing tax evasion activities. Thus, the importance of a strong audit process in ensuring accurate financial reporting and compliance with tax regulations is emphasized. In addition, the need for strict financial reporting procedures and strong oversight in preventing tax avoidance practices is emphasized. The absence of a notable influence from independent commissioners emphasizes the crucial importance of external auditors in shaping management actions to reduce tax avoidance, which is in line with the primary purpose of agency theory.

H_3: external audit has a significant effect on tax avoidance

Executive Character and Tax Avoidance

Recent studies have shown that specific executive traits such as risk tolerance, ethical standards, and personal integrity can significantly impact companies' tax avoidance strategies within the food and beverage sector (Wenwu et al., 2023) . Executives with high-risk tolerance may be more inclined to pursue aggressive tax planning strategies. At the same time, those with strong ethical standards and personal integrity may prioritize tax compliance and transparency (Dyreng et al., 2010).

Furthermore, the influence of executive character on tax avoidance extends beyond individual traits to encompass organizational culture and governance practices. Companies with leaders prioritizing ethical behavior and transparency are likelier to foster a corporate culture that values compliance with tax regulations and strives to uphold ethical standards in tax planning and reporting (Aliani, 2014; Chyz, 2013).

Ethical standards and personal integrity, often championed by key executives, are crucial in shaping the organizational culture and governance practices. When executives prioritize ethical behavior and transparency, it sets the tone for the entire company. This tone is reflected in the decisions made at all levels, emphasizing tax compliance and transparency (Campbell & Helleloid, 2016; Lenz, 2022; Wegener & Labelle, 2017).

Executives with a high-risk tolerance tend to adopt aggressive tax strategies, while those who emphasize ethics and transparency prioritize compliance. This reflects corporate culture and governance practices. Executives who emphasize personal integrity shape ethical attitudes, influencing decisions at all levels, particularly in tax compliance and transparency. Thus, agency theory explains how executive behavior influences tax avoidance practices and overall corporate culture.

H_4: executive character has a significant effect on tax avoidance

RESEARCH METHODS

This study used an associative research design with a quantitative method to examine the impact of independent factors (Independent commissioner, institutional ownership, external audit, and executive character) on the dependent variable (tax avoidance). This study utilizes secondary data from 12 food and beverage companies listed on the Indonesia Stock Exchange. The evaluated financial statements pertain to the period from 2018 to 2022, including five years. Therefore, there are a total of 60 data observations. **Table 1** displays the measurements utilized in each variable, which have been derived from various sources.

The data analysis technique employed is panel data regression utilizing the Eviews version 12 software. Before doing panel data regression and hypothesis testing, model selection testing begins with the Chow, Hausman, and Lagrange Multiplier tests. Furthermore, if one of the model estimates is chosen, classical assumption testing is conducted, encompassing tests for normality, heteroscedasticity, multicollinearity, and autocorrelation. Classical assumption testing is optional and relies on estimating the chosen model.

RESULTS AND DISCUSSION

Table 2 displays the outcomes of the Chow test, where the chi-square parameter indicates a significant value of 0.000. This implies that the fixed effect model is a more accurate estimate. However, additional Hausman testing is required to compare the fixed effect model estimate with the random effect model.

Table 3 displays the outcomes of the Hausman test conducted at a significance level of 0.0006. This finding suggests that the fixed effect model provides a more precise estimation in comparison to the random effect model. The fixed effect model estimation has been chosen as the preferred estimate model for this inquiry.

Moreover, to validate the applicability of the panel data regression model, it is imperative to verify the fulfillment of the classical assumptions. The chosen model estimation in this work is a fixed effect model. Therefore, the necessary assumption tests include heteroscedasticity and multicollinearity tests, while other assumptions can be disregarded (Gujarati & Porter, 2008) . **Table 4** shows that the Breusch-Pagan test results have a level of significance of 0.0614, indicating that the data are homogeneous.

In the multicollinearity test, **Table 5** shows that the VIF value of each independent variable is smaller than 5, so it can be said that there are no multicollinearity symptoms, so panel data regression testing and research hypotheses can be carried out.

In **Table 6**, the regression equation is obtained as follows:

$$TA = 0.116883 - 0.090237\ (IC) + 0.014634\ (IO) - 0.073999\ (EA) + 0.337468\ (EC)$$

Submitted : 04/02/2023 |Accepted : 05/03/2024 |Published : 10/05/2024
P-ISSN; 2541-5255 E-ISSN: 2621-5306 | Page 104

The regression equation states that tax avoidance (T.A.) is affected by independent commissioner (IC), institutional ownership (I.O.), External Audit (E.A.), and executive character (E.C.). The coefficient associated with each variable indicates each independent variable's relative influence on the dependent variable. The positive coefficients for institutional ownership and executive character indicate that increasing these two variables will increase tax avoidance. Furthermore, the negative coefficients for independent commissioners and external audit indicate that increasing these variables will decrease tax avoidance.

Moreover, **Table 6** presents the outcomes of hypothesis testing conducted both partially and concurrently. The statistical testing findings indicate that the significance value of the independent commissioner (IC) is 0.0040, which is less than the threshold of 0.05. This suggests that the IC has a substantial impact on tax avoidance (T.A.), leading to the acceptance of the first hypothesis. Moreover, the p-value of 0.2962 for institutional ownership (I.O.) is greater than the significance level of 0.05, indicating that there is no significant impact of institutional ownership towards tax avoidance. Therefore, the second hypothesis is rejected. The p-value of the external audit (E.A.) of 0.0648 > 0.05 also suggests that the external audit (E.A.) does not have a substantial impact on tax avoidance (T.A.), leading to the rejection of the third hypothesis as well. Likewise, The significance value of an executive character (E.C.) of 0.000 < 0.05 indicates that executive character (E.C.) has a significant effect on tax avoidance (T.A.), so the fourth hypothesis is accepted.

The statistical findings demonstrate that operating capacity, agency costs, and intellectual capital considerably impact corporate performance when considered together. The influence accounts for 86.81% of the total, while the remaining 13.19% is attributed to untested variables. Therefore, it can be inferred that this estimation model is resilient.

Independent Commissioner and Tax Avoidance

The findings indicate that the presence of independent commissioners has a notable adverse impact on tax avoidance. One possible explanation for the negative significant influence of independent commissioners on tax avoidance could be the role and focus of these commissioners within the supervisory board (Busirin et al., 2015). Independent commissioners are primarily responsible for monitoring management policies related to company profits or performance. They prioritize overseeing and ensuring that the company operates ethically and efficiently. This focus on evaluating overall company performance may lead independent commissioners to overlook or pay less attention to tax avoidance policies (Minnick & Noga, 2010; Zuvilla & Surono, 2022) . They may not prioritize scrutinizing tax planning strategies or identifying potential areas of tax avoidance.

Furthermore, the primary role of independent commissioners is to minimize agency problems and ensure that company management acts in the best interest of shareholders (Asih & Darmawati, 2022) . They exercise strict supervision over management, which can influence the decision-making process. Their close supervision may lead company management to be more cautious and careful in making decisions, including those related to tax payments (Xie et al., 2023). Therefore, the increased supervision by independent commissioners may discourage management from taking part in tax avoidance strategies, as they are inclined to prioritize compliance with tax regulations in order to align with the expectations set by the independent commissioners (Susmito et al., 2020).

Institutional Share Ownership and Tax Avoidance

The results show that there is no significant effect of institutional ownership of shares on tax avoidance. Food and beverage company often has a dominant ownership structure, where the main shareholder is a family or sole owner, resulting in institutional ownership having a small proportion of the company's share ownership (Badertscher et al., 2013; Purnamasari & Fachrurrozie, 2020). Since institutional ownership is low, they may not have enough power or influence to influence the company's decision regarding tax avoidance.

The food and beverage industry tends to have relatively low profit margins, high competition in the market, and high production costs. This can reduce the company's incentive to conduct tax avoidance to avoid paying higher taxes (Sherly & Fitria, 2021; Wicaksono & Oktaviani, 2021) . The food and beverage industry tends to have strict regulations regarding financial reporting and taxes, with conservative accounting standards. This means that companies in this industry have limitations in manipulating financial statements and tax avoidance practices because they must comply with strict and transparent rules (Khan et al., 2017; Khurana & Moser, 2013; Suryaningrum & Ratnawati, 2024)

Audit External and Tax Avoidance

The findings indicate that external audits do not substantially impact the practice of tax avoidance. Audit methods primarily emphasize the verification and dependability of financial statements rather than directly addressing tax-related matters. External auditors are responsible for comprehensively investigating a company's financial records, processes, and internal controls. Their main goal is to assess the fairness and dependability of the financial statements in line with widely accepted auditing standards (Rizqia & Lastiati, 2021; Dewianawati & Setiawan, 2021). However, tax avoidance involves complex strategies and arrangements aimed at minimizing tax liabilities within the boundaries of the law. External auditors may not have the specialized knowledge or tools to detect and assess the intricacies of tax avoidance schemes (Irfansyah et al., 2020; Hadaming & Daito, 2023).

Furthermore, tax avoidance may involve the utilization of legal loopholes, transfer pricing practices, or the manipulation of financial transactions and accounting practices. These activities may not be easily identifiable through an external audit process that primarily focuses on ensuring the accuracy and reliability of financial reports (Susmito et al., 2020; Felix et al., 2001). Additionally, the food and beverage industry is known for having various tax planning strategies that are often within the bounds of legality. These strategies may not necessarily be tax avoidance (Al-Sharairi, 2017; Donohoe, 2014). Furthermore, the nature of tax avoidance itself poses challenges for external auditors. Tax avoidance refers to the utilization of lawful strategies to reduce tax obligations, whereas tax evasion entails the use of criminal ways to evade taxes (Listyaningsih, 2019).

Executive Character and Tax Avoidance

The findings demonstrate the executive character's substantial and beneficial impact on tax avoidance. Executives possessing robust character traits are more inclined to prioritize ethical conduct and adherence to tax regulations. They are unlikely to participate in aggressive tax planning or exploit legal loopholes to reduce taxes. This is corroborated by prior studies indicating that CEOs with robust character traits are less prone to engaging in hazardous conduct and more inclined to act in the organization's and its stakeholders' utmost interests (Zhao et al., 2022; Cronqvist et al., 2012).

Executives with a strong character are more likely to value transparency and accountability. They are more inclined to provide accurate and reliable financial information, including tax-related information, in their company's annual reports. This transparency can help to mitigate any potential scrutiny or suspicion from tax authorities, as it demonstrates the company's commitment to complying with tax laws (Wicaksono & Oktaviani, 2021; Sikka, 2010; Treviño & Brown, 2004).2. However, executives with a strong character are more likely to foster a culture of compliance within the company. They set a positive example for employees and encourage a strong commitment to ethical behavior and adherence to tax regulations. This can lead to better tax compliance and a reduced likelihood of engaging in aggressive tax planning or evasion strategies (Armstrong et al., 2012; Sikka, 2010; Lenz, 2021).

Furthermore, executives with strong character are more likely to prioritize the long-term sustainability and reputation of the company. They understand that engaging in aggressive tax avoidance measures can damage the company's reputation and lead to negative consequences in the long run. For example, if a food and beverage company is seen as actively avoiding taxes through unethical practices, it may face backlash from stakeholders such as customers, investors, and governments (Campbell & Helleloid, 2016; Jo & Park, 2020; Mutmainah, 2022; Reeve & Gostin, 2019).

CONCLUSION

This study examines the impact of independent commissioners, institutional share ownership, external audits, and CEO attributes on the utilization of tax avoidance tactics in the food and beverage sector. The findings indicate that the presence of autonomous commissioners and executive character have a substantial adverse effect on tax evasion, highlighting the need for internal supervision in fostering openness and accountability inside companies. However, the existence of institutional ownership of shares and external audits does not significantly influence tax evasion strategies.

Nonetheless, the theoretical implications of these findings underscore the complexity of the tax avoidance phenomenon in the context of corporate supervision. For practitioners, an in-depth understanding of the role of independent commissioners is crucial to enhance corporate transparency and integrity. At the same time, it should also not be overlooked that institutional ownership of shares, external audit, and executive character play a role in holistic tax risk management. Therefore, practitioners should adopt a comprehensive supervisory framework that takes into account all these aspects to ensure corporate compliance with tax regulations and maintain corporate reputation in the long run.

REFERENCES

Aliani, K. (2014). CEO characteristics and corporate tax planning evidence from US companies. In *Int. J. Managerial and Financial Accounting* (Vol. 6, Issue 1).

Asih, K. L., & Darmawati, D. (2022). The role of independent commissioners in moderating the effect of profitability, company size and company risk on tax avoidance. *Asia Pacific Fraud Journal*, *6*(2), 235–248. https://doi.org/10.21532/apfjournal.v6i2.222

Badertscher, B. A., Katz, S. P., & Rego, S. O. (2013). The separation of ownership and control and corporate tax avoidance. *Journal of Accounting and Economics*, *56*(2–3), 228–250. https://doi.org/10.1016/j.jacceco.2013.08.005

Boone, J. P., Khurana, I. K., & Raman, K. K. (2010). Do the Big 4 and the Second-tier firms provide audits of similar quality? *Journal of Accounting and Public Policy*, *29*(4), 330–352. https://doi.org/10.1016/j.jaccpubpol.2010.06.007

Brandon, D. M., Crabtree, A. D., & Maher, J. J. (2004). Nonaudit Fees, Auditor Independence, and Bond Ratings. In *AUDITING: A JOURNAL OF PRACTICE & THEORY* (Vol. 23, Issue 2).

Busirin, M. F., Azmi, N. A., & Zakaria, N. B. (2015). How effective is board independence to the monitoring of earnings manipulation? *Procedia Economics and Finance*, *31*, 462–469. https://doi.org/10.1016/s2212-5671(15)01177-6

Campbell, K., & Helleloid, D. (2016). Starbucks: Social responsibility and tax avoidance. *Journal of Accounting Education*, *37*, 38–60. https://doi.org/10.1016/j.jaccedu.2016.09.001

Chasbiandani, T., Triastuti, & Ambarwati, S. (2019). Pengaruh corporation risk dan good corporate governance terhadap tax avoidance dengan kepemilikan institusional sebagai variable pemoderasi. *Kompartemen: Jurnal Ilmiah Akuntansi*, *XVII*(2), 115–129. http://jurnalnasional.ump.ac.id/index.php/kompartemen/

Chau, G., & Gray, S. J. (2010). Family ownership, board independence and voluntary disclosure: Evidence from Hong Kong. *Journal of International Accounting, Auditing and Taxation*, *19*(2), 93–109. https://doi.org/10.1016/j.intaccaudtax.2010.07.002

Choi, J. H., Kim, J. B., Liu, X., & Simunic, D. A. (2008). Audit pricing, legal liability regimes, and big 4 premiums: Theory and cross-country evidence. *Contemporary Accounting Research*, *25*(1), 55–99. https://doi.org/10.1506/car.25.1.2

Chyz, J. A. (2013). Personally tax aggressive executives and corporate tax sheltering. *Journal of Accounting and Economics*, *56*(2–3), 311–328. https://doi.org/10.1016/j.jacceco.2013.09.003

Cuadrado-Ballesteros, B., Rodríguez-Ariza, L., & García-Sánchez, I. M. (2015). The role of independent directors at family firms in relation to corporate social responsibility disclosures. *International Business Review*, *24*(5), 890–901. https://doi.org/10.1016/j.ibusrev.2015.04.002

Dewianawati, D., & Setiawan, E. (2021). An analysis of tax avoidance in food beverage companies registered in Indonesia stock exchange. *International Journal of Science, Technology & Management*, 93–105. http://ijstm.inarah.co.id

Dyreng, S. D., Hanlon, M., & Maydew, E. L. (2010). The effects of executives on corporate tax avoidance. *Accounting Review*, *85*(4), 1163–1189. https://doi.org/10.2308/accr.2010.85.4.1163

Eaton, T. V., Nofsinger, J. R., & Varma, A. (2014). Institutional investor ownership and corporate pension transparency. *Financial Management*, *43*(3), 603–630. https://doi.org/10.1111/fima.12045

Eisenhardt, K. M. (1989). Agency theory: An assessment and review. *Academy of Management*, *14*(1), 57–74.

Ezejiofor, R. A., & Ezenwafor, E. C. (2021). Corporate Governance and Tax Avoidance: Evidence from Nigerian Quoted Food and Beverage Companies. *Macro Management & Public Policies*, *2*(4), 40–47. https://doi.org/10.30564/mmpp.v2i4.2632

Francis, J. R., Michas, P. N., & Seavey, S. E. (2013). Does audit market concentration harm the quality of audited earnings? Evidence from audit markets in 42 countries. *Contemporary Accounting Research*, *30*(1), 325–355. https://doi.org/10.1111/j.1911-3846.2012.01156.x

Gujarati, D. N., & Porter, D. C. (2008). *Basic Econometrics* (N. Fox, Ed.; 5th ed., Vol. 5). McGraw-Hill.

Gul, F. A., Lynn, S. G., & Tsui, J. S. L. (2002). Audit quality, management ownership, and the informativeness of accounting earnings. *Journal of Accounting, Auditing & Finance*, *17*(1), 25–49. https://doi.org/10.1177/0148558X0201700102

Hadaming, St. F., & Daito, A. (2023). Leverage, company size, and audit quality effect on tax avoidance in manufacturing companies listed on the Indonesia stock exchange and Malaysia exchange for the 2015-2019 period. *Journal of Accounting and Finance Management*, *3*(6), 274–284. https://doi.org/10.38035/jafm.v3i6

Haruna, S., Arifin, M. A., Syafar, M., Darmawansyah, Indar, & Mallongi, A. (2020). The impact of external control on tax avoidance. *South Asian Research Journal of Humanities and Social Sciences*, *2*(4), 317–322. https://doi.org/10.36346/sarjhss.2020.v02i04.015

Irfansyah, N., Bawono, I. R., & Suparlinah, I. (2020). Tax aggressiveness affected by corporate social responsibility, earnings management, and audit quality. *Permana: Jurnal Perpajakan, Manajemen Dan Akuntansi*, *12*(2), 196–214. http://permana.upstegal.ac.id/index.php/permana

Jiang, Y., Zheng, H., & Wang, R. (2021). The effect of institutional ownership on listed companies' tax avoidance strategies. *Applied Economics*, *53*(8), 880–896. https://doi.org/10.1080/00036846.2020.1817308

Jo, H., & Park, K. (2020). Controversial industries, regional differences, and risk: Role of CSR. *Asia-Pacific Journal of Financial Studies*, *49*(6), 911–947. https://doi.org/10.1111/ajfs.12320

Khan, M., Srinivasan, S., & Tan, L. (2017). Institutional ownership and corporate tax avoidance: New evidence. *Accounting Review*, *92*(2), 101–122. https://doi.org/10.2308/accr-51529

Khurana, I. K., & Moser, W. J. (2013). Institutional shareholders' investment horizons and tax avoidance. *Journal of the American Taxation Association*, *35*(1), 111–134. https://doi.org/10.2308/atax-50315

Krishnan, G. V., & Visvanathan, G. (2011). Is there an association between earnings management and auditor-provided tax services? *Journal of the American Taxation Association*, *33*(2), 111–135. https://doi.org/10.2308/atax-10055

Lai, T. T. T., & Pham, D. H. (2020). The quality of audit services: An assessment from FDI clients in Vietnam. *Accounting*, *6*(6), 1071–1076. https://doi.org/10.5267/j.ac.2020.7.012

Lenz, H. (2022). Aggressive Tax Avoidance and Business Ethics. In *Encyclopedia of Business and Professional Ethics* (pp. 1–5). Springer International Publishing. https://doi.org/10.1007/978-3-319-23514-1_1287-1

Lisic, L. L. (2014). Auditor-provided tax services and earnings management in tax expense: The importance of audit committees. *Journal of Accounting, Auditing and Finance*, *29*(3), 340–366. https://doi.org/10.1177/0148558X14536046

Listyaningsih, F., & Tanjung, P. R. S. (2019). The effect of good corporate governance, company sizes, and leverage of tax avoidance. *EPRA International Journal of Multidisciplinary Research (IJMR) Peer Reviewed Journal*, *5*(11), 26–36. https://doi.org/10.36713/epra2013

Mangoting, Y., Sumarno, V. A., Gloria, T., & Dwi Indriani, S. (2020). Does coercive power influence the relationship of tax morale on tax evasion. *Advances in Economics, Business and Management Research*, 60–68.

Ma'sum, M. A., Jaeni, & Badjuri, A. (2023). Tax avoidance dalam perspektif agency theory (studi empiris pada karakteristik teks laporan tahunan). *Jurnal Ilmiah MEA*, *7*(2), 1873–1884.

Minnick, K., & Noga, T. (2010). Do corporate governance characteristics influence tax management? *Journal of Corporate Finance*, *16*(5), 703–718. https://doi.org/10.1016/j.jcorpfin.2010.08.005

Musaddad, A., & Ervina, D. (2022). Pengaruh penghindaran pajak (tax avoidance) terhadap biaya utang (study pada perusahaan food and beverages di Bursa Efek Indonesia 2018-2020). *JFAS: Journal of Finance and Accounting Studies*, *4*(1), 22–28. www.idx.co.id

Mutmainah. (2022). Factors Related Tax Avoidance on Food and Beverage Manufacturing Companies Listed in Indonesia Stock Exchange Period 2017-2020. *Arkus*, *8*(2), 240–243. https://doi.org/10.37275/arkus.v8i2.183

Pratt, J. W., & Zeckhauser. (1985). Principals and agents: An overview. In *Principals and Agents: The Structure of Business*. https://www.researchgate.net/publication/247249967

Purnamasari, D., & Fachrurrozie. (2020). Accounting analysis journal the effect of profitability, leverage, and firm size on earnings quality with independent commissioners as moderating variable. *Accounting Analysis Journal*, *9*(3), 173–178. https://doi.org/10.15294/aaj.v9i3.42067

Reeve, B., & Gostin, L. O. (2019). "Big" food, tobacco, and alcohol: Reducing industry influence on noncommunicable disease prevention laws and policies. *International Journal of Health Policy and Management*, *8*(7), 450–454. https://doi.org/10.15171/ijhpm.2019.30

Rizqia, A., & Lastiati, A. (2021). Audit quality and tax avoidance: The role of independent commissioners and audit committee's financial expertise. *Journal of Accounting Auditing and Business*, *4*(1), 14–31. https://doi.org/10.24198/jaab.v4i1.29642

Sa'diah, F., & Afriyenti, M. (2021). Pengaruh Tax Avoidance, Ukuran Perusahaan, dan Dewan Komisaris Independen terhadap Kebijakan Transfer Pricing. In *Jurnal Eksplorasi Akuntansi* (Vol. 3). Online. http://jea.ppj.unp.ac.id/index.php/jea/index

Shailer, G. (2018). Agency Theory. In *Encyclopedia of Business and Professional Ethics* (pp. 1–4). Springer International Publishing. https://doi.org/10.1007/978-3-319-23514-1_151-1

Sherly, E. N., & Fitria, D. (2021). Pengaruh penghindaran pajak, kepemilikan institusional, dan profitabilitas terhadap biaya hutang (studi empiris pada perusahaan manufaktur yang terdaftar di bei periode 2011-2015). *Ekombis Review*, 58–69.

Simanjuntak, E. P., & Suranta, E. (2024). Pengaruh financial distress dan kualitas audit terhadap penghindaran pajak : Covid 19 sebagai variabel moderasi. *Jurnal Ilmiah MEA (Manajemen, Ekonomi Dan Akuntansi)*, *8*(1), 117–139.

Suryaningrum, R., & Ratnawati, J. (2024). Pengaruh kinerja lingkungan, biaya lingkungan, kepemilikan saham publik, green accounting dan struktur modal terhadap kinerja keuangan. *Jurnal Ilmiah MEA (Manajemen, Ekonomi, Dan Akuntansi)*, *8*(1), 1270–1292.

Suwarno, A. E., Anggraini, Y. B., & Puspawati, D. (2020). Audit fee, audit tenure, auditor's reputation, and audit rotation on audit quality. *Jurnal Riset Akuntansi Dan Keuangan Indonesia*, *5*(1), 61–70. http://journals.ums.ac.id/index.php/reaksi/index

Wegener, M., & Labelle, R. (2017). Is business ethics the 'Last Rampart' against tax aggressiveness? *International Journal of Accounting Research*, *05*(02), 1–9. https://doi.org/10.4172/2472-114x.1000153

Wenwu, X., Khurram, M. U., Qing, L., & Rafiq, A. (2023). Management equity incentives and corporate tax avoidance: Moderating role of the internal control. *Frontiers in Psychology*, *14*. https://doi.org/10.3389/fpsyg.2023.1096674

Wicaksono, K., & Oktaviani, R. M. (2021). Effect of CEO characteristics toward tax aggressiveness: Overview of Indonesia family firms. *Jurnal Ekonomi*, *26*(2), 179. https://doi.org/10.24912/je.v26i2.745

Widiiswa, R. A. N., & Baskoro, R. (2020). Good corporate governance dan tax avoidance pada perusahaan multinasional dalam moderasi peningkatan tax audit coverage ratio. *Scientax*, *2*(1), 57–74.

Windyasari, N. K., Harimurti, F., & Suharno. (2019). Pengaruh strategi bisnis, karakter eksekutif, dan ukuran perusahaan terhadap tax avoidance. *Jurnal Akuntansi Dan Sistem Teknologi Informasi*, *15*(1), 82–92.

Wiseman, R. M., Cuevas-Rodríguez, G., & Gomez-Mejia, L. R. (2012). Towards a social theory of agency. *Journal of Management Studies*, *49*(1), 202–222. https://doi.org/10.1111/j.1467-6486.2011.01016.x

Zuvilla, T., & Surono, Y. (2022). Pengaruh Komisaris Independen, Pajak Tangguhan dan Laba Bersih Terhadap Manajemen Laba dengan Tax Avoidance sebagai Variabel Intervening pada Perusahaan Sub Sektor Makanan & Minuman di Bursa Efek Indonesia Periode 2015 – 2019. *Ekonomis: Journal of Economics and Business*, *6*(2), 751. https://doi.org/10.33087/ekonomis.v6i2.687

TABLE AND FIGURE

Table 1. Variable Measurement

Variable	Measurement	Scale
Independent Commissioner	$\frac{total\ of\ independent\ commissioner}{total\ of\ commissioner}$	Ratio
Institutional ownership	$\frac{Number\ of\ institutionally\ owned\ shares}{number\ of\ shares\ issued}$	Ratio
External Audit	• 2 for The BIG Four auditors • 1 for auditors of The BIG Ten, and • 0 for others	Categorical
Executive Character	$\frac{EBITDA}{Total\ asset}$	Ratio
Tax Avoidance	$\frac{EBIT - Earning\ after\ tax}{Total\ asset}$	Ration

Source: (Widiiswa & Baskoro, 2020)

Table 2. Chow Test

Effects Test	Statistic	d.f.	Prob.
Cross-section F	5.110527	(11,44)	0.0000
Cross-section Chi-square	49.388173	11	0.0000

Source: Data processed (2024)

Table 3. Hausman Test

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	25.321422	4	0.0000

Source: Data processed (2024)

Table 4. Heteroscedasticity Test

Obs*R-squared	8.988047	Prob. Chi-Square(4)	0.0614

Source: Data processed (2024)

Table 5. Multicollinearity Test

Variable	Centered VIF
C	NA
IC	1.168183
IO	1.279500
EA	1.235486
EC	1.138018

Source: Data processed (2024)

Submitted : 04/02/2023 |Accepted : 05/03/2024 |Published : 10/05/2024
P-ISSN; 2541-5255 E-ISSN: 2621-5306 | Page 113

Table 6. Hypotheses Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.116883	0.048122	2.428883	0.0193
IC	-0.090237	0.029698	-3.038466	0.0040
IO	0.014634	0.013739	1.065149	0.2926
EA	-0.073999	0.039071	-1.893978	0.0648
EC	0.337468	0.039308	8.585172	0.0000

Root MSE	0.013785	R-squared	0.901702
Mean dependent var	0.073589	Adjusted R-squared	0.868192
S.D. dependent var	0.059344	S.E. of regression	0.016098
Sum squared resid	0.011402	F-statistic	26.90796
Durbin-Watson stat	1.993033	Prob(F-statistic)	0.000000

Source: Data processed (2024)

Submitted : 04/02/2023 |Accepted : 05/03/2024 |Published : 10/05/2024
P-ISSN; 2541-5255 E-ISSN: 2621-5306 | Page 114