International Journal of Economics, Management and Accounting
Volume.1, Number. 1, Year 2024
e-ISSN : 3046-9376; andp-ISSN : 3048-0396; Pages 111-127
DOI: https://doi.org/10.61132/ijema.v1i1.1053
Available online at: https://international.areai.or.id/index.php/IJEMA

A Review of Internal and Governance Factors on Tax Avoidance

Selfi Ika Purnamasari[1*], Retno Indah Hernawati[2]
[1-2]Accounting Program Study, Universitas Dian Nuswantoro, Indonesia
[*]*Corresponding author : sselfika49@gmail.com*

Abstract : *This study seeks to evaluate the extent to which profitability, leverage, independent commissioners, and political links influence tax avoidance in Indonesian mining companies for the 2021–2024 timeframe. The mining sector was chosen because it contributes significantly to national income but is typically associated with the practice of tax avoidance. The novelty of this study lies in the addition of the political connections variable, which has rarely been studied in the context of Indonesian mining. The research data were obtained from annual reports and financial statements of companies obtained through purposive sampling, resulting in 77 observations. Multiple linear regression analysis under a quantitative method was applied, and the evidence suggests that profitability contributes positively to tax avoidance, as higher profits are associated with a stronger tendency for companies to minimize tax payments. Conversely, political connections have a negative effect, indicating that political and military experience shapes loyalty to the interests of the state, thereby encouraging tax compliance. Meanwhile, leverage and independent commissioners do not exert any influence on tax avoidance. The outcomes of this research may serve as a reference for regulators, scholars, and investors to better comprehend the determinants of tax avoidance and to contribute to enhancing governance structures and refining tax policy.*

Keywords: *Independent Commissioners; Leverage; Political Connections; Profitability; Tax Avoidance.*

1. INTRODUCTION

The role of taxes as a source of state revenue is significant, especially in ensuring the sustainability of development at the national level. With taxes, the government is able to provide funds for public needs, including infrastructure development, provision of education and health services, and implementation of social welfare programs. The existence of a strong and fair tax system is key in maintaining economic stability and improving the quality of life of the people. Consequently, the government actively endeavors to improve tax revenue as a key element of fiscal policy.

Maximizing tax revenue is not easy for the Indonesian government, even though taxes contribute more than 82% of the government's total revenue, with the balance contributed by non-tax sources and grants (BPS, 2024). Differences in the interests of companies and the government are one of the factors that make companies tend to avoid tax obligations. (Rindu & Junianto, 2023).

Taxes are seen as a liability that burdens companies because it can reduce the net profit earned and does not provide full compensation for the payment of their tax obligations (Siregar et al., 2025). Thus, as a strategy to reduce their tax liabilities, institutions are commonly involved in tax avoidance activities. In Indonesia, this practiceis caused by tax regulations that are still weak, resulting in differences in interpretation that make people take advantage of the weaknesses of these regulations (Sakinah & Amalina, 2025). Tax avoidance has dual consequences, on the one hand it has the potential to reduce state revenue, while on the other

Received: October 06, 2025; Revised: October 20, 2025; Accepted: November 05, 2025; Published: November 07, 2025

hand it can provide benefits for companies by reducing the tax burden. Although this practice is often seen as unethical, juridically it is still allowed because it does not violate the applicable tax regulations (Ninggrayani et al., 2025).

The Tax Justice Network's 2024 report shows that tax avoidance results in losses of approximately US$ 2.81 billion annually or equal to IDR 44.47 trillion. This loss comes from tax avoidance by corporate taxpayers worth US$ 3 billion (IDR 47.54 trillion) and individual taxpayers amounting to US$ 70 million (IDR 1.1 trillion). In the Indonesian context, tax avoidance is practiced by several companies, notably within the mining sector. In December 2023, the Directorate General of Taxes (DJP) revealed a case of alleged Value Added Tax (VAT) avoidance by PT CAS, a mining company operating in Kalimantan. For allegedly not depositing VAT that had been collected from buyers into the state treasury, the managing director was named as a suspect. This action occurred in a 2019 project. The modus operandi was to use VAT funds that should have been deposited to the state as additional capital to resume business activities. The actions committed by the suspect resulted in a loss to state finances estimated at Rp 1.53 billion (Wildan, 2023).

The phenomenon of tax avoidance that is still rampant in various companies encourages the need for this research, factoring in several elements thought to affect the practice. One of the factors of concern is profitability, which is a measure of the the company’s ability to maximize profits during a predetermined time through effective management of assets, sales, and capital. If profitability increases, higher profitability causes the company’s tax burden to increase, whereas lower profitability leads to a reduction in the tax burden. (Ninggrayani et al., 2025). In Pramesthi & Witono (2025), Ananda et al., (2023), Ninggrayani et al., (2025) studies have shown that tax avoidance is affected by profitability, which differs from the findings of Prang et al., (2024), Kartika et al., (2023), Siregar et al., (2025) in their research stated that tax avoidance is not controlled by profitability.

Leverage is one of the financial aspects that may influence tax avoidance behavior. It illustrates how much a company relies on debt to finance its operations (Agustina et al., 2023). Increasing the debt ratio can be used as a strategy to lower taxable income, thereby encouraging tax avoidance (Rindu & Junianto, 2023). Several studies confirm a positive link between leverage and tax avoidance Rindu & Junianto (2023), Risqana Putri & Efendi (2023), Hossain et al., (2024) leverage is proven to be positively correlated with tax avoidance practices, but not with the research of Pramesthi & Witono (2025), Ananda et al., (2023), Ninggrayani et al., (2025) highlighting that the level of leverage is not identified as a statistically significant driver of corporate tax avoidance behavior.

Moreover, the research highlights two key elements of corporate governance, which are represented by the proportion of independent commissioners and the political connections within the board. The existence of independent commissioners is considered to have a significant role in corporate policy and aggressive tax decisions (Ninggrayani et al., 2025). Independent commissioners, who have no direct connection or relationship with management and major shareholders, are expected to oversee every management decision more clearly and critically, including in terms of tax policy (Budiadnyani et al., 2025). Research by Maharani & Yusuf (2025) and Amalita & Yazid (2025) shows that the involvement of independent commissioners positively influences corporate tax avoidance. although other studies report different outcomes (Ninggrayani et al., 2025), (Surya Diva & Lastanti, 2025), (Moch Rajendra & Hermi, 2023).

Based on cases of misuse of political connections, informal relationships between companies and governments or political parties are often used to reduce the amount of tax that needs to be issued (Apriliani & Wulandari, 2023). According to research by Apriliani & Wulandari (2023), Diningrum & Kurniawati (2024)firms with political connections are inclined to reduce tax avoidance practices, while according to Citra & Satwiko (2023), (Berlian & Mulyani, 2025)dan (Yuniarsih et al., 2025) concluded that political relations are shown to be insignificantly related to tax avoidance practices.

The inconsistent patterns identified in previous empirical works provide the basis for this research. Accordingly, the study explores the extent to which profitability, leverage, independent commissioners, and political connections contribute to tax avoidance within mining companies listed on the IDX between 2021 and 2024. The mining sector was chosen because of its large contribution to state tax revenue. The outcomes of this research aim to assist regulators, academics, and investors in better understanding the elements shaping tax avoidance practices, as well as to inform efforts toward strengthening governance structures and refining tax policies.

2. LITERATURE REVIEW

Agency Theory

According to Jensen and Meckling's 1976 agency theory, the relationship is defined between the principal, who provides the capital, and the agent, who manages the company's day-to-day operations. Under this framework, the principal entrusts the agent with the responsibility of managing the company in alignment with the principal's objectives. However, the interests of the agent and the principal are not always in line. This difference in objectives leads to agency conflicts because management as agents tend to seek personal benefits such as bonuses or maintaining reputation. This situation could undermine the core intention of the owners, who prioritize increasing the overall worth of the company.

One form of action that has the potential to trigger agency conflict is tax avoidance. Although this practice is legal, it can reduce the transparency of financial statements and increase legal risks in the long run. To increase net income, agents can use tax loopholes to reduce the tax burden. Ultimately, this will have an impact on their own compensation.

The Relationship Between Profitability and Tax Avoidance

According to agency theory, shareholders (principals) authorize management (agents) to manage the company, assuming that managers have more complete information about the company's internal conditions. In theory, high profit levels can encourage tax avoidance so that net profits can be maximized for operational purposes and manager compensation.

Several studies support this Devi et al., (2023) and Ninggrayani et al., (2025) found that high profitability increases the likelihood of companies engaging in tax avoidance. However, other studies show different results. (Risqana Putri & Efendi, 2023) found a significant negative effect between ROA and tax avoidance in food and beverage companies, because companies with high profits tend to comply with tax obligations and have close cooperation between principals and agents. Similar results were also reported by (Sinaga et al., 2023) who explained that high profits reduce tax avoidance because companies are more focused on paying their tax obligations and allocating funds for operations.

H1: Profitability, as measured by the Return On Asset (ROA) has a positive contribution to the level of tax avoidance.

The Relationship Between Leverage and Tax Avoidance

Leverage represents the level of utilization of corporate debt for operational and investment purposes. Debt generates interest expense that is deductible according to tax regulations, so it can be used to reduce taxable income. Based on agency theory, managers as agents have a tendency to make decisions that benefit themselves, including in terms of managing the tax burden. Therefore, the use of leverage has the potential to be one of the strategies to reduce taxes through the utilization of interest expense as a deduction for taxes payable. The use of debt with interest provides fiscal benefits for companies, because interest is included in the cost component that can reduce the tax base (Rindu & Junianto, 2023). Increased leverage is often followed by managerial efforts in tax avoidance to keep net income optimal and reduce the pressure of tax liabilities.

The findings of Rindu & Junianto (2023) and Risqana Putri & Efendi (2023) show that leverage is one of the strategic tools in tax avoidance. This is possible because on loans is treated as a deduction for taxable income purposes. However, research by Laurencia & Indarto (2025)shows that leverage has a negative effect on tax avoidance, because companies with high debt are more focused on meeting financial obligations and interest payments, so they take a more cautious approach to taxation in order to maintain their reputation and financial stability.
H2: Leverage, as measured by the Debt to Equity Ratio (DER), has a positive effect on tax avoidance.

The Relationship Between Independent Commissioners and Tax Avoidance

Still within the agency theory framework, management opportunistic actions such as tax avoidance reflect a divergence of interests between company managers and its shareholders. To overcome this potential conflict, companies need to have a good governance mechanism, one of which is through the presence of independent commissioners. Independent commissioners are external parties in the governance structure who do not have conflicts of interest with the company, so they can carry out the supervisory function of managerial decisions objectively so that they remain within the corridors of ethics and legal compliance, including in tax matters. With objective and firm supervision, independent commissioners are believed to be able to suppress aggressive tax avoidance practices.

Empirical research that supports this relationship, among others, is submitted by Moch Rajendra & Hermi (2023) which suggests that independent commissioners play a key role in curbing tax avoidance practices. Similar conditions are found in a as reported by Ninggrayani et al., (2025) which implies that independent commissioners play a role in mitigating corporate tendencies to engage in tax avoidance by reinforcing the principles of corporate governance. However, Maharani & Yusuf (2025) found that independent commissioners were positively correlated with tax avoidance. This finding shows that the effectiveness of supervision can depend on the context of the company and the extent to which governance principles are optimally implemented.
H3: Independent commissioners are found to be inversely related to the level of tax avoidance within firms.

The Relationship Between Political Connections and Tax Avoidance

Companies often engage in aggressive tax avoidance, which can be detrimental to their long-term interests and those of stakeholders. According to agency theory, the misalignment stemming from the divergence of interests between shareholders and management can motivate managers to act opportunistically, including engaging in tax avoidance to maximize short-term outcomes or individual incentives. However, firms with political affiliations, illustrated by managers or board members holding links with government institutions or political parties, tend to be subject to greater external examination. Companies with political connections are in the public spotlight and authorities, so they are more careful in making decisions that can lead to negative perceptions, including in tax avoidance practices.

(Diningrum & Kurniawati, 2024), and Apriliani & Wulandari (2023) support this view, where their research results show that political connections can reduce the level of tax avoidance. This occurs because firms recognize intensified observation from both societal actors and tax authorities, so they tend to avoid actions that have the potential to harm their reputation or invite legal sanctions. Political connections in this context act as a disciplinary mechanism that limits managers' room for maneuver in tax avoidance.

H4: The presence of political connections is negatively correlated with corporate tax avoidance.

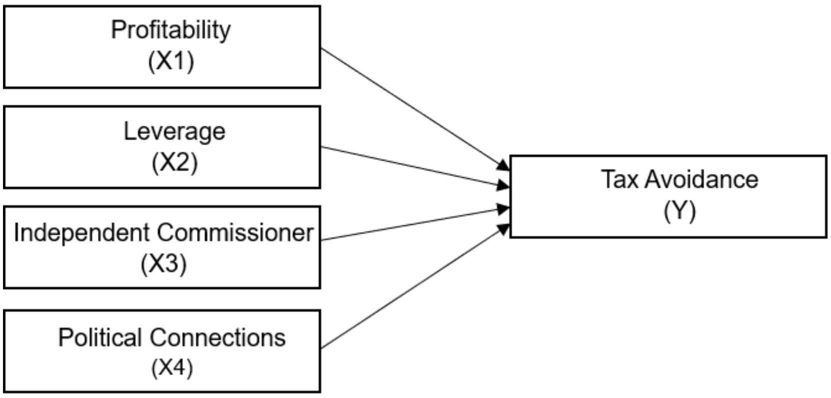

Figure 1. Research Framework.

3. METHOD

The quantitative method is the basis for conducting this research, where data sources come from secondary documents of annual reports and financial reports published by mining companies for the period 2021-2024, which are available through the official website of the Indonesia Stock Exchange (IDX) as well as the official website of each company. To determine the extent to which the independent variables play a role in tax avoidance practices, with the help of SPSS, the dataset was processed and tested with multiple linear regression techniques.

Populasi dan Sampel

The population of this study was all mining companies listed on the Indonesia Stock Exchange (IDX) during the 2021–2024 period. The sample was selected using a purposive sampling method based on specific criteria, as shown in Table 1. Of the 240 companies, several exclusion criteria were applied: companies experiencing losses during the observation period, those previously suspended, those not submitting complete annual reports, and those lacking data relevant to the study's variable indicators. After this selection, 163 companies met the initial requirements.

Furthermore, this study only used companies with positive Book Tax Differences (BTD) values, as positive values are considered to reflect tax avoidance practices. This process reduced the sample size to 89 companies. After testing for outliers, 12 companies were excluded, resulting in a final sample size of 77 companies.

Table 1. Sample Selection Process.

No	Kriteria Data	Jumlah
1	Mining subsector companies listed on the IDX (2021–2024)	240
2	Companies that did not experience losses during the observation period	(44)
3	Companies that were not suspended during the study period	(6)
4	Companies that submitted complete annual reports during the study period	(5)
5	Companies with data that meets the research variable indicators	(22)
6	Preliminary sample size	**163**
7	Companies with positive BTD values	(74)
8	Selected sample size	**89**
9	Outlier data excluded	(12)
10	Final sample size	**77**

Source: Processed data, 2025

Variable Operational Definition

Details of the operational definitions of each variable are shown in the table below.

Table 2. Variable Operational Definition.

Variables	Proxies	Scale
Tax Avoidance (Y)	$BTD = \frac{Accounting\ Profit - Fiscal\ Profit}{Total\ Assets}$	Ratio
Profitability (X1)	$ROA = \frac{Accounting\ Profit}{Total\ Assets}$	Ratio
Leverage (X2)	$DER = \frac{Total\ Liabilities}{Total\ Equity}$	Ratio
Independent Commissioner (X3)	$KIDP = \frac{Independent\ Commissioner}{Entire\ the\ Board\ of\ Commissioners}$	Ratio
Political Connections (X4)	Dummy (1 if there are board members/commissioners who have a relationship with a political institution, 0 if not)	Dichotomy

The form of the regression model that is used as the basis for the ongoing research is formulated as follows:

$$BTD = \alpha + \beta_1 ROA + \beta_2 DER + \beta_3 KIDP + \beta_4 KP + \varepsilon$$

Information:

BTD = Book Tax Difference

ROA = Return On Set

DER = Debt to Equity Ratio

KIDP = Independent Commissioner

KP = Political Connection

4. RESULTS AND DISCUSSION

Descriptive Statistics

Table 3. Descriptive Statistics.

Descriptive Statistics						
	N	Range	Minimum	Maximum	Mean	Std. Deviation
ROA	77	0.36965	0.00186	0.37150	0.1013792	0.08046409
DER	77	3.12570	0.05154	3.17723	0.7939121	0.64729214
KIDP	77	0.41667	0.33333	0.75000	0.4369202	0.10407873
KP	77	1	0	1	0.39	0.491
BTD	77	0.17793	0.00000	0.17793	0.0470840	0.04564961
Valid N (listwise)	77					

Source : Data Processing (SPSS 27)

Table 2 displays the findings from the descriptive statistical analysis, which indicate that the ROA variable (X1) has the lowest value of 0.00186 and the highest value of 0.37150 with an average of 0.1013 which shows that the profitability level of the sample company is still relatively low. The DER variable (X2) shows a considerable range with a low value of 0.05154 and a high of 3.17723 and an average of 0.7939, which indicates a difference in the level of debt use of equity between companies. The Independent Commissioner variable (X3) has an average value of 0.4369 with a distribution that is not too large, so the company's independent commissioners are relatively homogeneous. Meanwhile, the Political Connection variable (X4) is measured as a dummy variable, with an observed mean of 0.39 which means that about 39% of companies have political connections. The average BTD (Y) value of 0. reflects the disparity between reported accounting profit and fiscal profit of the sample company tends to be small, although there is still variation in some companies.

Classic Assumption Test

Tabel 4. Classic Assumption Test.

Assumption	Eligibility Criteria	Analysis Results	Conslusion
Normality	One-Sample Kolmogorov-Smirnov Test (Unstandardzised Residual) > 0.05	Unstandardzised Residual (Sig.) 0.200	Qualified
Autocorrelation	DU < DW < 4 – DW	1.7407 < 1.779 < 2.4772	Qualified
Multicollinearity	Tolerance > 0.1 ; VIF < 10	X1 Tolerance 0.794; VIF1.260 X2 Tolerance 0.739; VIF 1.354 X3 Tolerance 0.857; VIF 1.167 X4 Tolerance 0.776; VIF 1.289	Qualified
Heteroskedasticity	Spearman Rank Correlation (Sig.) > 0,05	X1 (Sig.) 0.855 X2 (Sig.) 0.897 X3 (Sig.) 0.982 X4 (Sig.) 0.992	Qualified

Source : Data Processing (SPSS 27)

In accordance with Table 3, the research data have met the eligibility criteria for use in regression analysis. Although the previous research data had gone through an adjustment process related to the existence of outliers, the test results showed that all classical assumptions were already fulfilled in the data in the regression model, so that permitting the analysis to be explored more extensively.

Normality Test

The Kolmogorov–Smirnov test (sig. = 0.200 > 0.05) confirms that the residuals are normally distributed.

Autocorrelation Test

The Durbin–Watson value of 1.779 falls within the acceptance range, indicating no autocorrelation.

Multicollinearity Test

The results show that every independent variable has a tolerance level higher than 0.1 and a VIF value below 10. These findings confirm that the model is not affected by multicollinearity.

Uj Heteroskedastisitas

Spearman's rank correlation showed all significance levels above 0.05, implying homoscedastic residuals.

Multiple Linear Regression Test

The findings from the multiple linear regression procedure are reported in Table 4.

Table 5. Multiple Linear Regression Test.

Model		Unstandardized Coefficients		Standardized Coefficients
		B	Std. Error	Beta
1	(Constant)	.007	.023	
	ROA	.157	.041	.431
	DER	-.014	.014	-.114
	KIDP	.000	.048	-.001
	KP	-.024	.011	-.256
a. Dependent Variable: Y_BTD				

Source : Data Processing (SPSS 27)

According to Table 4, the multiple linear regression model applied in this research can be specified as the following equations:

$$BTD = 0.007 + 0.157ROA - 0.014DER + 0.000KIDP - 0.024KP + \varepsilon$$

a. A regression intercept of 0.007 suggests that, in the absence of effects from ROA, DER, Independent Commissioner, and Political Connections, the expected value of BTD amounts to 0.007.
b. The ROA coefficient (X1) has a positive value of 0.157, which means that an increase of one unit of ROA will be followed by an increase in BTD of 0.157, with the note that other variables are considered fixed.
c. A DER coefficient (X2) of -0.014 indicates that a one-unit increase in DER will cause the BTD to decrease by 0.014, provided that other factors do not change.
d. The Independent Commissioner Coefficient (X3) of 0.000, indicates that the change in the Independent Commissioner has no real effect on the value of the BTD, or it can be said that the contribution is close to zero.
e. The Political Connection Coefficient (X4) is -0.024, meaning that every increase of one unit of Political Connection has the potential to decrease the BTD by 0.024, assuming other variables are in a constant state.

Table 6. Regression Test.

Information	Beta	Std. Error	Sig.
ROA	0.432	0.041	< 0.001
DER	-0.114	0.014	0.330
KIDP	-0.001	0.048	0.995
KP	-0.256	0.011	0.028
Uji F	< 0.001		
Adj. R Square	0.236		

Source : Data Processing (SPSS 27)

Determination Coefficient Test (R Square)

The Adjusted R Square of 0.236 shows that the model's ability to explain the variation in tax avoidance is only 23.6%. In other words, the majority of variations, which are 76.4%, are influenced by other factors beyond profitability variables, leverage, independent commissioners, and political connections.

Simultaneous Test F

Simultaneously, profitability, leverage, independent commissioners, and political connections significantly affect tax avoidance, indicated by F count 6,682 with a significance of < 0.001.

T test

The test criteria stipulate that the hypothesis is accepted when the significance value < 0.05. Referring to the results in Table 6, the interpretations that can be written are as follows:

a) ROA has a positive coefficient of 0.432 at a significance value of < 0.001. That is, condition demonstrates evidence of a significant positive nexus between profitability and tax avoidance. This supports the first hypothesis (H1) which assumes a positive influence of profitability on tax avoidance.
b) Through the t-test, it can be seen that the DER is indicated by a negative coefficient of -0.114 with a significance value of 0.330 (>0.050). This value gives the impression that leverage does not contribute significantly to tax avoidance behavior, so the second hypothesis (H2) that assumes the existence of a positive influence is rejected.
c) The t-test showed a negative coefficient of -0.001 in independent commissioners showing a significance value of 0.995 (>0.050), which suggests that independent commissioners exert no significant influence from independent commissioners, so the third hypothesis (H3) that assumes the existence of negative influence is rejected.
d) The t-test proved that the political connection (X4) had a negative coefficient of -0.256 at a significance level of 0.028 (<0.05). The results demonstrate that political connections

are associated with lower levels of tax avoidance. Therefore, the fourth hypothesis (H4) is proven to be in accordance with the findings of this study.

The Relationship Between Profitability and Tax Avoidance Practices

Table 6 shows that profitability proxied by ROA has a positive and significant impact on tax avoidance, as evidenced by the coefficient of 0.432 and a significance level of <0.001. The results show that an increase in firm profitability is associated with a greater propensity to engage in tax avoidance practices. This strengthens the acceptance of H1, where increased profitability is considered to be a driving factor in companies efforts to find methods to reduce tax burdens through tax avoidance practices (Ninggrayani et al., 2025). In the perspective of agency theory, principals, namely shareholders, give authority to agents, namely management, to make decisions and because management better understands the conditions of its business. Managers may attempt to sustain high net profits when profitability improves by reducing tax liabilities. This is frequently achieved through tax avoidance measures that involve exploiting loopholes in regulation, applying accounting adjustments, or maximizing book–tax differences (BTD) (Muslim & Sari, 2023). BTD reflects the disparity between financial and taxable earnings, a gap that stems from differing accounting and tax standards, and is often employed as an instrument for tax avoidance.

In line with this, research by Devi et al., (2023) also shows that profitability is positively related to tax avoidance, because the greater the profit earned, the greater the incentive for companies to save on taxes.

The Relationship Between Leverage and Tax Avoidance Practices

The leverage test proxied by DER shows a significance level of 0.330, exceeding the conventional criterion of 0.05, thus rejecting the second hypothesis (H2). This finding indicates that leverage is not significant in influencing tax avoidance in the companies sampled in this study. Within the agency theory framework, leverage is expected to create pressure for managers to maximize company value and reduce tax costs through the use of interest expenses as tax deductions. This theory assumes that managers can act opportunistically to increase shareholder profits through aggressive tax strategies. However, empirical results show that leverage pressure does not translate into tax avoidance practices.

Several factors explain this. Thin capitalization regulations in Indonesia limit the recognition of interest expenses for tax purposes, thereby limiting the scope for leverage to encourage tax avoidance (Kusumawati et al., 2024). In addition, conservative governance practices and management strategies encourage managers to refrain from aggressive tax actions, despite theoretical incentives. These findings are consistent with other studies.

Pramesthi & Witono (2025) concluded that leverage does not affect tax avoidance because entities with excessively high leverage tend to be more conservative in their financial and operational reporting, and the risk of default makes management cautious in using loans for tax avoidance. Ninggrayani et al., (2025) also reported similar findings, that high debt levels do not motivate companies to take greater risks in tax avoidance, because management tends to be more conservative in the company's financial and operational reporting. Jati et al., (2025) added that companies with high leverage are more cautious in implementing tax strategies in order to maintain financial stability and reputation.

Thus, although agency theory assumes the potential for leverage to encourage opportunistic management behavior, the context of regulation, governance practices, and corporate risk considerations suppress the possibility of leverage becoming a determinant of tax avoidance. These findings reinforce that leverage is not always a significant factor in tax avoidance practices.

The Relationship Between Independent Commissioner and Tax Avoidance Practices

The test shows that the independent commissioner variable is associated with a significance value of 0.995, well above 0.05, which indicates a minimal effect on tax avoidance behavior, thus rejecting H3. In fact, according to agency theory, the existence of independent commissioners is expected to minimize agency costs by increasing the effectiveness of supervision. However, the findings show that the level of independent commissioners is not significantly related to tax avoidance practices. It appears that the appointment of independent commissioners is still often done only to comply with regulatory requirements (OJK No.33/POJK.04/2014), so that their independence is superficial and not accompanied by adequate supervisory capacity.

This study does not support agency theory because, although the existence of independent commissioners should provide a more objective evaluation of managerial actions, in reality, this role is not optimally carried out, so it is unable to suppress tax avoidance practices. Therefore, independent commissioners have not been proven to have any influence on tax avoidance practices (Fauziah & Sahara, 2025). This may be due to several factors, such as the weak authority of independent commissioners in the face of controlling shareholders' dominance or the corporate governance culture in Indonesia, which is still largely symbolic. Thus, the number of independent commissioners does not automatically guarantee the quality of corporate governance, and without true independence, the supervisory function cannot curb opportunistic practices such as tax avoidance.

The results of this study are consistent with the evidence presented in previous studies by (Apriliani & Wulandari, 2023) and (Fauziah & Sahara, 2025). Thus, these results confirm that the quantity of independent commissioners does not guarantee the quality of governance, and without real independence, the monitoring function is unable to suppress opportunistic practices such as tax avoidance. In practical terms, regulators need to strengthen rules regarding the recruitment and competence of independent commissioners so that they can truly fulfill their role.

The Relationship Between Political Connections and Tax Avoidance Practices

Based on the results of the hypothesis test (Table 6), political connections have a coefficient of –0.256 with a significance of 0.028 (<0.05), so H4 is accepted. This finding shows that the existence of political connections has a significant negative effect on tax avoidance.

Within the agency theory framework, political connections on the board of commissioners serve as an external monitoring mechanism that increases the political visibility of the company and the cost of reputation if managers engage in opportunistic actions, including tax avoidance. This governance factor influences tax avoidance because board members with political networks can increase oversight of managers, encourage compliance with tax regulations, and serve as a reputation signal for the company. Political connections deter managers from engaging in tax avoidance practices due to higher monitoring risks, potential sanctions, and reputational damage that could harm shareholders.

These results are consistent with the research by (Diningrum & Kurniawati, 2024), which found that political connections on the board of commissioners have a negative relationship with tax avoidance. In Indonesia, many manufacturing companies have boards of commissioners with figures who have political or military experience and are loyal to the interests of the state, thereby encouraging tax compliance and discouraging opportunistic actions by managers. Thus, political connections serve more as an external control mechanism than a channel for tax avoidance practices.

5. CONCLUSION

Through multiple linear regression analysis, the study identifies the influence of profitability (ROA), leverage (DER), independent commissioners, and political connections exert different effects on tax avoidance practices. The results indicate that each factor contributes either positively or negatively to the Book Tax Difference (BTD), which serves as an indicator of corporate tax avoidance levels. Consequently, both the corporate governance structure and the financial condition of a company are crucial in shaping the tax strategies adopted by manufacturing firms in Indonesia.

This research is expected to contribute in providing practical benefits for companies to pay more attention to internal factors such as profitability and capital structure, as well as the role of the board of commissioners, especially those with political backgrounds, in determining tax policy. Regulators are also expected to tighten supervision so that tax avoidance practices can be minimized. In addition, future researchers are encouraged to reach other sectors in their research, increase the observation period, or include other relevant variables such as company size, liquidity, and more detailed corporate governance so that the research results become more comprehensive.

BIBLIOGRAPHY

Agustina, I., Eprianto, I., & Pramukty, R. (2023). Pengaruh leverage dan ukuran perusahaan terhadap tax avoidance pada perusahaan property dan real estate yang terdaftar di Bursa Efek Indonesia (BEI) periode tahun 2017–2021. *Jurnal Economia*, 2(2).

Amalita, F., & Yazid, A. (2025). Pengaruh corporate social responsibility, komisaris independen dan company size terhadap tax avoidance: Studi empiris pada perusahaan industri consumer non-cyclicals yang terdaftar di Bursa Efek Indonesia periode 2019–2023. *Jurnal Ekonomi, Manajemen dan Akuntansi*, 3(4), 5–26. http://jurnal.kolibi.org/index.php/neraca

Ananda, F. A., Herawati, R., & Samasta, A. S. (2023). Pengaruh ukuran perusahaan, profitabilitas, leverage dan pertumbuhan penjualan terhadap penghindaran pajak. *Jurnal Akuntansi, Keuangan dan Auditing*, 4(1), 215–225.

Apriliani, L., & Wulandari, S. (2023). Pengaruh koneksi politik, kepemilikan manajerial dan pertumbuhan penjualan terhadap penghindaran pajak. *J-MAS (Jurnal Manajemen dan Sains)*, 8(1), 40. https://doi.org/10.33087/jmas.v8i1.902

Baroroh, I., Kinasih, H. W., & Isthika, W. (2022). Peran good corporate governance, ukuran perusahaan, leverage, dan profitabilitas dalam mempengaruhi penghindaran pajak. *Jurnal Akuntansi, Keuangan dan Auditing*, 3(1), 48–56.

Berlian, K., & Mulyani, S. D. (2025). Pengaruh prudence, politik, dan tunneling terhadap penghindaran pajak: Studi moderasi kepemilikan asing. *Jurnal Ekonomi Trisakti*, 5(2).

Budiadnyani, N. P., Kleff, A. A., Pande, P., Dewi, R. A., Ayu, G. A., & Indraswari, P. (2025). Mekanisme tata kelola dan penghindaran pajak: Pengaruh kepemilikan institusional, dewan komisaris independen, dan komite audit. *Jurnal Akuntansi, Manajemen, Bisnis dan Teknologi (AMBITEK)*, 5(1), 322–333.

Citra, M., & Satwiko, L. R. (2023). Pengaruh koneksi politik dan faktor-faktor lainnya terhadap penghindaran pajak. *E-Jurnal Akuntansi*, 3(2), 525–536. http://jurnaltsm.id/index.php/EJATSM

Devi, I. A. L. S., Sudiartana, I. M., & Dewi, N. P. S. (2023). Pengaruh profitabilitas, likuiditas, umur perusahaan, ukuran perusahaan dan pertumbuhan penjualan terhadap tax avoidance pada perusahaan manufaktur yang terdaftar di BEI tahun 2019–2021. *Kumpulan Hasil Riset Mahasiswa Akuntansi (KHARISMA)*, 5(1).

Diningrum, N., & Kurniawati, E. (2024). Political connection and tax avoidance: Evidence from two-tier board system in Indonesia. *JRAK*, 16(2), 327–336. https://doi.org/10.23969/jrak.v16i2.17362

Fauziah, D., & Sahara, L. I. (2025). Pengaruh komisaris independen, komite audit dan ukuran perusahaan terhadap penghindaran pajak. *Jurnal Nusa Akuntansi*, 2(2), 696–716.

Hossain, M. S., Ali, M. S., Islam, M. Z., Ling, C. C., & Fung, C. Y. (2024). Nexus between profitability, firm size and leverage and tax avoidance: Evidence from an emerging economy. *Asian Review of Accounting*. https://doi.org/10.1108/ARA-08-2023-0238

Jati, H. B., Raharjo, T. P., & Ariani, M. (2025). Pengaruh profitabilitas, leverage dan kepemilikan institusional terhadap tax avoidance. *Journal of Innovation Research and Knowledge*, 4(10), 7281–7296.

Kartika, S. E., Puspitasari, W., & Khoriah, D. M. (2023). Pengaruh profitabilitas, ukuran perusahaan, dan analisa good corporate governance terhadap tax avoidance. *Jurnal Mutiara Ilmu Akuntansi (JUMIA)*, 1(2).

Kusumawati, A., Mahmudi, C., Suhanda, S., Natsir, A. I. P., Hermansyah, F. I., Dharsana, M. T., & Thaha, R. R. H. (2024). The mediating role of financial reporting aggressiveness in corporate tax avoidance strategies. *Investment Management and Financial Innovations*, 21(4), 226–238. https://doi.org/10.21511/imfi.21(4).2024.18

Laurencia, L. S., & Indarto, S. L. (2025). Determinasi good corporate governance, CSR, capital intensity, dan leverage terhadap tax avoidance pada perusahaan terdaftar di BEI. *Jurnal Bina Akuntansi*, 12(1), 133–142. https://doi.org/10.52859/jba.v12i1.707

Maharani, A. C., & Yusuf, M. (2025). Pengaruh corporate governance dan profitabilitas terhadap tax avoidance. *Jurnal Imiah EDUNOMIKA*, 9(1), 1–23.

Moch Rajendra, & Hermi. (2023). Pengaruh komisaris independen, capital intensity, leverage, dan ukuran perusahaan terhadap penghindaran pajak. *Jurnal Ekonomi Trisakti*, 3(1), 1945–1954. https://doi.org/10.25105/jet.v3i1.16496

Muslim, A. Y., & Sari, D. (2023). Taktik pajak: Mengeksplorasi hubungan corporate risk, book tax differences, tax avoidance, dan manajemen laba. https://doi.org/10.35838/jrap.2023.01

Ninggrayani, A., Susandya, A. A. P. G. B. A., & Suryandari, N. N. A. (2025). Pengaruh profitabilitas, leverage, komisaris independen, kepemilikan institusional, dan ukuran perusahaan terhadap tax avoidance pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia periode 2020–2022. *Hasil Riset Mahasiswa Akuntansi (Kharisma)*, 7(1), 68–81.

Pramesthi, F. D., & Witono, B. (2025). Determinasi ukuran perusahaan, profitabilitas, leverage dan likuiditas terhadap penghindaran pajak. *Edunomika*, 9(1).

Prang, B. B. H., Warongan, J. D. L., & Mintalangi, S. S. E. (2024). Pengaruh profitabilitas dan ukuran perusahaan terhadap tax avoidance pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia. *Manajemen Bisnis dan Keuangan Korporat*, 2(1), 42–51. https://doi.org/10.58784/mbkk.100

Rindu, E., & Junianto, Y. (2023). Pengaruh profitabilitas, leverage & likuiditas terhadap penghindaran pajak. *Jurnal Neraca: Jurnal Pendidikan dan Ilmu Ekonomi Akuntansi*, 7(2), 155–166. https://doi.org/10.31851/neraca.v7i2.13352

Risqana Putri, A., & Efendi, D. (2023). Pengaruh profitabilitas, ukuran perusahaan dan leverage terhadap penghindaran pajak (tax avoidance). *Jurnal Ilmu dan Riset Akuntansi*, 12.

Sakinah, M., & Amalina, N. (2025). Pengaruh kepemilikan institusional, kepemilikan manajerial, dan ukuran perusahaan terhadap penghindaran pajak. *Integrative Perspectives of Social and Science Journal*, 2(1), 809–820.

Sinaga, G. U., Sudarmaji, E., & Astuti, S. B. (2023). Pengaruh ukuran perusahaan, intensitas aset tetap, profitabilitas, dan thin capitalization terhadap tax avoidance. *BALANCE: Jurnal Akuntansi, Auditing dan Keuangan*, 20(1), 93–111. https://doi.org/10.25170/balance.v20i1.4257

Siregar, R., Silalahi, A. D., Dewi, R. S., & Irama, O. N. (2025). Pengaruh profitabilitas, karakter eksekutif, ukuran perusahaan dan kepemilikan institusional terhadap tax avoidance di Bursa Efek Indonesia: Studi empiris perusahaan properti dan real estate periode 2019–2021. *Edu Society: Jurnal Pendidikan, Ilmu Sosial, dan Pengabdian kepada Masyarakat*, 5(1), 54–63. https://jurnal.permapendis-sumut.org/index.php/edusociety

Surya Diva, A., & Lastanti, H. S. (2025). Pengaruh implementasi good corporate governance dan corporate social responsibility dalam mencegah praktik penghindaran pajak. *Jurnal Ekonomi Trisakti*, 5(1), 275–282. https://doi.org/10.25105/jet.v5i1.22270

Yuniarsih, D., Ardiyani, K., & Prasetiani, T. R. (2025). Pengaruh koneksi politik, investment opportunity set, dan kepemilikan institusional terhadap penghindaran pajak dengan corporate social responsibility (CSR) sebagai variabel moderasi. *Journal of Accounting and Management's Student*, 2(1).