Jurnal ASET
(Akuntansi Riset)

Journal homepage: http://ejournal.upi.edu/index.php/aset/

Political Connections and Tax Avoidance: Does Audit Quality Moderate The Relationship?

Maria Goreti Kentris Indarti, Jacobus Widiatmoko*
Accounting Department, Faculty of Economics and Business, Universitas Stikubank, Semarang, Indonesia

*Correspondence: E-mail: kentris@edu.unisbank.ac.id

ABSTRACT

This study aims to investigate the effect of political connections and executive character on tax avoidance, as well as examine the role of audit quality variables in this relationship. This research uses moderated regression to analyze 343 data from manufacturing companies listed on the Indonesian Stock Exchange in 2019-2021. The findings of this study suggest that political connections and executive character have a positive effect on tax avoidance. Another important finding is that audit quality, as an external governance mechanism, can reduce the impact of political connections and executive character on tax avoidance. On the other hand, tax avoidance is not directly impacted by audit quality. This study supports agency theory which emphasizes the importance of governance mechanisms in minimizing agency conflicts, in particular the presence of quality auditors as an external governance mechanism is able to reduce management's tendency to commit tax avoidance. For the Directorate General of Taxes, the findings of this study provide important input in determining tax policy to be more effective by conducting tighter oversight of companies that are politically connected and have executives with a risk-taking character. This research offers audit quality, which is an external governance mechanism as a solution to mitigate tax avoidance which is motivated by political connections and the character of executives who dare to take risks.

ARTICLE INFO

Article History:
Submitted/Received 09 Aug 2023
First Revised 08 Sep 2023
Accepted 25 Nov 2023
First Available Online 27 Nov 2023
Publication Date 01 Dec 2023

Keyword:
Audit quality,
Executive character,
Political connections,
Tax avoidance

1. INTRODUCTION

Taxes are the primary sgihource of state income, which is then used to fund public services like those in the infrastructure, health, and education sectors (Alfiyah *et al.*, 2022; Kalbuana *et al.*, 2023; Pratiwi and Siregar, 2019). Although citizens generally comply with tax laws, this dependency on tax revenue has not been adequately supported (Putra, 2023). Companies often try to reduce their tax obligations because they see them as a burden (Aprillia and Purnomo, 2023; Ma and Thomas, 2020). Tax avoidance is a widespread occurrence that is a topic of intense debate (Badertscher *et al.*, 2019; Oats and Tuck, 2019). Since then, scientific research has focused on financial accounting and taxation, especially tax avoidance (Huseynov *et al.*, 2017; Mahaputra *et al.*, 2018), has attracted the attention of the public and mass media (Kanagaretnam *et al.*, 2016). Due to tax avoidance, Indonesia's tax ratio is only 11.6%, lower than the Asia Pacific country average of 21% (OECD, 2022). Indonesia's actual tax revenue in 2020 decreased by 19.7% and in the manufacturing industry it decreased by 20.21% (CNN, 2019).

Agency theory can be used to explain tax avoidance practices. Information asymmetry and conflicts of interest arise from the separation of ownership and control between managers and business owners (Ge and Zhang, 2017; Indarti *et al.*, 2023. Management's potential for tax avoidance increases due to information asymmetry (Hong *et al.*, 2017; Rustiarini and Sudiartana, 2021). Many academics link tax avoidance to the political affiliation of corporate CEOs because tax avoidance is a politically controversial topic (Barford and Holt, 2013). According to several studies (Rustiarini and Sudiartana, 2021; Shen *et al.*, 2019; Wang and You, 2022; Yudanto and Damayanti, 2022) political connections have a positive impact on tax avoidance. However, some studies do not find the effect of political connections on tax avoidance (Alfiyah *et al.*, 2022; Oktavia, 2020), while other studies show that political connections minimize tax avoidance (Ajili and Khlif, 2020; Ding *et al.*, 2021; Tsai *et al.*, 2021; Widarjo *et al.*, 2021).

Whether an executive chooses to avoid taxes also depends on their risk-taking or risk-averse tendencies. The level of tax avoidance is correlated with the executive's risk-taking daring (Mohammed and Sanusi, 2020). According to earlier studies, CEO risk-taking boldness reduces tax avoidance (Alfiyah *et al.*, 2022; Baghdadi *et al.*, 2022; Dewi and Yasa, 2020; Pratiwi and Siregar, 2019). Novita (2016) and Fitria (2018), in contrast, did not discover a connection between the two variables.

Previous research findings show conflicting results, which provides an opportunity for researchers to include moderating variables (Baron and Kenny, 1986). This research offers audit quality as a solution to mitigate tax avoidance which is motivated by political connections and executive character. According to agency theory, quality audits can play an important role in reducing agency conflicts, strong monitoring, and limiting opportunistic management behavior, such as tax avoidance (Indarti and Widiatmoko, 2021). The presence of quality auditors will also reduce the information risk experienced by investors because the reliability of financial reports will increase (Phan *et al.*, 2020; Salehi *et al.*, 2020).

Given the previously mentioned context, the aim of this study is to obtain empirical evidence regarding the impact of political connections and executive character on tax avoidance and to investigate the role of qualified auditors in mitigating the possibility of tax avoidance. This research provides several contributions, *first*, although much previous research has been conducted in developed countries, tax avoidance is still an interesting topic in current theoretical and empirical accounting studies (Ajili and Khlif, 2020; Alkurdi and Mardini, 2020). *Second*, by concentrating on examining the influence of political connections and executive character on tax avoidance by using audit quality as a moderating variable, this research adds to the existing

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

financial accounting and taxation literature. To strengthen the research model, this research also added three control variables, namely company size, leverage and profitability.

2. METHODS

Manufacturing firms registered on the Indonesia Stock Exchange in 2019–2021 are used as the population for this study. The reason for this is that the manufacturing industry in Indonesia is the one that pays the highest rates of income taxes (Kemenperin, 2018), however empirical data still indicates that public firms engage in tax avoidance (Rustiarini and Sudiartana, 2021). Purposive sampling was employed to choose the sample, and the following criteria were used: 1) The company released audited financial reports; 2) It suffered no losses; and 3) It possessed all the information required for this investigation. The 343 data were collected using these criteria and 246 final data were generated after the residual normality test, which were subsequently processed in this study.

This study uses four variables, namely tax avoidance, political connections, executive character, and audit quality, as well as three control variables, namely firm size, profitability and leverage. In **Table 1**, operational definitions and variable metrics are shown. Moderated regression analysis (MRA) was used in this study to examine the hypotheses. The use of the MRA regression, which comprises the multicollinearity, autocorrelation, and heteroscedasticity tests, is a criterion that must be met before testing the hypothesis. The following equation provides a mathematical description of the research model.

Table 1. Operational definition and measurement of variables

No.	Variables	Operational Definition	Measurement	Reference
1	Tax avoidance	Measures taken by a company to reduce its tax liability	ETR = Income Tax expense/ Income before tax	(Ajili and Khlif, 2020; Ding *et al.*, 2021)
2	Political connection	Conditions that indicate a political relationship between directors or commissioners and external parties within the company, where both parties benefit from political relations.	The measurement uses a dummy variable, namely the board of directors with a political connection, code 1, and code 0 if otherwise.	(Rustiarini and Sudiartana, 2021)
3	Executive character	An action taken by the executive when faced with a risk	Standard deviation of (EBITDA/Total Assets). EBITDA = earnings before income tax, depreciation, and amortization.	(Alabede, 2018; Alfiyah *et al.*, 2022)
4	Audit quality	Auditors who have high values of independence, objectivity and honesty.	The dummy variable is a value of 1 for companies audited by KAPs affiliated with the Big Four Public Accounting Firms (KAP) and 0 otherwise.	(Indarti and Widiatmoko, 2021)
5	Firm size	The size of the company is classified based on total assets	Total Assets	(Widiatmoko and Indarti, 2018)
6	Profitability	The company's ability to earn profits	Return on Assets (ROA) = (Net Income/Total Assets)	(Widiatmoko and Indarti, 2019)
7	Leverage	The company's ability to meet long-term obligations	Leverage = (Total debt/Total assets)	(Widiatmoko and Indarti, 2019)

$$\mathbf{ETR = \alpha + \beta1PC + \beta2RISK + \beta3AQ + \beta4PC*AQ + \beta5RISK*AQ + \beta6SIZE + \beta7ROA + \beta8LEV + e}$$

Where:

ETR : Tax avoidance

α : Constant

β1- β8 : Regression coefficient

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

PC	: Political connections
RISK	: Executive character
AQ	: Audit Quality
PC*AQ	: The interaction of political connections and audit quality
RISK*AQ	: The interaction of executive character and audit quality
SIZE	: Company size
ROA	: Profitability
LEV	: Leverage
e	: Error term

3. RESULTS AND DISCUSSION

3.1. Descriptive statistics

Table 2 provides descriptive statistics for each variable employed in this study. The average value of the effective tax rate is 0.239, which indicates that companies pay 23.90% of their net income in taxes on average. The sample companies' level of tax avoidance is rather high because this average value is low. The average value of the executive character shows a fairly low number, which is 0.030. This figure indicates that the executives in the sample companies have a risk averse character. The sample companies that have political connections are 36.20%, while the remaining 63.80% have no political connections. Meanwhile, 37.40% of the sample companies were audited by Big Four KAPs and the remaining 62.60% were audited by Non Big Four KAPs.

Table 2. Descriptive statistics

Variables	N	Minimum	Maximum	Average	Standard Deviation
ETR	246	0.056	0.412	0.239	0.061
RISK	246	0.002	0.079	0.030	0.017
SIZE	246	0.043	367.311	16.982	46.564
ROA	246	0.002	0.189	0.063	0.043
LEV	246	0.067	2.248	0.772	0.496
PC	246	PC	89 (36.20%)	Non PC	157 (63.80%)
AQ	246	Big Four	92 (37.40%)	Non Big Four	154 (62.60%)

Note: ETR = effective tax rate; RISK = executive character; SIZE = company size; ROA = return on assets; LEV = leverage; PC = political connection; AQ = audit quality

The average of company size as proxied by total assets is 16.982 trillion with a maximum value of 367.311 trillion and a minimum value of 0.043 trillion. The return on assets of the sample companies shows an average figure of 0.063. This means that in general the sample companies generate a profit of 6.3% of the total assets owned. The average leverage of the sample companies shows the number 0.772, meaning that 77.20% of the asset structure in the sample companies is funded by debt.

3.2. Pearson Correlation Matrix

The Pearson correlation matrix between variables is presented in **Table 3**. Based on the information in **Table 3**, it can be seen that the correlation between the independent variables is less than 50%, so there is no collinearity problem in this study. A significant negative relationship is shown in the political connection (PC) and effective tax rate (ETR) variables, which are proxies

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

for tax avoidance. When the directors and commissioners of the sample companies have political relations with external parties, management will tend to take tax avoidance actions as indicated by the lower ETR value. Executive character (RISK) has a significant negative relationship with ETR. This condition indicates that the more courageous executives take risks, the higher their tendency to take tax avoidance. The relationship between audit quality (AQ) and ETR shows a positive direction but is not significant. The presence of quality auditors does not encourage management to reduce tax avoidance. Firm size (SIZE) has a positive but not significant relationship with ETR. The larger the size of the company, does not encourage management to take tax avoidance. Profitability and ETR show a significant negative relationship. Companies with higher levels of profitability will encourage management to take tax avoidance measures, which is indicated by the lower the ETR value. The level of corporate leverage (DER) has a positive but not significant relationship with ETR. This condition can be interpreted that the higher the level of corporate debt does not encourage management to take tax avoidance.

Table 3. Pearson correlation matrix

	ETR	PC	RISK	AQ	SIZE	ROA	LEV
ETR	1						
PC	-.196***	1					
	.002						
RISK	-.218***	-.018	1				
	.001	.776					
AQ	.091	.327***	.090	1			
	.157	.000	.160				
SIZE	.016	.293***	-.102	.257***	1		
	.805	.000	.112	.000			
ROA	-.176***	.125*	.317***	.247***	-.002	1	
	.006	.051	.000	.000	.976		
LEV	.062	.142**	-.062	-.064	.089	-.444***	1
	.332	.026	.332	.320	.165	.000	

Note: ETR = effective tac rate; RISK = executive character; SIZE = company size; ROA = profitability; DER = leverage; PC = political connection; AQ = audit quality
***, ** and *, indicate that the estimate is significant at the 1%, 5%, and 10% levels respectively.

3.3. Test Results of Moderated Regression Analysis

Before testing the classical assumptions and panel data regression, a model selection is first carried out to determine the best model as presented in **Table 4**. Based on the information in **Table 4** it can be seen that the best model is the REM model.

The residual errors are regularly distributed, as seen by the normality test with Jarque-Bera findings, which reveal a probability value of 0.116, greater than 0.05. Durbin Watson autocorrelation analysis yields a value of 2.05. This indicates that there is no autocorrelation issue with the regression model since the value is in the range of the du value of 1.852 and the 4-du of 2.148.

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

Table 4. Model selection of panel data

Test	Explanation	Prob.	Selected Models
Chow Test	CEM VS FEM	0.000	FEM
Hausman Test	FEM VS REM	0.076	REM

Table 5 displays the results of data analysis using moderated regression analysis. According to information in **Table 5**, the adjusted R2 value is 0.1182. The power of political connection variables, executive character, audit quality, company size, profitability, and leverage to explain variances in tax avoidance as measured by an effective tax rate of 11.8% may be predicted from this number. While additional factors not included in this research model account for the remaining 88.2%. The political connection, executive character, audit quality, leverage, and profitability variables all simultaneously effect tax avoidance, according to the F-statistic value of 5.105 with a significance value of 0.000, indicating that the model is considered feasible.

Table 5. Moderated regression analysis test results

Variables	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.225	0.044	-5.066	0.000
PC	0.058	0.013	4.512	0.000
RISK	1.034	0.294	3.520	0.001
AQ	0.019	0.020	0.961	0.337
PC*AQ	-0.040	0.018	-2.198	0.029
RISK*AQ	-0.894	0.467	-1.916	0.057
SIZE	-0.004	0.003	-1.161	0.247
ROA	0.178	0.104	1.704	0.090
LEV	-0.008	0.010	-0.814	0.417
				Weighted Statistics
R-squared	0.147	Mean dependent var		-0.155
Adjusted R-squared	0.118	S.D. dependent var		0.051
S.E. of regression	0.046	Sum squared residual		0.499
F-statistic	5.105	Durbin-Watson stat		2.105
Prob(F-statistic)	0.000			

Note: ETR = effective tax rate; RISK = executive character; SIZE = company size; ROA = return on assets; LEV = leverage; PC = political connection; AQ = audit quality

The first and second hypotheses are supported by the information provided in **Table 5** since it is clear that political connections and executive character have a positive impact on tax avoidance. This is evident from the beta coefficient values for the two variables, which each show figures that are statistically significant at the 1% level of 0.058 and 1.034. The beta value of 0.019 with the probability value of 0.337 suggests that audit quality has no direct impact on tax avoidance. The fourth hypothesis is accepted since it shows that audit quality mitigates the positive influence of political relationships on tax avoidance. The beta coefficient value of -0.894, which is significant at the 5% level, indicates this. The fifth hypothesis also shows that audit quality has a power to reduce the impact of executive character on tax avoidance, even at the 10% level. Profitability promotes tax avoidance, according to the test results on the control variable, while company size and leverage have no impact.

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

3.4. Discussion

The findings of verifying the first hypothesis demonstrate that political connections have a positive effect on tax avoidance. These results are consistent with agency theory, which contends that management might engage in tax avoidance due to information asymmetry and conflicts of interest between principals and agents. By taking riskier activities brought on by a lack of control and supervision from the principal, management, the party with more knowledge about the company, seeks to maximize its interests while ignoring the interests of shareholders (Alfiyah *et al.*, 2022) . Management's political relationships with the government and policy makers are what motivate management's bravery in taking risks. Companies with political connections will receive guarantees or preferential treatment from the government (Faccio, 2006), are able to access tax regulations and law enforcement efforts (Ajili and Khlif, 2020), are protected from litigation risks in the future (Rustiarini and Sudiartana, 2021), and has a low tax detection risk (Kim and Zhang, 2016). The findings of this study are consistent with the results of previous research (Abdul Wahab *et al.*, 2017; Ajili and Khlif, 2020; Shen *et al.*, 2019), which proves that companies with political connections will tend to do tax avoidance, which causes a low tax burden paid. Several studies conducted in Indonesia (Oktavia, 2020; Rustiarini and Sudiartana, 2021; Yudanto and Damayanti, 2022) also prove that companies with political connections have a lower effective tax rate, which means tax avoidance. Management has an incentive to get into politics in order to be less burdened by tax regulations and less exposed to monitoring and supervision.

This study proves that executive character as measured by risk takers has a positive impact on tax avoidance. The findings of this study support the agency theory which states that the separation of ownership and control between managers and company owners causes information asymmetry and conflicts of interest (Bauer *et al.*, 2018; Widiatmoko *et al.*, 2020), especially when each party tries to maintain its level of prosperity (Ge and Zhang, 2017). This situation causes company executives to be more opportunistic and make risky decisions due to the lack of control from the principals. Tax avoidance is a risky action taken by company management, which is influenced by the character of company executives (Alfiyah *et al.*, 2022; Mohammed and Sanusi, 2020) . CEOs who are risk takers tend to be a significant factor affecting corporate tax planning activities, considering that tax planning strategies require creativity, a willingness to pursue new and complex strategies, and risk acceptance (Chen *et al.*, 2021). The findings of this study support the results of the study of Baghdadi *et al.*, (2022) which reported that companies with a risk-taking CEO character tend to have a low effective tax rate.

Unlike the first and second hypotheses, the third hypothesis in this study is not supported by empirical facts. Audit quality is not able to reduce management's motivation to take tax avoidance actions. The results of this study contradict agency theory which states that conflicts of interest between management and principals can be minimized by good governance practices (Alfiyah *et al.*, 2022; Armstrong *et al.*, 2015; Chan *et al.*, 2013) . The existence of a quality audit is seen as an external governance mechanism that has an important role in reducing agency conflicts. Quality auditors are a strong monitoring mechanism, thereby reducing management's opportunistic behavior (Indarti and Widiatmoko, 2021) in the form of tax avoidance. However, the results of this study show the opposite, audit quality is not able to prevent tax avoidance by management. The explanation that can be given is that the big four KAPs as a proxy for audit quality, not only provide services as independent auditors, but they also provide tax consulting services. As tax advisors, they may facilitate corporate tax minimization strategies by legally exploiting loopholes in the tax system in the form of tax avoidance (Elbra *et al.*, 2023).

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

The results of testing the fourth hypothesis indicate that audit quality weakens the positive influence of political connections on tax avoidance practices. The findings of this study support the agency theory which states that quality auditors can function as an external mechanism capable of mitigating the opportunistic behavior of management who is subject to scrutiny due to political connections (Chan *et al.*, 2013). The results of this study are in line with the findings of Ajili and Khlif (2020), which proves that an effective external governance mechanism will cause political connections to have no effect on management's tax avoidance actions.

In accordance with the hypothesis, the findings of this study prove that a quality audit is able to weaken the positive influence of executive character on tax avoidance. The findings of this study are in accordance with agency theory which states that agency conflict will encourage management's opportunistic behavior which is manifested in the form of tax avoidance practices. This tax avoidance action will tend to occur in companies with executives who have the character of risk takers because tax avoidance is a risky action (Mohammed and Sanusi, 2020). However, the implementation of an effective external governance mechanism through a qualified independent auditor will reduce management's motivation to take tax avoidance actions. This finding is in line with the results of research reported by Alfiyah *et al.* (2022) that the implementation of good governance was able to mitigate tax avoidance behavior by management. Good corporate governance minimizes the possibility of corporate executives being involved in dangerous acts such as accounting fraud which leads to aggressive tax enforcement. The presence of qualified external auditors will increase transparency and accountability resulting in best practices that ensure the quality of financial reports and disclosures (Zhang *et al.*, 2021).

4. CONCLUSION

Tax avoidance and its relation to political connections is an important research topic, which still requires exploration especially in a developing country like Indonesia. The practice of tax avoidance is also a complex phenomenon and involves the character of company managers because tax avoidance is a risky act. This research examines the influence of political connections and executive character on tax avoidance practices, and investigates the role of qualified auditors in this relationship. The results of the study show that political connections and executive character can trigger tax avoidance. However, the presence of a quality auditor is able to mitigate the positive influence of these two variables.

The findings of this study are consistent with agency theory, which highlights the value of governance measures in reducing agency conflicts. In particular, the presence of competent auditors can lessen management's propensity for tax avoidance. The findings of this study add to the accounting literature showing executives with risk-taking personalities, in particular, have a propensity to engage in risky behavior like tax avoidance. The results of this study are crucial for the Directorate General of Taxes in identifying how to better oversee businesses with risk-taking leaders and political connections in order to make tax policy more effective. This study has several limitations, including this study only uses one proxy for tax avoidance, namely ETR. Future researchers need to use cash effective tax rate (CETR) (Ajili and Khlif, 2020; Alkurdi and Mardini, 2020), discretionary measure of tax avoidance (DTAX) (Kovermann and Velte, 2019) or abnormal book tax differences (BTD) (Riguen *et al.*, 2021; Salehi and Sehat, 2019; Saragih *et al.*, 2021)as proxies for tax avoidance. This research is limited to manufacturing companies as the largest taxpayers in Indonesia, but exploration of the banking industry needs to be done as a comparison.

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

5. REFERENCES

Abdul Wahab, E. A., Ariff, A. M., Marzuki, M. M., and Sanusi, Z. M. (2017). Political connections, corporate governance, and tax aggressiveness in Malaysia. *Asian Review of Accounting*, *25*(3), 424–451.

Ajili, H., and Khlif, H. (2020). Political connections, joint audit and tax avoidance: evidence from Islamic banking industry. *Journal of Financial Crime*, *27*(1), 155–171.

Alabede, J. O. (2018). Economic freedom and tax revenue performance in sub-Saharan Africa. *Journal of Financial Reporting and Accounting*, *16*(4), 610–638.

Alfiyah, N., Subroto, B., and Ghofar, A. (2022). Is tax avoidance caused by political connections and executive characteristics?. *Jurnal Akuntansi Multiparadigma*, *13*(1), 32–41.

Alkurdi, A., and Mardini, G. H. (2020). The impact of ownership structure and the board of directors' composition on tax avoidance strategies: empirical evidence from Jordan. *Journal of Financial Reporting and Accounting*, *18*(4), 795–812.

Aprillia, C., and Purnomo, B. S. (2023). An influence: executive compensation, tax avoidance, and multiple large shareholders (as moderation). *Jurnal ASET (Akuntansi Riset)*, *15*(2), 255–266.

Armstrong, C. S., Blouin, J. L., Jagolinzer, A. D., and Larcker, D. F. (2015). Corporate governance, incentives, and tax avoidance. *Journal of accounting and Economics, 60*(1), 1-17.

Badertscher, B. A., Katz, S. P., Rego, S. O., and Wilson, R. J. (2019). Conforming tax avoidance and capital market pressure. *The Accounting Review*, *94*(6), 1–30.

Baghdadi, G., Podolski, E. J., and Veeraraghavan, M. (2022). CEO risk-seeking and corporate tax avoidance: Evidence from pilot CEOs. *Journal of Corporate Finance*, *76*.

Baron, R. M., and Kenny, D. A. (1986). The moderator-mediator variable distinction in social psychological research: conceptual, strategic, and statistical considerations. *Journal of Personality and Social Psychology*, *51*(6), 1173–1182.

Bauer, T., Kourouxous, T., and Krenn, P. (2018). Taxation and agency conflicts between firm owners and managers: a review. *Business Research*, *11*(1), 33–76.

Chan, K. H., Mo, P. L. L., and Zhou, A. Y. (2013). Government ownership, corporate governance and tax aggressiveness: evidence from China. *Accounting and Finance*, *53*(4), 1029–1051.

Chen, H., Tang, S., Wu, D., and Yang, D. (2021). The political dynamics of corporate tax avoidance: The Chinese experience. *Accounting Review*, *96*(5), 157–180.

Dewi, K. S., and Yasa, G. W. (2020). The effects of executive and company characteristics on tax aggressiveness. *Jurnal Ilmiah Akuntansi Dan Bisnis*, *15*(2), 280.

Ding, R., Sainani, S., and Zhang, Z. J. (2021). Protection of trade secrets and corporate tax avoidance: Evidence from the inevitable disclosure doctrine. *Journal of Business Research*, *132*, 221–232.

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

Elbra, A., Mikler, J., and Murphy-Gregory, H. (2023). The Big Four and corporate tax governance: From global dis-harmony to national regulatory incrementalism. *Global Policy*, *14*(1), 72–83.

Faccio, M. (2006). Politically connected firms. *American Economic Review*, *96*(1), 369–386.

Fitria, G. N. (2018). Pengaruh kepemilikan institusional, komisaris independen, karakter eksekutif dan size terhadap tax avoidance. *Jurnal Profita: Komunikasi Ilmiah Akuntansi Dan Perpajakan, 11*(3), 94-104.

Ge, R., and Zhang, J. J. (2017). Regulatory investigations of audit partners and audit quality improvement. *China Journal of Accounting Studies*, *5*(3), 275–293.

Hong, H., Kalcheva, I., and Srivastava, A. (2017). A reexamination of the theory of agency costs of tax avoidance. *Working Paper, University of California-Riverside,* 1-43.

Huseynov, F., Sardarli, S., and Zhang, W. (2017). Does index addition affect corporate tax avoidance? *Journal of Corporate Finance*, *43*, 241–259.

Indarti, M. G. K., Faisal, F., and Yuyetta, E. N. A. (2023). Quality of audit committee as a moderating effect between shareholding structure and intellectual capital disclosure in Indonesian banking companies. *International Journal of Applied Economics, Finance and Accounting*, *16*(1), 97–105.

Indarti, M. G. K., and Widiatmoko, J. (2021). The effects of earnings management and audit quality on cost of equity capital: Empirical evidence from Indonesia. *Journal of Asian Finance, Economics and Business*, *8*(4), 769–776.

Kalbuana, N., Taqi, M., Uzliawati, L., and Ramdhani, D. (2023). CEO narcissism, corporate governance, financial distress, and company size on corporate tax avoidance. *Cogent Business and Management*, *10*(1).

Kanagaretnam, K., Lee, J., Lim, C. Y., and Lobo, G. J. (2016). Relation between auditor quality and tax aggressiveness: Implications of cross-country institutional differences. *Auditing*, *35*(4), 105–135.

Kim, C., and Zhang, L. (2016). Corporate political connections and tax aggressiveness. *Contemporary Accounting Research*, *33*(1), 78–114.

Kovermann, J., and Velte, P. (2019). The impact of corporate governance on corporate tax avoidance—A literature review. *Journal of International Accounting, Auditing and Taxation*, *36*.

Ma, M., and Thomas, W. B. (2020). Legal environment and corporate tax avoidance: evidence from state tax codes. *Journal of the American Taxation Association*, *42*(2), 57–83.

Mahaputra, I. N. K. A., Rustiarini, N. W., Anggraini, N. P. N., and Sudiartana, I. M. (2018). National culture and perceived ethics of tax evasion: The case of Bali province. *Journal of Economics, Business, and Accountancy Ventura, 21*(1), 89-104.

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

Mohammed, F., and Sanusi, S. (2020). Quality of qovernance and tax revenue generation in West Africa: a political process theory perspective. *Management and Accounting Review (MAR), 19*(1), 213-232.

Novita, N. (2016). Executives characters, gender and tax avoidance: A study on manufacturing companies in Indonesia. *Proceedings of the 2016 Global Conference on Business, Management and Entrepreneurship*, *15*, 1–35.

Oats, L., and Tuck, P. (2019). Corporate tax avoidance: is tax transparency the solution? *Accounting and Business Research*, *49*(5), 565–583.

Oktavia, O. (2020). Independent corporate governance organs' activities, tax avoidance, and country tax environment: Evidence from ASEAN countries. *Pertanika Journal of Social Sciences and Humanities*, *28*(2), 1485–1505.

Phan, T. T. H., Lai, L. A., Le, T. T., Tran, D. M., and Tran, D. T. (2020). The impact of audit quality on performance of enterprises listed on Hanoi Stock Exchange. *Management Science Letters*, *10*(1), 217–224.

Pratiwi, I. S., and Siregar, S. V. (2019). The effect of corporate social responsibility on tax avoidance and earnings management: The moderating role of political connections. *International Journal of Business, 24*(3), 229-248.

Putra, D. M. (2023). The tax compliance factors in individual taxpayer perspective. *Jurnal ASET (Akuntansi Riset)*, *15*(1), 013–036.

Riguen, R., Salhi, B., and Jarboui, A. (2021). The impact of audit characteristics on corporate tax avoidance: the moderating role of gender diversity. *Scientific Annals of Economics and Business, 68*(1), 97-114.

Rustiarini, N. W., and Sudiartana, I. M. (2021). Board political connection and tax avoidance: Ownership structure as a moderating variable. *Jurnal Dinamika Akuntansi Dan Bisnis, 8*(2), 128-144.

Salehi, M., and Sehat, M. (2019). Debt maturity structure, institutional ownership and accounting conservatism. *Asian Journal of Accounting Research*, *4*(1), 35–51.

Salehi, M., Tarighi, H., and Shahri, T. A. (2020). The effect of auditor characteristics on tax avoidance of Iranian companies. *Journal of Asian Business and Economic Studies*, *27*(2), 119–134.

Saragih, A. H., and Hendrawan, A. (2021). The moderating role of firm size on the association between managerial ability and tax avoidance. *Jurnal ASET (Akuntansi Riset), 13*(1), 39–49.

Shen, Y., Gao, D., Bu, D., Yan, L., and Chen, P. (2019). CEO hometown ties and tax avoidance-evidence from China's listed firms. *Accounting and Finance*, *58*(5), 1549–1580.

Tsai, P. H., Liu, Y., and Liu, X. (2021). Collusion, political connection, and tax avoidance in China. *Kyklos, 74*(3), 417-441.

Wang, L., and You, K. (2022). The impact of political connections on corporate tax burden: Evidence from the Chinese market. *Finance Research Letters*, *47*(1), 102944.

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342

Widarjo, W., Sudaryono, E. A., Sutopo, B., Syafiqurrahman, M., and Juliati, J. (2021). The moderating role of corporate governance on the relationship between political connections and tax avoidance. *Jurnal Dinamika Akuntansi*, *13*(1), 62–71.

Widiatmoko, J., and Indarti, M. G. K. (2019). Book tax differences, operating cash flow, leverage and earning persistence in indonesia manufacturing companies. *Jurnal Dinamika Akuntansi*, *11*(2), 151–159.

Widiatmoko, J., Indarti, M. G. K., and Pamungkas, I. D. (2020). Corporate governance on intellectual capital disclosure and market capitalization. *Cogent Business and Management*, *7*(1), 1–14.

Widiatmoko, J., and Indarti, M. K. (2018). The determinans of earnings response coefficient: An empirical study for the real estate and property companies listed on the Indonesia Stock Exchange. *Accounting Analysis Journal, 7*(2), 135-143.

Yudanto, L. A., and Damayanti, T. W. (2022). Political Connection, Foreign Ownership, and Tax Avoidance: Does Executive Gender Moderate the Relationship? *Journal of Economics, Business, and Accountancy Ventura*, *24*(3), 408–419.

Zhang, T., Zhang, X., and Yang, D. (2021). Does industrial policy suppress corporate tax avoidance ? —— a study on the perspective of provincial industrial policy. *China Journal of Accounting Studies*, *9*(2), 143–167.

DOI: https://doi.org/10.17509/jaset.v15i2
p- ISSN 2086-2563 e- ISSN 2541-0342