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WHAT DRIVES TAX AVOIDANCE? PROFITABILITY AND GOVERNANCE IN INDONESIA'S MANUFACTURING SECTOR

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ABSTRACT

This study takes a look at the manufacturing firms listed on the Indonesia Stock Exchange (IDX) from 2021 to 2023 and how tax avoidance is related to all these other aspects. Among these considerations are the company's size, profitability, audit committee make-up, percentage of independent commissioners, and ownership by institutions. Although tax avoidance is legally permitted, it remains controversial due to its potential to reduce state tax revenues and signal weak corporate governance. The variables examined represent financial performance and governance structures to explore their impact on tax behavior. The study employs a quantitative approach using a causal-comparative design. A total of 59 manufacturing firms were selected through purposive sampling, resulting in 177 firm-year observations. Secondary data were obtained from audited annual reports. The natural logarithm of total assets is used to evaluate firm size, return on assets (ROA) is used to reflect profitability, and the effective tax rate (ETR) is used to show tax evasion. The data analysis validated the model using multiple linear regression and conventional assumption tests. The data demonstrate that profitability significantly enhances tax avoidance, indicating that highly successful enterprises are more inclined to reduce their tax liabilities through avoidance strategies. Corporate size, the proportion of independent commissioners, institutional ownership, and the audit committee do not significantly impact tax evasion operations. The findings indicate that the rules and systems within a company might not be strong enough to stop aggressive tax practices, as profit motives tend to take priority in how managers make tax decisions. This research adds to what is already known about the causes of tax avoidance in developing countries. Furthermore, it provides regulators and business stakeholders with pragmatic insights to enhance regulations and bolster oversight, thereby improving governance efficacy and increasing tax compliance.

Keyword: Profitability, Audit Committee, Institutional Ownership, Independent Commissioners, Firm Size, Tax Avoidance

I. INTRODUCTION

Taxes play a crucial role in financing national development, contributing over 75% of the State Budget (APBN), according to the Ministry of Finance of Indonesia (2023). Taxes support public services, infrastructure development, and poverty alleviation. However, for businesses, taxes are often seen as a burden that reduces net

profit and cash flow, motivating firms to adopt tax avoidance strategies. Such practices may reflect imbalances in corporate governance, as aggressive tax avoidance can damage corporate reputation and reduce contributions to the state (Richardson et al., 2019). As a result, it is important to look at how audit committees and institutional ownership affect tax avoidance as part of governance.

Tax avoidance has become a significant global issue, including in Indonesia, where large companies increasingly use various strategies, such as transfer pricing, thin capitalization, and offshore entities, to minimize tax liabilities. Two corporations that take advantage of tax havens include PT Adaro Energy Tbk and PT Astra International Tbk, according to Global Witness (2021) and the Jakarta Globe (2019). Despite its legality, tax avoidance's impact on state finances and corporate reputation remains a concern. This study aims to analyze tax avoidance in Indonesia by looking at the various corporate governance frameworks in the country.

The Asian Agri tax scandal, revealed through financial statement manipulation, demonstrates that tax avoidance can lead to legal risks and reputational damage (Santoso et al., 2022). Meanwhile, the Indonesian government has implemented reforms to enhance tax compliance, including tax amnesty programs, integration of the DJP Online system, and adoption of the OECD's BEPS framework (OECD, 2021).With increasing regulatory pressure, tax avoidance practices should be curbed through good corporate governance mechanisms. According to agency theory (Jensen & Meckling, 1976), tax avoidance reflects managerial opportunism that may conflict with shareholders' interests. Profitability, business size, audit committee presence, institutional ownership, and the percentage of independent commissioners are standard indicators used to evaluate the effectiveness of internal controls over tax techniques.
Previous studies have yielded inconsistent results. While some studies have shown that profitability reduces tax avoidance, others have failed to find any such correlation (Rahmayani et al., 2021; Khan & Sheikh, 2021; Azizah, 2023). The audit committee variable also showed mixed results, with some studies reporting negative effects (Serafim et al., 2021) and others no significant relation (Tamara, 2020; Muslim et al., 2023). Institutional ownership and independent commissioners sometimes act as monitoring mechanisms (Tarmizi & Perkasa, 2022; Hudha & Utomo, 2021), but other studies found no significant impact (Frahmadhanie & Pusposari, 2023; Ningrum & Napisah, 2023).

This gap forms the basis of the present study. First, there is no academic consensus on how internal firm characteristics (profitability, board structure, ownership) influence tax avoidance, especially in emerging markets like Indonesia. Second, few studies simultaneously examine these factors in the manufacturing sector during the pandemic and post-pandemic period, which significantly affected financial stability and fiscal policy.

In order to determine if factors such firm size, profitability, audit committee, independent commissioners, and institutional ownership are linked to tax avoidance, from 2021 through 2023, this research will examine industrial enterprises that are listed on the Indonesia Stock Exchange. It seeks to contribute theoretically by enhancing understanding of tax avoidance determinants within corporate governance and to

provide practical implications for policymakers and industry players to improve transparency and tax compliance.

II. LITERATURE REVIEW

2.1 Agency Theory

Agency theory is the main theoretical framework that this study utilizes. According to agency theory, which was put forth by Jensen and Meckling in 1976, there are frequently conflicts of interest resulting from information asymmetry in the contractual connection between principals and agents. When it comes to tax avoidance, the goal is for management to minimize tax liabilities in order to maximize net profits and bonuses, or performance evaluations, even if these conflict with shareholders' interests prioritizing legal compliance and long-term reputation (Lanis & Richardson, 2017).

In order to prevent aggressive tax avoidance tactics and other opportunistic managerial behaviors, effective corporate governance processes including internal audits, board structures, and institutional ownership are essential (Minnick & Noga, 2018). However, the effectiveness of each governance element remains debated in previous research. The aim of this research is determine if factors such firm size, profitability, audit committee, independent commissioners, and institutional ownership are linked to tax avoidance, as depicted in the conceptual framework as follows.

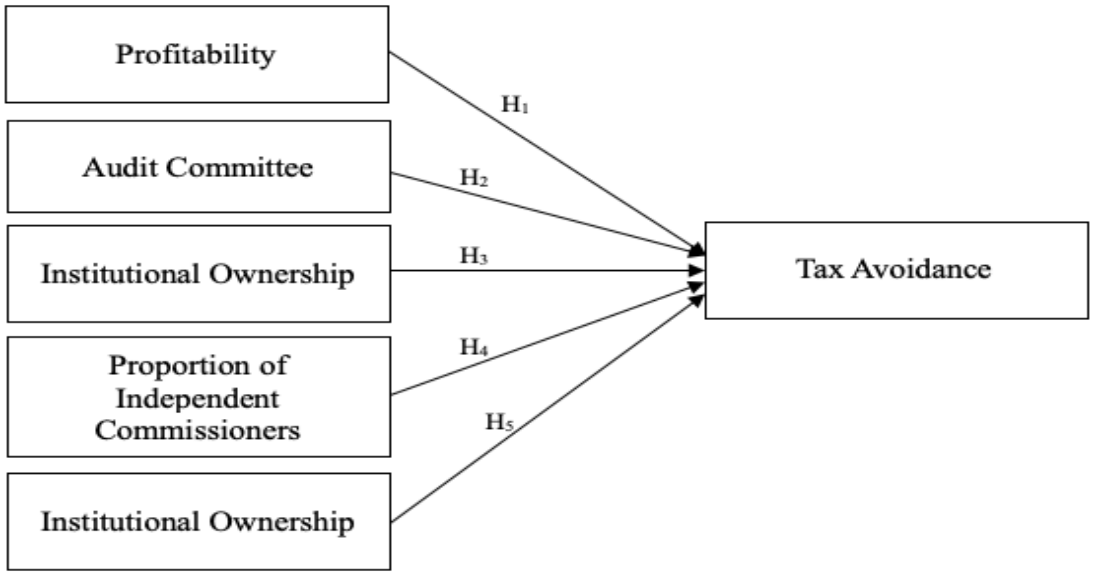

Figure 1.
Research Conceptual Framework

2.2 Hypotesis Development

The following is the development of this research hypothesis:

1) Profitability and Tax Avoidance

This hypothesis is grounded in Agency Theory, which explains the relationship between principals (shareholders) and agents (managers) within a corporate structure.

According to Jensen and Meckling (1976), conflicts of interest often arise due to the separation of ownership and control. Managers, who are tasked with running the firm on behalf of the owners, may not always act in the best interests of shareholders—particularly when their compensation or job security is tied to financial performance indicators such as profitability.

In highly profitable firms, the incentive to engage in tax evasion may increase. This is because higher profits typically lead to higher corporate tax liabilities. Managers may attempt to reduce these obligations through aggressive tax planning or even illegal tax evasion, thereby artificially inflating net income or retaining more internal funds. This action can be perceived as a strategic effort to meet earnings targets, enhance financial ratios, or secure performance-based bonuses.

From the agency perspective, such behavior represents an opportunistic action by agents seeking personal gain at the expense of legal compliance or long-term shareholder value. The lack of direct oversight, coupled with information asymmetry between managers and owners, may enable such behavior to occur—particularly in environments where enforcement mechanisms are weak or corporate governance is less effective.Profitability reflects financial performance and is a key determinant in tax planning. Highly profitable firms face higher tax burdens, incentivizing aggressive tax planning to reduce fiscal liabilities (Rahmayani et al., 2021; Khan & Sheikh, 2021). Conversely, profitable firms might be cautious to avoid reputational risks. Prior studies show mixed results; some indicate a significant positive effect (Putri & Suwardi, 2022), others find no significant impact (Azizah, 2023).

H1: Profitability positively affects tax evasion in manufacturing firms listed on the Indonesia Stock Exchange from 2021 to 2023.

2) Audit Committee and Tax Avoidance

Audit committees oversee financial reporting integrity, regulatory compliance, and prevent manipulative practices like tax avoidance. Agency theory suggests an effective audit committee reduces information asymmetry and limits managerial opportunism (Yustin & Effendi, 2021). However, effectiveness depends on independence, competence, and meeting frequency. Previous studies report mixed findings: some find a negative effect (Serafim et al., 2021; Nugraheni et al., 2018), others find no significant relationship (Muslim et al., 2023).

H2: The audit committee adversely impacts tax avoidance in manufacturing firms listed on the Indonesia Stock Exchange from 2021 to 2023.

3) Institutional Ownership and Tax Avoidance

Companies' policies, including tax strategies, are evaluated by the analytical resources of institutions such as pension funds, mutual funds, and banks, which serve as an external monitoring mechanism due to institutional ownership (Mollah & Hossain, 2022). Some research finds higher institutional ownership reduces tax avoidance (Tarmizi & Perkasa, 2022), while others argue institutions may tolerate tax avoidance if it yields short-term returns (Praptama & Dewi, 2022).

H3: Institutional ownership adversely affects tax avoidance in manufacturing firms listed on the Indonesia Stock Exchange from 2021 to 2023.

4) Proportion of Independent Commissioners and Tax Avoidance

The impartiality of supervision is upheld by independent commissioners, bridging management and shareholders' interests. A higher proportion may strengthen controls and prevent managerial deviation, including in tax matters (Hudha & Utomo, 2021). However, effectiveness can be limited by lack of tax expertise or dependence on management-provided information. Some studies find negative influence (Ginting et al., 2020), others find no significant effect (Rahmi, 2021).

H4: Manufacturing enterprises listed on the Indonesia Stock Exchange from 2021 to 2023 are negatively impacted by the ratio of independent commissioners when it comes to tax evasion.

5) Firm Size and Tax Avoidance

Firm size reflects operational scale, capital structure, and resource capacity. Larger firms may have complex financial and tax systems, enabling sophisticated tax avoidance strategies (Wibowo et al., 2021). Conversely, larger firms face higher public scrutiny, potentially deterring aggressive tax planning (Zhao & Zhang, 2023). Evidence from previous research is mixed, ranging from favorable (Nathania et al., 2021) to negative (Zhu et al., 2019) to inconsequential (Cahyono et al., 2016).

H5: The size of a firm affects tax evasion in manufacturing companies listed on the Indonesia Stock Exchange from 2021 to 2023.

III. RESEARCH METHODOLOGY

Between 2021 and 2023, this causal-comparative quantitative study looked at manufacturing companies listed on the IDX to see if there was a link between tax evasion and a few key characteristics. Profitability, size of the business, independent commissioners, audit committees, and institutional ownership are some of the variables that are taken into consideration. From the 59 organizations that were chosen using purposive selection, a grand total of 177 firm-year observations were retrieved. Secondary data was sourced from the firms' annual reports, which may be accessed on the IDX website (www.idx.co.id). According to Richardson et al. (2019), a lower number for the Effective Tax Rate (ETR) indicates more tax evasion. Profitability is shown by Return on Assets (ROA), whereas governance factors include things like the ratio of independent commissioners to audit committee members and the number of members on the audit committee. In line with previous research (Putri & Suwardi, 2022; Wibowo et al., 2021), the collection of explanatory variables consists of institutional ownership and firm size, with the latter measured by the natural logarithm of total assets.

Data analysis was conducted by multiple linear regression utilizing SPSS 26, following traditional assumption tests including normality, multicollinearity, heteroscedasticity, and autocorrelation to verify model validity and robustness (Ghozali, 2018). This stringent methodology facilitates dependable analysis of the correlations among corporate governance, financial performance, and tax avoidance within the Indonesian manufacturing sector, providing significant empirical evidence for both scholars and practitioners.

IV. RESULTS AND DISCUSSION

4.1 Results

To provide a synopsis of the study's data, descriptive statistics was employed. The means, standard deviations, minimums, and maximums of all the research variables are displayed in Table 1.

Table 1
Results of Descriptive Statistical Tests
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
ETR	177	-5,35	41,13	0,4719	3,17185
ROA	177	-0,95	0,31	0,0377	0,10555
AC	177	3,00	5,00	3,1582	0,44956
INSTOWN	177	0,02	1,00	0,6629	0,23681
INDCOM	177	0,25	1,00	0,4190	0,12157
SIZE	177	12,81	30,94	22,9784	5,23587
Valid N (listwise)	177				

Source: Processed Data (2024)

Companies listed on the Indonesia Stock Exchange that are involved in manufacturing had 177 observations examined between 2021 and 2023. Table 1 displays the data. Each research variable's minimum, maximum, mean, and standard deviation are part of the descriptive statistics, which offer a first impression of the data's qualities. This is the detailed explanation for every variable:

1) Effective Tax Rate (ETR)
   On a scale from -5.35 to 41.13, the ETR values are distributed as follows: mean 0.4719, standard deviation 3.17185. The mean near zero, along with the substantial variance, signifies considerable disparities in tax effectiveness among corporations, illustrating differing levels of tax avoidance.
2) Return on Assets (ROA)
   A ROA of 0.0377 with a standard deviation of 0.10555 ranges from a low of -0.95 to a high of 0.31. The comparatively low average indicates that the tested enterprises have modest profitability levels, with significant diversity among firms.
3) Audit Committee (AC)
   With an average of 3.1582, and a standard deviation of 0.44956, the audit committee is comprised of three to five members. It appears that the number of audit committee members is quite consistent among organizations, as indicated by the stable mean and limited fluctuation.

4) Institutional Ownership (INSTOWN)
The ratio of independent commissioners varies from 0.25 to 1.00, with an average of 0.4190 and a standard deviation of 0.12157. This signifies that most companies possess a ratio of independent commissioners exceeding the minimum standard, albeit with limited diversity.
5) Proportion of Independent Commissioners (INDCOM)
The average proportion of independent commissioners is 0.4190, with a standard deviation of 0.12157, and their proportions range from 0.25 to 1.00. This means that alongside moderate diversity, most corporations have a proportion of independent commissioners that is higher than the minimum need.
6) Firm Size (SIZE)
The size of the firm, quantified as the natural logarithm of total assets, varies from 12.81 to 30.94. Corporate asset scale varies significantly across the analyzed organizations, with a mean of 22.9784 and a standard deviation of 5.23587. This diversity reflects differences in organizational structure and operational skills.

Table 2
Results of Multiple Linear Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	Constant	-2.007	1.578		-1.271	0.205		
	ROA	1.894	0.135	0.734	14.045	<0.001	0.979	1.021
	AC	0.392	0.371	0.056	1.056	0.293	0.966	1.035
	INSTOWN	0.337	0.706	0.025	0.477	0.634	0.964	1.038
	INDCOM	2.194	1.370	0.084	1.602	0.111	0.970	1.031
	SIZE	-0.012	0.032	-0.020	-.374	0.709	0.976	1.025

Source: Processed Data (2024)

According to Table 2, the subsequent multiple linear regression model equation can be established:

ETR = -2,007 + 1,894 ROA + 0,392 AC + 0,337 INSTOWN + 2,194 INDCOM - 0,012 SIZE + e

The regression equation can be interpreted as follows:

1. The constant of -2.007 signifies that if all independent variables (ROA, Audit Committee, Institutional Ownership, Independent Commissioners, and Firm Size) are maintained at zero, the anticipated Effective Tax Rate (ETR) would be -2.007. Although this value has no absolute practical meaning since financial variables cannot realistically be zero, the constant remains mathematically relevant within the model.
2. The positive and significant impact of profitability on ETR is demonstrated by the ROA regression coefficient of 1.894 and a significance level below 0.001 ($p < 0.05$). This means that, everything else being equal, the ETR increases by 1.894 points for every one-unit increase in ROA. The implication is that companies

with higher profits either pay a proportionally higher amount in taxes or are more careful when trying to avoid paying them.

3. The number of audit committee members does not appear to have any noticeable impact on ETR, as indicated by a significance level of 0.293 (> 0.05) and an audit committee regression coefficient of 0.392. Hence, there is no statistically significant relationship between the degree of tax avoidance and the presence or size of the audit committee.
4. The regression coefficient for institutional ownership is 0.337, with a significance level of 0.634 (> 0.05), indicating that institutional ownership does not significantly affect ETR. The proportion of shares owned by institutions does not directly affect the company's likelihood of paying lower or higher taxes.
5. There is no significant relationship between the fraction of independent commissioners and ETR, as the regression coefficient for this variable is 2.194 and the significance threshold is 0.111 (> 0.05). The positive association is not statistically significant, even if it exists.
6. With a significance level of 0.709 (> 0.05) and a regression coefficient of -0.012, firm size does not appear to have a meaningful impact on ETR. Therefore, there is no significant correlation between the size of the enterprises in our sample and the effectiveness of corporate tax payments.

Table 3
Normality Test Results
One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		177
Normal Parameters[a,b]	Mean	0,0000000
	Std. Deviation	2,14475627
Most Extreme Differences	Absolute	0,148
	Positive	0,093
	Negative	-0,148
Test Statistic		0,148
Asymp. Sig. (2-tailed)[c]		0,081

Source: Processed Data (2024)

The normality test yielded findings that are larger than the significance threshold of 0.05 (Asymp. Sig. = 0.081, as shown in Table 3). That the research's regression model was suitable is supported by the fact that the residuals must adhere to a normal distribution.

Table 4
Heteroscedasticity Test
Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	41,172	49,312		0,835	0,405

	ROA	-0,043	4,212	-0,001	-0,010	0,992
	AC	-5,811	11,598	-0,039	-0,501	0,617
	INSTOWN	23,102	22,043	0,081	1,048	0,296
	INDCOM	-9,909	42,791	-0,018	-0,232	0,817
	SIZE	-1,231	0,991	-0,095	-1,243	0,216

According to Table 4, the heteroscedasticity test findings reveal the significant values (Sig.) for each independent variable as follows: ROA = 0.992, Audit Committee (AC) = 0.617, Institutional Ownership (INSTOWN) = 0.296, Independent Commissioners (INDCOM) = 0.817, and Firm Size (SIZE) = 0.216, all exceeding 0.05. Consequently, it can be inferred that the regression model exhibits no issues with heteroscedasticity.

Table 5
Autocorrelation Test Results

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0,737[a]	0,543	0,529	2,17589	2,021

Source: Processed Data (2024)

An effective regression model is one that demonstrates the absence of autocorrelation. Table 5 shows that the Durbin-Watson statistic is 2.021. This finding, which falls within the range of 1.818 < 2.021 < 2.181, indicates that the model does not contain autocorrelation.

Table 6
Multicolinierity Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.737[a]	0.543	0.529	2.17589	2.021

Source: Processed Data (2024)

Table 6 indicates that the multicollinearity test results reveal tolerance levels for the ROA variable at 0.979, AC at 0.966, INSTOWN at 0.964, INDCOM at 0.970, and SIZE at 0.976, all exceeding 0.10. The VIF values for each independent variable are as follows: ROA at 1.021, AC at 1.035, INSTOWN at 1.038, INDCOM at 1.031, and SIZE at 1.025, all of which are below 10. Consequently, it can be inferred that multicollinearity is absent among the independent variables in this regression model.

Table 7
F-test Results

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	961.079	5	192.216	40.599	<.001[b]
	Residual	809.596	171	4.734		
	Total	1770.675	176			

Source: Processed Data (2024)

A significant level of less than 0.001, which is less than 0.05, was shown by an F-test result in Table 7 with a F value of 40.599. According to the chosen regression model, the dependent variable is significantly impacted by ROA, AC, INSTOWN,

INDCOM, and SIZE. The resulting regression model provides a credible explanation for the relationship between the two sets of variables.

Table 6 shows that the dependent variable, firm size, is explained 52.9% of the time by the independent variables ROA, AC, INSTOWN, INDCOM, and SIZE. The remaining 47.1 percent is explained by variables that were not considered in the regression model used for this study. A moderately strong correlation between the dependent and independent variables is shown by the R Squared score of 0.543. A Standard Error of the Estimate of 2.17589 indicates that the data are somewhat dispersed around the predicted regression line.

Table 8
T-test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	Constant	-2.007	1.578		-1.271	0.205		
	ROA	1.894	0.135	0.734	14.045	<.001	0.979	1.021
	AC	0.392	0.371	0.056	1.056	0.293	0.966	1.035
	INSTOWN	0.337	0.706	0.025	0.477	0.634	0.964	1.038
	INDCOM	2.194	1.370	0.084	1.602	0.111	0.970	1.031
	SIZE	-0.012	0.032	-0.020	-0.374	0.709	0.976	1.025

Source: Processed Data (2024)

To determine the effect of each independent variable on the dependent variable, the Effective Tax Rate (ETR), a measure for levels of tax evasion, we ran a t-test, the results of which are shown in Table 8. Here are the results for each hypothesis:

a) The belief that ROA positively affects tax evasion is one such notion. A regression coefficient of 1.894, a t-value of 14.045, and a significance level below 0.001 ($p < 0.05$) are all shown by the t-test results for ROA. The results provide credence to the idea that ROA significantly and positively affects ETR. A higher effective tax rate (ETR) is associated with more profitable firms, which may mean less tax dodging or more proportional tax contributions.
b) Second hypothesis (H2): Some have hypothesized that tax dodging is impacted by the Audit Committee (AC). Regression coefficient: 0.392, t-value: 1.056, and significance level: 0.293 (> 0.05) are the test results that the AC possesses. Therefore, we can reject H2 because the effect of AC on ETR is not statistically significant. This suggests that the presence or quantity of audit committee members has not substantially impacted company tax avoidance behaviors.
c) c. Hypothesis Three (H3) Institutional ownership (INSTOWN) is presumed to impact tax avoidance. Regression coefficient = 0.337, based on t-test findings with 0.477 t-value and 0.634 significance level (above 0.05). Since the significance level is higher than the 5% criterion, it can be concluded that the degree of tax

avoidance in the sample of companies analyzed is not significantly affected by institutional ownership (H3).

d) The fourth hypothesis (H4) suggests that there may be a correlation between tax avoidance and the percentage of independent commissioners (INDCOM). The findings demonstrate a regression coefficient of 2.194 with a t-value of 1.602 and a level of significance of 0.111 (more than 0.05). We reject H4 because, although there is a positive relationship, the finding is not statistically significant. This suggests that the existence of independent commissioners has not successfully mitigated or affected corporate tax policy.

e) The fifth hypothesis (H5) posits that company size (SIZE) negatively influences tax avoidance. Results from this study show that SIZE does not significantly affect ETR, with a t-value of -0.374, a regression coefficient of -0.012, and a level of significance of 0.709 (> 0.05). So, we reject H5, which means that the analyzed manufacturing enterprises' tendency for tax avoidance is unaffected by company size.

4.2 Discussion

1) The Effect of Profitability on Tax Avoidance

Based on the first hypothesis (H1), tax evasion is positively impacted by profitability. Using a regression value of 1.894 and a significance threshold below 0.001, the t-test findings show that profitability (ROA) has a substantial impact on tax evasion. According to Santoso et al. (2022), businesses that are very profitable often resort to tax evasion strategies in order to lower their tax liability. This is consistent with agency theory, where management seeks to increase after-tax profits through tax avoidance strategies (Jensen & Meckling, 1976). This study supports the findings of Kusuma et al. (2021) and Putri & Suwardi (2022) but differs from Haryanto et al. (2020), who stated that profitability does not have a significant effect.

2) The effect of the Audit Committee on Tax Avoidance

Based on the second hypothesis (H2), the audit committee has a negative impact on tax evasion. At the 0.634 level of significance and regression coefficient of 0.337, the findings from the t-test show that the impact is not statistically significant. This may be due to the quality and effectiveness of the audit committee, which is not yet optimal (Suardana et al., 2023). Although agency theory suggests that audit committees can reduce conflicts of interest, the results of this study do not support the findings of Budiawati (2022) and Muid (2022), who stated that audit committees harm tax avoidance, but are in line with Yudistira et al. (2021).

3) The Effect of Institutional Ownership on Tax Avoidance

The third hypothesis is that institutional ownership has a negative impact on tax evasion. The t-test findings demonstrate that the impact is not significant at the 0.938 level of significance, with a coefficient of 0.000. Institutional ownership, which is meant to keep management in check, has not been successful in reducing tax-dodging practices, possibly because companies focus more on short-term profits. These results are consistent with Krisnawati and Miftah (2019) but differ from Putri and Asyik (2019), who found that institutional ownership has a negative effect on tax avoidance.

4) The Effect of the Proportion of Independent Commissioners on Tax Avoidance

In accordance to the fourth hypothesis, tax evasion is negatively affected by the ratio of independent commissioners. Regression coefficient = 0.084 and significance level = 0.271 in the t-test results show a non-significant effect. The effectiveness of independent commissioners in overseeing corporate tax policies may not be optimal and may only be formalistic (Alamsyah & Malanua, 2021). These findings are in line with Rahmi's (2021) research, however they contradict Ginting et al. (2020), who discovered that independent commissioners hinder tax avoidance.

V. CONCLUSION

According to this study's findings, which are based on data analysis and discourse: (1)Profitability exerts a favorable and considerable influence on tax evasion. Companies that have a high return on assets (ROA) have a greater probability of being able to afford to employ tax avoidance tactics to keep their tax bill to a minimum; (2)The audit committee exerts minimal influence on tax avoidance. Despite its role as a supervisory entity, the audit committee has been ineffective in regulating tax avoidance activities among Indonesian industrial firms; (3)Tax avoidance is not significantly affected by institutional ownership. According to these findings, the control and impact of corporate taxation legislation have been unaffected by the proportion of shares held by institutions; (4)Fourth, tax avoidance is impacted by the proportion of independent commissioners. Perhaps because of their limited power or lack of knowledge on tax issues, independent commissioners have not significantly reduced tax avoidance strategies; (5)A company's size has no effect on avoidance of taxes. The magnitude of a corporation does not much affect its propensity for tax avoidance, which is likely determined by factors such as corporate governance, reputational risk, and external pressures. Overall, only profitability has been proven to significantly influence tax avoidance, while other corporate governance mechanisms have not demonstrated sufficient effectiveness in this context.

Following are a number of suggestions for future studies based on the results of this one: (1) Expansion of Research Variables, future research is recommended to include additional variables that may influence tax avoidance practices, such as tax incentive policies, capital structure, fixed asset intensity, and external pressure from stakeholders or the media. With these updates, we should be able to learn more about the factors that influence tax avoidance in different scenarios; (2) Sector Specific Approach, given the different characteristics and complexity of regulations in each sector, future research should focus its analysis on one or several specific industrial sectors, such as the financial, mining, or technology sectors. Interpretations concerning the effect of corporate governance variables on tax evasion would be more relevant and accurate if this were to happen; (3) Deepening the Dimension of Corporate Governance, the corporate governance factors examined in this study, including audit committees and independent commissioners, have not demonstrated a substantial impact. Consequently, additional research is advised to investigate more significant aspects, including the quality of internal audits, the frequency of board meetings, adherence to GCG guidelines, and the transparency of tax policies, to attain a more profound comprehension of corporate governance's role in mitigating tax avoidance.

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