INTERNATIONAL JOURNAL
IJEDR
ECONOMICS DEVELOPMENT RESEARCH

International Journal of Economics Development Research, Volume 5(3), 2024 pp. 1746-1765

Exploring the Impact of Independent Commissioners, Institutional Ownership, Profitability, and Leverage on Tax Avoidance

Sri Ayem[1], Virdawati[2]

Abstract:

This study investigates the impact of an autonomous board of commissioners, institutional ownership, profitability, and leverage on tax avoidance. The sample utilized in this study consists of manufacturing companies listed on the Indonesian Stock Exchange (BEI) throughout 2018-2022. The data collection employed a purposive sampling technique, resulting in a sample of 40 companies to analyze 181 annual financial reports. This research technique employs multiple regression analysis. The research findings indicate that the independent board of commissioners has little impact on tax avoidance. Institutional ownership and leverage exert a detrimental effect on tax avoidance. Profitability has a favorable impact on tax avoidance.

Keywords: *Independent Commissioners, Institutional Ownership, Profitability, Leverage, Tax Avoidance*

Sumbitted: 12 July 2024, Accepted: 5 August 2024, Published: 21 August 2024

1. Introduction

Taxation serves as a means of wealth redistribution in the lives of human beings as social creatures. Taxes imposed in Indonesia may be classified into two types: national taxes and regional taxes. Income tax (PPh) is one of the ongoing taxes the government imposes. The Law Number 36 of 2008 is the legal basis that regulates the imposition of income tax (Mardiasmo, 2016). Companies that go public in Indonesia are classified as corporate tax subjects. A company's net income is considered the company's taxable income (PKP). Companies that go public in Indonesia are not only required to pay taxes but also mandated to implement good corporate governance (GCG).

[1] *Universitas Sarjanawiyata Tamansiswa, Indonesia.* sri.ayem@ustjogja.ac.id
[2] *Universitas Sarjanawiyata Tamansiswa, Indonesia.* virdawati14@gmail.com

Tax avoidance is defined as the ability to pay a low amount of cash taxes (Cash-ETR) compared to the GAAP tax expense recorded in a company's tax notes, relative to pre-tax earnings (Dyreng et al., 2019). Taxes are burdensome for taxpayers, especially for corporate taxpayers, since taxes are expenses that reduce a company's profit and have an impact on the company's economic capacity (Saputra, 2023). However, on the other hand, the government need taxes as a source of revenue to finance state expenditures. The difference in interests is what leads companies to tend to engage in tax management (Putri, 2018).

Given the existence of tax avoidance cases, it is necessary to have good corporate governance, also known as Corporate Governance (Verawaty et al., 2017). Corporate Governance regulates the relationship between management and owners or stakeholders (Borghesi et al., 2019). In this study, Corporate Governance is measured using two proxies: institutional ownership and the proportion of independent board of commissioners (Rajagukguk et al., 2020). Institutional ownership refers to the ownership of shares not held by the public or management and serves as a supervisor or monitor of every decision made by the management (Putri & Lawita, 2019). On the other hand, an independent commissioner, who is not affiliated with the company, fulfills their role as a supervisor and a counterbalance in the company's decision-making process (Sahrir et al., 2021). The better the corporate governance, the less likely the company is to engage in tax avoidance practices (Vega, 2022).

The return on assets (ROA) ratio is a metric that may be used to assess a firm's profitability (Rifai & Atiningsih, 2019). The return on assets ratio measures the efficiency of a company's assets in generating net profit (Kasmir, 2019). Companies use the return on assets metric to optimize their corporate tax strategy (Anggie & Mahpudin, 2024). The levying of taxes is closely correlated with the profitability of a company. A corporation's profitability is closely associated with the tax rate imposed (Napitupulu et al., 2020).

Leverage is a quantitative measure that indicates the proportion of borrowed funds a corporation uses to support its operational endeavors (Tanjaya & Nazir, 2021). As the firm increases its debt, it will suffer more interest charges. This might decrease the company's revenues before tax, resulting in a lower tax payment (Ichwan & Novitasari, 2022). The leverage in this study is determined by calculating the debt-to-equity ratio (DER).

The description above includes the findings from each prior study, indicating that the subject of tax avoidance remains a compelling area for further investigation. The objective is to determine the extent of tax avoidance by companies, particularly in the manufacturing sector, listed on the IDX between

2018 and 2022. The choice to focus on manufacturing enterprises in a study is due to their extensive range of industrial sub-sectors, allowing for a comprehensive assessment of the company's worth. Additionally, their diversified operations offer valuable insights into tax avoidance practices. The main distinction between this study and prior research lies in including additional independent variables, specifically institutional ownership and independent commissioners, in manufacturing companies from 2018 to 2022.

2. Theoretical Background

Tax Avoidance: Tax is a government-imposed charge on persons and businesses to contribute to economic growth and implement national development goals to promote the state's well-being (Saputra, 2023). Firms make substantial contributions to their tax obligations to the government, but most firms see taxes as a hindrance that might diminish their profitability. Significant earnings from the firm's activities will result in hefty tax payments by the corporation. Consequently, several corporations will participate in tax avoidance to minimize their tax payments most effectively, whether legal or criminal (Salamah, 2018).

Mardiasmo (2018) defines tax avoidance as a deliberate strategy to reduce tax liability without infringing on legal regulations. The approach involves capitalizing on vulnerabilities in tax rules or regulations to minimize tax liability. To prevent an excessive tax payment. Pohan et al. (2019) define tax avoidance as a lawful and secure strategy taxpayers use to reduce their tax liabilities. This is achieved by exploiting the vulnerabilities in tax legislation without violating or contradicting them.

According to Suandy (2018), taxpayers want to minimize their tax payments since paying taxes means diminishing the revenue each taxpayer produces. However, the government relies on cash to support the operation of governance, with a significant portion generated via tax revenues. In this research, tax evasion is represented by the Effective Tax Rate (ETR). The ETR, or Effective Tax Rate, is calculated by considering the amount of tax dollars paid by the corporation in the current year. ETR refers to the ratio of tax costs to pre-tax earnings, representing the cash spent on taxes (Setiani et al., 2023). This metric is used because it more effectively demonstrates the existence of Tax Avoidance behavior.

The use of the Effective Tax Rate (ETR) as a metric for assessing tax avoidance, as proposed by Dyreng et al. (2022), is very appropriate for

characterizing the tax avoidance practices of corporations. This is because ETR is unaffected by estimations such as valuation allowances or tax shields. The Effective Tax Rate (ETR) is the precise rate that applies to the taxpayer's income, determined by the amount of tax that has been paid.

Independent Commissioners: According to agency theory, more independent commissioners on the board of commissioners lead to improved company supervision . The number of independent commissioners is directly proportional to the number of shares owned by shareholders who do not act as controllers as long as the number of independent commissioners is at least thirty percent (30%) of all commissioners. Independent commissioners serve as representatives for the interests of minority shareholders or public shareholders. Public shareholders often adhere to tax legislation because they expect corporations to contribute to societal progress. Independent commissioners, who are accountable for safeguarding the interests of public shareholders, will actively advocate for adherence to tax obligations, thus deterring tax avoidance techniques (Wardani & Mursiyati, 2019). According to research undertaken by Dewi & Oktaviani (2021), Pratomo & Rana (2021), and Wati & Astuti (2020), an independent board of commissioners has a detrimental impact on tax avoidance.

Institutional Ownership: Institutional ownership refers to the ownership of shares by external institutions rather than individuals within the organization. According to agency theory, a high amount of main ownership will lead to higher supervision, which is more effective in controlling corporate performance. Increased institutional ownership enhances managerial oversight inside a corporation, reducing management actions aimed at tax avoidance (Pratomo & Rana, 2021). Greater institutional ownership can enhance more effective oversight of a corporation as it enables comprehensive control over managerial decisions, hence mitigating tax avoidance methods. The study conducted by Lastyanto & Setiawan (2022) indicates that institutional ownership has a detrimental impact on tax avoidance. According to a survey conducted by Wardani & Dodok (2022), the findings suggest that research on institutional ownership does not have any impact on tax avoidance.

Profitability: Profitability is a metric used to assess the effectiveness of firm management in creating profits and managing the wealth and investments of the organization (Sarwono et al., 2018). The company's strong profitability suggests that its performance is improving in attracting significant funds for the purchase of its shares (Napitupulu et al., 2020). If the level of profit is elevated, the corresponding tax expenses will likewise be increased (Tanjaya & Nazir, 2021). If the company's tax expenses are substantial, it would likely want to reduce the amount of taxes paid by engaging in tax avoidance strategies

(Novriyanti & Dalam, 2020). The principal will incentivize agents to maximize earnings, therefore prompting agents to strategically manage their tax liability. By implementing meticulous tax planning, corporations can effectively boost their inclination towards tax avoidance, leading to optimal tax production (Wardani & Mursiyati, 2019). According to the research undertaken by Novriyanti & Dalam (2020), Wardani & Mursiyati (2019), and Sudibyo (2022), it has been found that profitability has a beneficial impact on tax avoidance. According to a study conducted by Ayem & Sari (2021), the findings of profitability research have a detrimental impact on tax avoidance.

Leverage: Leverage refers to the level of debt that might lead to interest expenses. According to agency theory, there is a divergence of interests or an imbalance of information between corporate owners (principals) and company management (agents) (Ratnasari & Nuswantara, 2020). Principals must enhance their oversight of all acts undertaken by management to prevent management from pursuing actions solely driven by personal interests. According to Law No. 36 of 2008 about Income Tax, when a firm has high leverage and incurs large interest charges, these costs can be deducted from taxable income. As a result, the company is more likely to minimize tax avoidance measures (Nugroho et al., 2022). The greater the leverage, the lower the level of tax avoidance in the organization (Nugroho et al., 2022). According to recent research conducted by Sulaeman (2021) and Nugroho et al. (2022), leverage has a detrimental impact on tax avoidance. According to a study by Ayem & Sari (2021), leverage research findings have little effect on tax avoidance.

Theoretical Framework

Below is the conceptual framework used in this research:

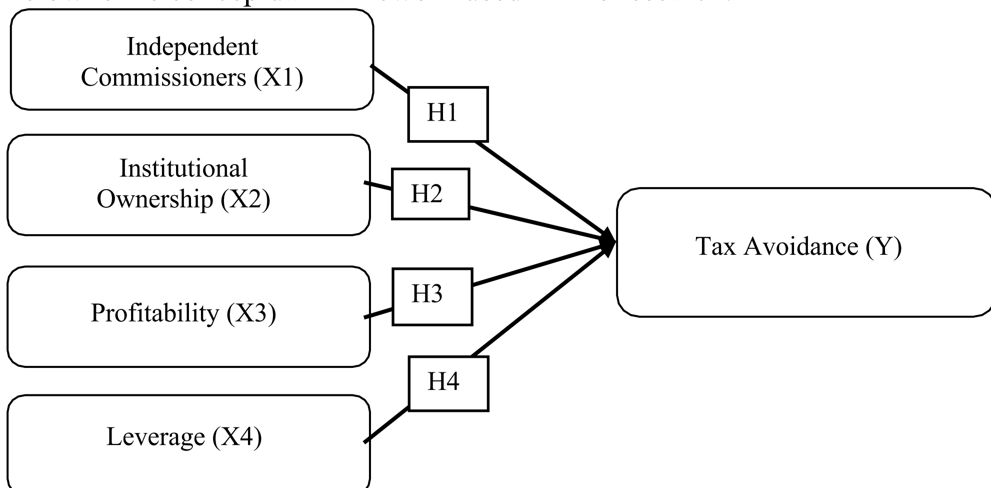

Figure 1. Research Framework

3. Methodology

The nature of the research employed is a form of quantitative research. This study utilizes secondary data, which is presented in numerical form. The population for this research consists of all manufacturing companies listed on the IDX between 2018 and 2022. The sample for this research was selected using a purposive sampling strategy, which involves selecting individuals from the population based on specific criteria (Nurizzati, 2017). The requirements expected from companies include the following:

1. Manufacturing businesses that went public throughout the monitoring period, specifically from 2018 to 2022, remained listed on the IDX and were not removed.
2. The financial report for 2018-2022 has been released and is available for viewing on the IDX website (www.idx.co.id) or the company's official website.
3. Financial reports are presented in the Indonesian currency, the rupiah (Rp).
4. Provide comprehensive financial reports for the fiscal years 2018-2022, ending on December 31st.
5. The data provided is comprehensive and encompasses all the factors utilized in the research, facilitating the research process.

The following table presents the process of sample selection based on the predetermined criteria in this study:

Table 1. Sample Selection Data

No	Criteria	Amount
1	Manufacturing companies listed on the Indonesia Stock Exchange from 2018 to 2022.	140
2	Companies that publish financial statements in foreign currencies	(22)
3	Manufacturing companies that experienced losses during the years 2018-2022	(63)
4	Companies that do not have the complete information required	(15)
5	Number of companies that meet the criteria	40
6	Observation period 7 x 13	200
7	Outlier data	19
	Sample size	181

Source: Secondary Data, 2023, processed

The research used a sample of 40 manufacturing enterprises, including 181 annual financial records that were analyzed. This study examines the relationship between the following characteristics in the yearly financial statements of manufacturing companies: independent board of commissioners, institutional ownership, profitability, leverage, and tax evasion. The investigation used the following roster of manufacturing companies:

Table 2. List of Manufacture Company

No	Kode	Nama Perusahaan
1	SCCO	PT Supreme Cable Manufacturing & Commerce Tbk
2	ASII	PT Astra International Tbk
3	INDS	PT Indospring Tbk
4	SMSM	PT Selamat Sempurna Tbk
5	DVLA	PT Darya Varia laboratoria Tbk
6	KLBF	PT Kalbe Farma Tbk
7	SIDO	PT Industri Jamu dan Farmasi Sido Muncul Tbk
8	TSPC	PT Tempo Scan Pacifik Tbk
9	ADES	PT Akasha Wira International Tbk
10	MLBI	PT Multi Bintang Indonesia Tbk
11	UNVR	PT Unilever Indonesia Tbk
12	CEKA	PT Wilmar Cahaya indonesia Tbk
13	DLTA	PT Delta Djakarta Tbk
14	ICBP	PT Indofood CBP Sukses Makmur Tbk
15	INDF	PT Indofood Sukses Makmur Tbk
16	ROTI	PT Nippon Indosari Corpindo Tbk
17	ULTJ	PT Ultrajaya Milk Industry Tbk
18	GGRM	PT Gudang Garam Tbk
19	HMSP	PT Hanjaya Mandala Sampoerna Tbk
20	WIIM	PT Wismilak Inti Makmur Tbk
21	ARNA	PT Arwana Citramulia Tbk
22	MERK	PT Merck Tbk
23	MLIA	PT Mulia Industrindo Tbk
24	AGII	PT Aneka Gas Industri Tbk
25	BUDI	PT Budi Starch & Sweetener Tbk
26	DPNS	PT Duta Pertiwi Nusantara Tbk
27	EKAD	PT Ekadharma International Tbk
28	INCI	PT Intanwijaya Internasional Tbk
29	SRSN	PT Indo Acidatama Tbk

No	Kode	Nama Perusahaan
30	CPIN	PT Charoen Pokphand Indonesia Tbk
31	JPFA	PT Japfa Comfeed Indonesia Tb
32	AKPI	PT Argha karya Prima Industry Tbk
33	IGAR	PT Champion Pacific indonesia Tbk
34	IMPC	PT Impack Pratama Industri Tbk
35	KDSI	PT Kedawung Setia Industrial Tbk
36	SPMA	PT Suparma Tbk
37	INTP	PT Indocement Tunggal Prakarsa Tbk
38	SMBR	PT Semen Baturaja (Persero) Tbk
39	SMGR	PT Semen Indonesia (Persero) Tbk
40	WTON	PT Wijaya Karya Beton Tbk

Source: Secondary Data, 2023, processed

This study utilizes secondary data. Secondary data refers to data that is acquired through intermediaries or indirectly. The data processing in this study uses SPSS version 20. The data analysis approaches employed in this research encompass descriptive statistical tests, classical assumption tests, and multiple linear regression analysis tests.

4. Empirical Findings/Result

Deskriptive Statistical Test

Descriptive statistics provides data in tables, graphs, and diagrams that include relevant information related to the research data. The descriptive statistics used in this study are the mean, standard deviation, lowest value, and maximum value (Ghozali, 2016). The results of the descriptive statistical testing may be seen in the following table:

Tabel 3. Descriptive Statistic Result

	N	Minimum	Maximum	Mean	Std. Deviation
DKI_X1	181	0,286	0,833	0,42860	0,121925
KI_X2	181	0,000	0,925	0,66167	0,239162
ROA_X3	181	0,009	0,358	0,09724	0,070170
DAR_X4	181	0,063	0,782	0,33715	0,164328
ETR_Y	181	0,146	0,400	0,24176	0,039202
Valid N (listwise)	181				

Source: Secondary Data, 2023, processed

The results of the descriptive statistical test in table 3, indicate that during the observation period from 2018 to 2022, the variable of an independent board of commissioners (X1) had a minimum value of 0.286 from PT Semen Indonesia

(Persero) Tbk in 2022, and a maximum value of 0.833 held by PT Unilever Indonesia Tbk in 2020. The independent board member variable has a mean value of 0.42860 and a standard deviation value of 0.121925.

The institutional ownership variable (X2) has a minimum value of 0.000, which is held by PT Intanwijaya Internasional Tbk in 2012, and a maximum value of 0.925, which is held by PT Hanjaya Mandala Sampoerna Tbk in 2018. The institutional ownership variable has a mean value of 0.66167 and a standard deviation of 0.239162.

The variable of profitability (X3) has a low value of 0.009, which is held by PT Wijaya Karya Beton Tbk in 2021, and the maximum value found in the profitability variable is 0.358, held by PT Unilever Indonesia Tbk in 2019. The variable profitability has a mean value of 0.09724 and a standard deviation of 0.70170.

The leverage variable (X4) has a minimum value of 0.063, which is held by PT Supreme Cable Manufacturing & Commerce Tbk in 2021, and a maximum value of 0.782, which is held by PT Unilever Indonesia Tbk in 2022. The leverage variable has a mean value of 0.33715 and a standard deviation value of 0.164328.

The tax liability variable with the ETR proxy (Y) has a minimum value of 0.146, which is held by PT Astra International Tbk in 2020, and a maximum value of 0.400, held by PT Semen Indonesia (Persero) Tbk in 2021. The tax avoidance variable has a mean value of 0.24176 and a standard deviation value of 0.039202.

Results of Multiple Linear Regression

Multiple regression analysis is used to determine the functional relationship between two or more independent variables and their dependent variable (Ghozali, 2018). The following are the results of the multiple linear regression analysis:

Goodness of Fit Test (F Test)

The Model Fit Test is used to determine the adequacy of a model that has been created or if the experimental results meet a certain level of significance. If the value of sig <0.05, then the alternative hypothesis is accepted, and if the value of sig >0.05, then the alternative hypothesis is rejected. The results of the model fit test may be seen in the following table:

Tabel 4. F Test Result

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0,038	4	0,009	6,955	0,000[b]
	Residual	0,239	176	0,001		
	Total	0,277	180			

Source: Secondary Data, 2023, processed

Based on table 4, the F-test results in this study indicate that the F-value is 6.955, and the significance level is 0.000. It may be concluded that the significance value is <0.05, indicating that the hypothesis can be accepted, meaning that at least one of the four independent variables affects tax avoidance. In other words, the model is considered to be a good match.

T Measurable Test

The test is conducted to determine the significance level of the variables' partial effect. In any model, the partial influence may be seen by its probability. If the p-value < 0.05, then the independent variable significantly influences the dependent variable. Conversely, if the p-value > 0.05, then the independent variable does not have an influence on the dependent variable. The t-test results may be seen in the following table:

Table 5. t Test Results

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	0,232	0,012		19,371	0,000
	DKI_X1	-0,045	0,025	-0.141	-1,783	0,076
	KI_X2	0,027	0,012	0,166	2,302	0,022
	ROA_X3	-0,097	0,043	-0,173	-2,264	0,025
	DAR_X4	0,062	0,017	0,259	3,552	0,000

Source: Secondary Data, 2023, processed

Based on table 5, the variable of the independent board of commissioners does not have a significant influence on tax avoidance or ETR at a 5% significance level. The independent board of commissioners has a significant p-value of 0.076>0.05, with a t-value of -1.783 and a coefficient of -0.045. Thus, the hypothesis that an independent board of commissioners positively influences tax avoidance is not supported.

Institutional ownership variable has a positive impact on ETR or has a negative effect on tax avoidance. Institutional ownership has a significant value of 0.022<0.05, with a t-value of 2.301 and a B-value of 0.027. This may be inferred from the significance value and the t-value, which indicate that the

hypothesis stating that institutional ownership has a negative effect on tax avoidance is supported.

The variable of profitability positively influences the effective tax rate (ETR) or positively influences tax avoidance at a significance level of 5%. The profitability has a significant value of 0.025<0.05, with a t-value of -2.264 and a B-value of -0.097. Therefore, the hypothesis stating that profitability has a positive influence on tax avoidance is supported.

The variable leverage has a positive effect on ETR or a negative impact on tax avoidance at a significance level of 5%. The leverage has a significant value of 0.000<0.05, with a t-value of 3.552 and a B-value of 0.062. Thus, the hypothesis stating that leverage has a negative impact on tax avoidance is supported.

Coefficient of Determination (R Square)

The coefficient of determination (R^2) measures the extent to which independent variables provide information on the dependent variable. The results of the coefficient of determination test may be seen in the following table:

Table 6. R Square Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,369[a]	,136	,117	0,036840

Source: Secondary Data, 2023, processed

Based on table 6, the coefficient of determination (R^2) test results may be shown to be 0.369. This indicates that the tax avoidance variable with ETR proxy can be influenced by several factors, namely independent board of commissioners, institutional ownership, profitability, and leverage, with an impact of 36.9%. The remaining 63.1% can represent other unobserved independent variables in this study.

5. Discussion

The Influence of Independent Commissioners on Tax Avoidance

This study tests the hypothesis to demonstrate the positive influence of an independent board of commissioners on tax avoidance. The regression results in table 6, indicate that an independent board of commissioners does not influence tax avoidance. This is shown by the independent board of commissioners' results, which have a significance value of 0.076>0.05, with a t-value of -1.783 and a B-value of -0.045. The conclusion may be inferred

based on the significance value and t-value, which indicate that the hypothesis stating that an independent board of commissioners positively influences tax avoidance is not supported.

The function of an independent board of commissioners is to oversee and exercise control over a company's management. The number of independent commissioners does not impact the company's ability to engage in high tax avoidance. The presence of a large number of independent commissioners is not solely to enable companies to engage in tax avoidance. Rather, the independent board of commissioners is not effectively overseeing the management's tax avoidance practices, resulting in a lack of supervision (Wardani & Mursiyati, 2019). The role of an independent board of commissioners is only to advise, monitor, and exercise control over the business activities conducted by the management. On the other hand, management is responsible for directly managing and executing a company's business operations (Napitupulu et al., 2020).

This aligns with the stakeholder theory, which emphasizes considering the interests of all parties affected by tax avoidance. To prioritize stakeholders' interests, a company must comply with government regulations, particularly regarding taxation, since shareholders and the government are significant stakeholders in large corporations. An Independent board of commissioners monitors and advises the company's business activities to ensure compliance with existing tax regulations and prevent tax evasion that could harm the country. At the same time, the management is responsible for directly managing and operating the company's business activities (Napitupulu et al., 2020). Therefore, it is likely that the board of commissioners also lacks effective oversight in making decisions on tax avoidance, resulting in a limited influence over the tax avoidance practices carried out by the company's management (Honggo & Marlinah, 2019).

The findings of this study are consistent with the research conducted by Sarra (2017), Doho & Santoso (2020), and Wardani & Mursiyati (2019), which state that an independent board of commissioners does not influence tax avoidance. This is in contrast to previous research conducted by Pratomo & Rana (2021) and Wati & Astuti (2020), which stated that an independent board of commissioners had a negative impact on tax avoidance. This is in contrast to previous research conducted by Dewi (2019) and Eksandy (2017), which stated that an independent board of commissioners positively influences tax avoidance.

The Effect of Institutional Ownership on Tax Avoidance

This study tests the hypothesis to demonstrate the negative influence of institutional ownership on tax avoidance. The regression results in table 6 indicate that institutional ownership has a positive impact on ETR or a negative effect on tax avoidance. This is shown by the institutional ownership's significant value of 0.022<0.05, with a t-value of 2.301 and a B-value of 0.027. The conclusion may be drawn based on the significance value and the t-value, which indicate that the hypothesis stating that institutional ownership has a negative effect on tax avoidance is supported.

Institutional ownership refers to the ownership of shares held by external institutional entities. Increased institutional ownership leads to enhanced company management oversight, reducing management's tax avoidance practices (Pratomo & Rana, 2021). Increased institutional ownership may provide more effective company oversight by enabling control over every manager's decision, reducing tax avoidance practices.

This aligns with the agency theory, a contractual agreement between the principal (shareholders) and the agent (company manager). Agency theory posits that principals' high level of ownership tends to provide more optimum supervision in managing corporate performance. Institutional ownership is crucial in structuring corporate governance to effectively monitor and oversee management decisions regarding tax avoidance activities, mitigating agency problems, and monitoring managerial activities (Lastyanto & Setiawan, 2022). The higher the institutional shareholders, the more likely the company's management would reduce tax avoidance practices.

The findings of this study are consistent with the research conducted by (Lastyanto & Setiawan, 2022), Pratomo & Rana (2021), and Charisma & Dwimulyani (2019), which state that institutional ownership has a negative influence on tax avoidance. This contrasts with previous research conducted by Putri & Lawita (2019) and Nurmawan & Nuritomo (2022), which stated that institutional ownership of tax avoidance has a positive influence.

The Influence of Profitability on Tax Avoidance

This study tests the hypothesis to demonstrate the positive impact of profitability on tax avoidance. The regression results in table 6 indicate that profitability has a negative effect on ETR or a positive impact on tax avoidance. This is shown by the profitability's significant value of 0.025<0.05, with a t-value of -2.264 and a B-value of -0.097. The conclusion may be drawn based on the significance value and the t-value, which indicate that the hypothesis stating that profitability positively affects tax avoidance is supported.

Profitability is a key indicator used to measure the performance of a company's management in effectively managing its assets and generating profits or returns on investments (Rosiani & Honesty, 2023). A high level of profitability indicates that the company's performance is improving in attracting principal capital to purchase its shares. When there is a high profit, the tax to be paid also increases. If the company's tax expenses are high, the company will tend to minimize the taxes paid by engaging in tax avoidance measures (Saputra, 2023).

This is consistent with the agency theory, which describes the conflicting interests or asymmetric information between the principal and the agent. When the profit is high, the tax burden that has to be paid also increases. The manager, acting as an agent, will endeavor to increase profits and minimize tax burdens by engaging in tax avoidance via using depreciation expenses as a deduction from taxable income. This will make the principal satisfied with the agent's performance (Tanjaya & Nazir, 2021).

The findings of this study are consistent with the research conducted by Novriyanti & Dalam (2020), Tanjaya & Nazir (2021), and Sudibyo (2022), which state that profitability has a positive influence on tax avoidance. This is in contrast to previous research conducted by Anggriantari & Purwantini (2020) and Sari & Marsono (2020), which stated that profitability negatively influences tax avoidance.

The Effect of Leverage on Tax Avoidance

This study tests the hypothesis to demonstrate the negative impact of leverage on tax avoidance. The regression results in table 6 indicate that leverage has a positive effect on ETR or a negative effect on tax avoidance. This is shown by the significant leverage value, 0.000<0.05, with a t-value of 3.552 and a B-value of 0.062. The conclusion may be drawn based on the significance value and the t-value, which indicate that the hypothesis stating that leverage has a negative effect on tax avoidance is supported.

Leverage refers to the amount of debt that might result in interest costs. According to Nugroho et al. (2022), when the leverage increases with high-interest costs, it might reduce taxable income, as stated in Law No. 36 of 2008 on Income Tax. As a result, companies tend to decrease tax avoidance measures. As leverage increases, a company's tax avoidance level decreases (Sulaeman, 2021).

This aligns with the agency theory, which describes the differing interests or information asymmetry between the company's owners (principals) and its management (agents). The principal is expected to closely supervise all actions

the management takes to ensure that they do not take actions that are just oriented towards personal interests. Despite the increasing indebtedness, the company's management engages in tax avoidance by incurring interest expenses on the debt (Putri & Dwija, 2017). As leverage increases, a company's tax avoidance level will decrease (Sulaeman, 2021).

The findings of this study are consistent with the research conducted by Sulaeman (2021) and Nugroho et al. (2022), which indicate that leverage has a negative impact on tax avoidance. This is in contrast to previous research conducted by Putri & Dwija (2017) and Ratnasari & Nuswantara (2020), which stated that leverage has a positive effect on tax avoidance, while Rifai & Atiningsih (2019) indicated that leverage does not have an impact on tax avoidance.

6. Conclusions

This study aims to ascertain the impact of an autonomous board of commissioners, institutional ownership, profitability, and leverage on the practice of tax avoidance. This study utilizes a dataset of yearly financial reports from manufacturing companies publicly listed on the IDX. The sample data consists of 181 annual financial reports spanning five years, specifically from 2018 to 2022. The research used multiple linear regression analysis with the SPSS version 20 software.

After conducting data analysis and conversations, it may be inferred that the variable of an independent board of commissioners does not exert any influence on tax evasion. The variable of institutional ownership has a beneficial impact on the effective tax rate (ETR) or a negative effect on tax avoidance. The profitability variable hurts the effective tax rate or negatively impacts tax avoidance. The variable "leverage" has a beneficial effect on the effective tax rate or a negative impact on tax avoidance.

The research is expected to provide an overview of the factors influencing tax avoidance behavior. For future research, it is recommended to include other variables such as inventory intensity, transfer price, executive share ownership, fiscal loss compensation, and other variables. Furthermore, it is expected to expand the company's sector and extend the research duration for better outcomes.

References:

Anggie, M., & Mahpudin, E. (2024). Pengaruh Profitabilitas, Leverage dan

Ukuran Perusahaan Terhadap Tax Avoidance Pada Perusahaan Manufaktur Sektor Barang Konsumsi Subsektor Makanan dan Minuman di Bursa Efek Indonesia Periode 2018- 2022. *Jurnal Ilmiah Wahana Pendidikan*, *10*(April), 656–664. https://doi.org/https://doi.org/10.5281/zenodo.11112250

Anggriantari, C. D., & Purwantini, A. H. (2020). Pengaruh Profitabilitas , Capital Intensity, Inventory Intensity, Dan Leverage Pada. *Business and Economics Conference in Utilization of Modern Technology*, *5*(8), 137–153.

Ayem, S., & Sari, A. I. (2021). Faktor – Faktor Yang Mempengaruhi Penghindaran Pajak Pada Perusahaan Pertambangan Di Bursa Efek Indonesia. *Media Akuntansi Perpajakan*, *6*(2), 1–16. https://journal.uta45jakarta.ac.id/index.php/MAP/article/view/5116

Borghesi, R., Chang, K., & Li, Y. (2019). Firm value in commonly uncertain times: the divergent effects of corporate governance and CSR. *Applied Economics*, *51*(43), 4726–4741. https://doi.org/10.1080/00036846.2019.1597255

Charisma, R. B., & Dwimulyani, S. (2019). Pengaruh Struktur Kepemilikan Terhadap Tindakan Penghindaran Pajak Dengan Kualitas Audit Sebagai Variabel Moderating. *Prosiding Seminar Nasional Pakar*, 1–10. https://doi.org/10.25105/pakar.v0i0.4308

Dewi, N. M. (2019). Pengaruh Kepemilikan Institusional, Dewan Komisaris Independen dan Komite Audit terhadap Penghindaran Pajak (Tax Avoidance) pada Perusahaan Perbankan yang Terdaftar di Bursa Efek Indonesia Periode 2012-2016. *Maksimum Media Akuntansi UMS*, *9*(2), 171–189. https://doi.org/https://dx.doi.org/10.26714/mki.9.1.2019.172-189

Dewi, S. L., & Oktaviani, R. M. (2021). Pengaruh Leverage, Capital Intensity, Komisaris Independen Dan Kepemilikan Institusional Terhadap Tax Avoidance. *Akurasi : Jurnal Studi Akuntansi Dan Keuangan*, *4*(2), 179–194. https://doi.org/10.29303/akurasi.v4i2.122

Dyreng, S. D., Hanlon, M., & Maydew, E. L. (2019). When does tax avoidance result in tax uncertainty? *Accounting Review*, *94*(2), 179–203. https://doi.org/10.2308/accr-52198

Dyreng, S. D., Jacob, M., Jiang, X., & Müller, M. A. (2022). *Tax incidence and tax avoidance* (75; Issue 75). https://doi.org/Dyreng, Scott and Jacob, Martin and Jiang, Xu and Müller, Maximilian A., Tax Incidence and Tax Avoidance (December 6, 2021). TRR 266 Accounting for Transparency Working Paper Series No. 75, Available at SSRN: https://ssrn.com/abstract=4030515 or http://dx.doi.org/10.2139/ssrn.4030515

Eksandy, A. (2017). Pengaruh Komisaris Independen, Komite Audit, Dan Kualitas Audit Terhadap Penghindaran Pajak (Tax Avoidance) (Studi

Empiris Pada Sektor Industri Barang Konsumsi yang terdaftar di Bursa Efek Indonesia Periode 2010-2014). *COMPETITIVE Jurnal Akuntansi Dan Keuangan*, *1*(1), 1. https://doi.org/10.31000/competitive.v1i1.96

Ghozali, I. (2016). *Aplikasi Analisis Multivariate dengan program SPSS*. Badan Penerbit Universitas Diponegoro, Semarang.

Ghozali, I. (2018). *Aplikasi Analisis Multivariate Dengan Program IBM SPSS 25* (9th ed.). Badan Penerbit Universitas Diponegoro.

Honggo, K., & Marlinah, A. (2019). Pengaruh Ukuran Perusahaan, Umur Perusahaan, Dewan Komisaris Independen, Komite Audit, Sales Growth, dan Leverage terhadap Penghindaran Pajak. *Jurnal Bisnis Dan Akuntansi*, *21*(1), 9–26. https://doi.org/10.34208/jba.v21i1a-1.705

Ichwan, & Novitasari, S. A. (2022). Pengaruh Intensitas Modal , Profitabilitas Dan Leverage Terhadap Tax Avoidance (Study Empris Perusahaan Manufaktur Sub Sektor Makanan dan Minuman di Bursa Efek Indonesia Tahun 2014-2018). *Jurnal GICI Keuangan Dan Bisnis*, *14*(2). https://doi.org/https://doi.org/10.58890/jkb.v14i2.56

Kasmir. (2019). *Analisis Laporan Keungan* (Pertama). PT Raja Grafindo Persada.

Lastyanto, W. D., & Setiawan, D. (2022). Pengaruh Kepemilikan Institusional Terhadap Penghindaran Pajak Perusahaan Manufaktur Di Indonesia (2017-2019). *Jurnal Akuntansi Trisakti*, *9*(1), 71–84. https://doi.org/http://dx.doi.org/10.25105/jat.v9i1.12717

Mardiasmo. (2016). *Perpajakan*. Andi.

Mardiasmo. (2018). *Perpajakan Edisi Terbaru 2018*. ANDI.

Napitupulu, I. H., Situngkir, A., & Arfani, C. (2020). Pengaruh Transfer Pricing Dan Profitabilitas Terhadap Tax Avoidance. *Kajian Akuntansi*, *21*(2), 126–141.

Novriyanti, I., & Dalam, W. W. W. (2020). Faktor-Faktor yang Mempengaruhi Penghindaran Pajak. *Journal of Applied Accounting and Taxation*, *5*(1), 24–35.

Nugroho, A. C., Mulyanto, & Afifi, Z. (2022). Pengaruh Financial Distress, Leverage, Sales Growth, Manajemen Laba, Dan Intensitas Aset Tetap Terhadap Penghindaran Pajak (Studi Empiris Pada Perusahaan Manufaktur Yang Terdaftar Dibei Selama Tahun 2018-2021). *Jurnal ECONOMICA*, *1*(2).

Nurmawan, M., & Nuritomo. (2022). Pengaruh struktur kepemilikan terhadap penghindaran pajak. *NCAF*, *4*(1976), 5–11. https://doi.org/10.20885/ncaf.vol4.art2

Pohan, H. T., Noor, I. N., & Bhakti, Y. F. (2019). Pengaruh Profitabilitas Dan Pengungkapan Corporate Social Responsibility Terhadap Nilai Perusahaan Dengan Ukuran Perusahaan Sebagai Variabel Moderasi. *Jurnal Akuntansi Trisakti*, *5*(1), 41–52. https://doi.org/10.25105/jat.v5i1.4850

Pratomo, D., & Rana, R. A. (2021). Pengaruh Kepemilikan Institusional, Komisaris Independen Dan Komite Audit Terhadap Penghindaran Pajak. *JAK (Jurnal Akuntansi) Kajian Ilmiah Akuntansi*, *8*(1), 91–103. https://doi.org/10.30656/jak.v8i1.2487

Putri, A. A., & Lawita, N. F. (2019). Pengaruh Kepemilikan Institusional dan Kepemilikan Manajerial Terhadap Penghindaran Pajak. *Jurnal Akuntansi & Ekonomika*, *9*(1), 68–75. https://ejurnal.umri.ac.id/index.php/jae/article/view/1341

Putri, G. A. W. L., & Dwija, I. G. A. . A. (2017). Pengaruh Corporate Governance, Koneksi Politik, Dan Leverage Terhadap Penghindaran Pajak. *E-Jurnal Akuntansi*, *Vol 18 No 3 (2017)*, 2028–2054. https://ojs.unud.ac.id/index.php/Akuntansi/article/view/25562/18038

Putri, T. E. E. (2018). *Pengaruh Karakteristik Perusahaan Terhadap Tax Avoidance (Studi pada Perusahaan Pertambangan yang Terdaftar di Bursa Efek Indonesia Tahun 2014-2017)*. Universitas Brawijaya.

Rajagukguk, B., Joharindu, V. A., & Adi, P. H. (2020). Pengaruh Tax Avoidance Dan Kinerja Keuangan Terhadap Nilai Perusahaan Dengan Kepemilikan Institusional Sebagai Pemoderasi. *Jurnal Akuntansi & Ekonomi*, *5*(2), 58–70. https://doi.org/https://doi.org/10.29407/jae.v5i2.14378

Ratnasari, D., & Nuswantara, D. A. (2020). Pengaruh Kepemilikan Institusional Dan Leverage Terhadap Penghindaran Pajak (Tax Avoidance). *AKUNESA: Jurnal Akuntansi Unesa*, *09*(01). https://journal.unesa.ac.id/index.php/akunesa

Rifai, A., & Atiningsih, S. (2019). Pengaruh Leverage, Profitabilitas, Capital Intensity, Manajemen Laba Terhadap Penghindaran Pajak. *ECONBANK*, *1*(2).

Rosiani, R., & Honesty, F. F. (2023). Pengaruh Likuiditas, Leverage, Profitabilitas, dan Good Corporate Governance terhadap Risk Management Disclosure. *Jurnal Eksplorasi Akuntansi (JEA)*, *5*(4), 1364–1381. https://doi.org/https://doi.org/10.24036/jea.v5i4.1055

Sahrir, S., Syamsuddin, S., & Sultan, S. (2021). Pengaruh Koneksi Politik, Intensitas Aset Tetap, Komisaris Independen, Profitabilitas Dan Leverage Terhadap Tax Avoidance. *Jurnal Penelitian Ekonomi Akuntansi (JENSI)*, *5*(1), 14–30. https://doi.org/10.33059/jensi.v5i1.3517

Salamah, R. (2018). *Pengaruh good corporate governance terhadap penghindaran pajak perusahaan pada perusahaan yang terdaftar di LQ45*. UIN Malang.

Saputra, P. (2023). Efek Moderasi Kebijakan Dividen Pada Pengaruh Tax Avoidance Terhadap Nilai Perusahaan. *Jurnal Literasi Akuntansi*, *3*(2), 100–115. https://doi.org/10.55587/jla.v3i2.92

Sari, E. D. P., & Marsono, S. (2020). Pengaruh Profitabilitas, Leverage, Dan Ukuran Perusahaan Terhadap Penghindaran Pajak Pada Perusahaan

Sektor Industri Barang Konsumsi Yang Terdaftar Di Bei Tahun 2016-2018. *Aktual: Journal of Accounting And Financial*, *5*(1), 45–52.

Sarra, H. D. (2017). Pengaruh Konservatisme Akuntansi, Komite Audit Dan Dewan Komisaris Independen Terhadap Penghindaran Pajak (Studi Empiris Pada Industri Kimia dan Logam di Bursa Efek Indonesia Periode 2010-2014). *COMPETITIVE Jurnal Akuntansi Dan Keuangan*, *1*(1), 63. https://doi.org/10.31000/competitive.v1i1.108

Sarwono, A. A., Hapsari, D. W. H. D. W., & Nurbaiti, A. (2018). Pengaruh Profitabilitas, Leverage Dan Ukuran Perusahaan Terhadap Pengungkapan Manajemen Risiko. *E-Proceeding of Management*, *5*(1), 769–777. https://core.ac.uk/download/pdf/299921796.pdf

Setiani, D., Safitri, Y., & Meyla, D. N. (2023). Pengaruh Inventory Intensity, Capital Intensity Dan Ukuran Perusahaan Terhadap Effective Tax Rate (ETR) (Studi Perusahaan Pertambanggan Pada Bursa Efek Indonesia (2017-2019). *Pareso Jurnal*, *5*(1), 51–74. https://ejurnal-unespadang.ac.id/index.php/PJ/article/view/840

Suandy, E. (2018). *Hukum Perpajakan* (7th ed.). Salemba Empat.

Sudibyo, H. H. (2022). Pengaruh Profitabilitas, Leverage, Dan Pertumbuhan Penjualan Terhadap Penghindaran Pajak. *JAMAN*, *2*(1), 78–85. https://doi.org/https://doi.org/10.56127/jaman.v2i1.211

Sulaeman, R. (2021). Pengaruh Profitabilitas, Leverage Dan Ukuran Perusahaan Terhadap Penghindaran Pajak (Tax Avoidance). *Syntax Idea*, *3*(2), 354–367. https://doi.org/https://doi.org/10.46799/syntax-idea.v3i2.1050

T Vega, T. (2022). Pengaruh Perencanaan Pajak, Ukuran Perusahaan, dan Financial Leverage Terhadap Manajemen Laba (Studi Kasus Pada Perusahaan Manufaktur Sektor Industri Barang dan KonsumsiYang Terdaftar Di Bursa Efek Indonesia Tahun2015-2019). *Global Accounting: Jurnal Akuntansi*, *1*(1), 58–62.

Tanjaya, C., & Nazir, N. (2021). Pengaruh profitabilitas, leverage, pertumbuhan penjualan, dan ukuran perusahaan terhadap penghindaran pajak. *Jurnal Akuntansi Trisakti*, *8*(2), 189–208. https://doi.org/http://dx.doi.org/10.25105/jat.v8i2.9260

Verawaty, Merina, C. I., & Lastari, S. A. (2017). Pengaruh Intellectual Capital, Earnings Management, Tax Avoidance Terhadap Nilai Perusahaan dengan GCG sebagai Pemoderasi. *Jurnal Ilmiah MBiA*, *16*(2), 79–94.

Wardani, D. K., & Dodok, A. J. (2022). Pengaruh Corporate Governance Terhadap Agresivitas Pajak Dengan Pengungkapan Corporate Social Responsibility Sebagai Variabel Moderasi. *EBISMEN : Jurnal Ekonomi, Bisnis Dan Manajemen*, *1*(3), 1–15. https://medium.com/@arifwicaksanaa/pengertian-use-case-a7e576e1b6bf%0Ahttps://journal.unimar-amni.ac.id/index.php/EBISMEN/article/view/51

Wardani, D. K., & Mursiyati. (2019). Pengaruh Profitabilitas, Komisaris Independen, Komite Audit, Dan CSR Terhadap Tax Avoidance. *Jurnal Akuntansi*, *7*(2), 127–136. https://doi.org/10.26460/ja.v7i2.806

Wati, E. M. L., & Astuti, S. (2020). Pengaruh Profitabilitas , Good Corporate Governance dan Intensitas Modal Terhadap Penghindaran Pajak pada Perusahaan Pertambangan Sektor Batu Bara di Bursa Efek Indonesia Periode 2016-2018. *Jurnal Ilmiah Mahasiswa Manajemen, Bisnis Dan Akuntansi*, *2*(4), 641–654. https://doi.org/https://doi.org/10.32639/jimmba.v2i4.619