International Information and Engineering Technology Association
Advancing the World of Information and Engineering

International Journal of Sustainable Development and Planning
Vol. 18, No. 11, November, 2023, pp. 3641-3647
Journal homepage: http://iieta.org/journals/ijsdp

The Impact of Corporate Governance and Fiscal Loss Compensation on Tax Avoidance Policies: Indonesian Banking Sector

Rachmawati Meita Oktaviani*, Sartika Wulandari, Ceacilia Srimindarti, Muhammad Ali Ma'sum

Accounting Departement, Universitas Stikubank Semarang, Semarang 50233, Indonesia

Corresponding Author Email: meitarachma@edu.unisbank.ac.id

https://doi.org/10.18280/ijsdp.181130

Received: 22 May 2023
Revised: 14 September 2023
Accepted: 24 September 2023
Available online: 30 November 2023

Keywords:
corporate governance, fiscal loss compensation, tax avoidance, Indonesian banking sector

ABSTRACT

This research explores the role of corporate governance, audit quality, and fiscal loss compensation in influencing tax avoidance strategies within firms in the Indonesian banking sector. Using financial statements and annual reports of companies listed on the Indonesia Stock Exchange (IDX) from 2017-2021, we employed panel data regression analysis to investigate these relationships. The selection of companies was based on specific criteria, which are detailed within the paper. Our findings revealed that while independent commissioners and audit committees negatively affect tax avoidance, institutional ownership and audit quality had no significant impact. Interestingly, fiscal loss compensation was found to positively influence tax avoidance. Our study indicates that not all corporate governance mechanisms are effective in curbing tax avoidance in the banking sector. Additionally, we highlight the unintended consequences of fiscal loss compensation policies, which may facilitate tax avoidance. These findings have important implications for policy and governance in the banking sector.

1. INTRODUCTION

In Indonesia, taxes are coercive compulsory payments that must be made to the government by people and organizations to finance all expenditures, including national development, in the context of achieving people's welfare. Tax collection activities by the government are not easy to implement in society because taxpayers feel they do not get meaningful reciprocity from what has been paid to the state [1]. It raises different interests in tax collection. The government wants high tax revenues as the biggest revenue source for implementing state activities. Meanwhile, from the point of view of the taxpayer, the burden of taxes can cause profitability to decline [2-4], tax avoidance is not just a financial problem for tax authorities, but one that erodes critical common spaces necessary for the smooth functioning of regulatory compliance, organizational integrity, and society. Defining tax avoidance as a sustainability problem offers a broader and more holistic understanding of the organizational and societal consequences of tax avoidance behavior.

The phenomenon of tax avoidance in the Indonesian financial sector occurred in one of the national private banks, causing state losses of up to IDR 375 billion. In this case, the chronology stems from the bank's objection to tax corrections made by the Directorate General of Taxes (DGT). The bank considers that the results of DGT's correction to the financial profit of IDR 6.78 trillion must be reduced by IDR 5.77 trillion. Based on a review of data from the bank's financial statements, there are indications of understating income tax (PPh) during 2001-2008. Banks only pay around 20-22 percent; even in 2001, it was only 1.23 percent. Even according to Law number 17/2000 concerning income tax, corporate taxpayers with income above IDR 100 million are 30 percent. However, the tax amount can be reduced per government regulations to 25 percent. Tax evasion is suspected of taking advantage of legal loopholes through spending out of proportion.

Corporate tax avoidance is done by applying tax management. The application of tax management in companies requires very good corporate governance. The background to the corporate governance implementation is the problem of the corporate governance structure. The corporate governance structure within a company aims to create good, effective, and efficient corporate governance. The mechanism is carried out by regulating how the company continues to develop properly, has optimal profits, does not violate government regulations and obeys tax payments [5]. The application of corporate governance in determining tax policy will be used by companies concerning corporate income tax payments. This study focuses on tax avoidance's impact on corporate governance. Institutional ownership, independent commissioners, audit committees, and audit quality were proxies for corporate governance.

Institutional ownership [6-9] is shared ownership owned by parties or institutions outside the company. Monitoring the company's success is crucial to ensuring shareholders' confidence in their investments. Independent commissioners are members of the board who professionally have an independent attitude or do not only consider what the corporation wants regarding all policies made by the directors. A committee within a corporation constituted, appointed, and removed by the board of commissioners is called an audit committee. Its efforts support the board of commissioners' oversight of the company's internal and external audits and the preparation of financial reports. Audit quality is governed by the corporate governance principle of transparency. An auditor must remain professional in the auditing and accounting fields. The professional attitude of an audit can be proven by prioritizing independence as a work ethic.

The novelty of this research is to add a fiscal loss compensation variable. Fiscal loss compensation is a policy in the tax sector in Indonesia with a pattern of compensating company losses after the accounting period. Companies that experience fiscal losses in one period will be given tax relief. Fiscal losses [10, 11], in tax regulations in Indonesia can be compensated for the next five years. Compensation is made by reducing the company's profit by the amount of compensation for losses in the previous year. In the realm of Indonesian taxation, compensating for fiscal losses is regarded as deductible expenses during tax calculations. Consequently, this provision creates an avenue for companies to engage in practices aimed at minimizing their tax avoidance.

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1 Tax avoidance

Tax avoidance is a tax planning strategy to maximize shareholder wealth. Tax is one of the most important corporate obligations, with the hope that the heterogeneity of directors significantly influences corporate tax avoidance behavior [12]. Tax avoidance [8-10], saves the company's cash flow from the obligation to pay taxes to maximize the receipt of dividends that will be distributed to shareholders, indicating that the owner of the company will try to maximize wealth. Cash savings increase the company's cash flow, which offers opportunities for further investment to enhance the firm's value. Tax avoidance [11] is carried out because this action is still permissible and violate the law. It is done to minimize the tax liability of the business. However, tax avoidance can potentially reduce state revenue in the tax sector.

Corporate tax avoidance can be done by implementing tax management. The application of tax management in companies requires good corporate governance. The implementation of corporate governance [11, 12] is motivated by problems with the corporate governance structure. The corporate governance structure within a company aims to create good, effective, and efficient corporate governance. The application of corporate governance in determining tax policy will be used by companies concerning corporate income tax payments [13]. This study utilizes institutional ownership, independent commissioners, audit committees, and audit quality as proxies for the corporate governance elements. Fiscal loss compensation is another element that may impact tax evasion. Compensation for financial losses is a pattern of compensating for company losses after the bookkeeping, and then according to the decision, there is a fiscal loss. Companies that experience fiscal losses in one period will be given tax relief. These losses can be carried forward over the next five years, and the company's profit will be used to reduce the amount of compensation for these losses.

2.2 Institutional ownership, independent commissioners, audit committees, audit quality, and fiscal loss compensation

Institutional ownership [14-17] is shared ownership owned by parties or institutions outside the company. Monitoring the company's success is crucial to ensuring shareholders' confidence in their investments. The concept of tax management, as elucidated in the study [18-20], is directed towards the regulation of taxes. This emphasizes the accurate fulfillment of tax responsibilities while also seeking opportunities to economize on the amount of taxes disbursed.

The amount of monitoring provided by institutional investors is highly influenced by the magnitude of the investment. Institutional ownership holds strong control from external companies; the greater the shareholder from external parties, the higher the supervision carried out [18-20]. The existence of control from external parties will ensure that the company's management decides on policies, maximizing shareholders' welfare. Therefore, the company requires a monitor from an external party to monitor each party with different interests. Thus,

H1: Institutional ownership significantly and negatively impacts tax avoidance.

Independent commissioners are members of the board who professionally have an independent attitude or do not only consider what the corporation wants regarding all policies made by the directors. Its existence in a company will impact management performance in disclosing broader information. The aims of tax management [19, 20] can be realized via the tax management function. This function encompasses tax planning, implementation of tax responsibilities, and tax control. The role of an independent commissioner pertains to the implementation of tax responsibilities.

Under IDX regulations, an independent commissioner is a person who is not associated in any way with the controlling shareholder, the board of directors, or the commissioners and who does not have a directorship in a business connected to the owner's business [13, 21, 22]. If at least thirty percent (30%) of the commissioners' members are committed to protecting minority owners, the amount invested in each firm must be equivalent to the number of shares held by non-controlling shareholders. Thus,

H2: Independent commissioners significantly and negatively impact tax avoidance.

A committee within a corporation constituted, appointed, and removed by the board of commissioners is called an audit committee under POJK No. 55/POJK 04/2015. According to IDX's rules, every business must establish an audit committee with at least three members chaired by an independent commissioner. The role of the audit committee in tax management is focused on strategizing tax obligations. This tax planning is designed to guarantee that the tax savings directed to the state comply with tax regulations while being effectively executed [20].

Its efforts support the board of commissioners' oversight of the company's internal and external audits and the preparation of financial reports. To avoid information asymmetry, the audit committee in corporate governance is charged with ensuring that company management has been carried out in line with applicable laws and business ethics [23-28]. Its existence might shed light on concerns about the company's internal control, accounting, and financial policies. Thus,

H3: The audit committee significantly and negatively impacts tax avoidance.

Audit quality is governed by the corporate governance principle of transparency. When the auditor examines the client's financial statements, there is a chance that violations in the client's accounting system will be found and reported in the audited financial statements. It is known as audit quality. An auditor must remain professional in the auditing and accounting fields. The professional attitude of an audit can be proven by prioritizing independence as a work ethic. Independence means that when an auditor works, he is free and is not under pressure or influence from a party because an auditor is responsible for serving the company by checking its financial statements. Sunarsih and Handayani [29] state that financial reports will be more trusted and considered of higher quality if the company audits its financial statements using a Public Accounting Firm belonging to the Big Four. The resulting audited report displays the true company's value so that company managers have a lower fraud level. Research of Sunarsih and Handayani [29] strengthens the opinion of Kanagaretnam et al. [30] that because a corporation is less likely to alter profits for tax purposes if its audit is of higher quality, audit committees negatively impact tax avoidance. Thus,

H4: Audit quality significantly and negatively impact tax avoidance.

Tax loss is a reduction between income and expenses that can take into account income tax provisions. Fiscal loss compensation is a pattern of compensation that can be obtained if corporate or individual taxpayers, after bookkeeping, if, according to a tax decision passed by the Directorate General of Taxes or according to the Annual Notification Letter, a fiscal loss is detected. Calculating compensation for losses can be regulated in the tax regulation Article 6, paragraph 2 No. 17 of the 2000 Income Tax Law. The process of computing fiscal loss compensation accessible to taxpayers is outlined in the following dataset.

During the tax year of 2020, PT X incurred a fiscal deficit amounting to IDR 2 billion. Over the subsequent five tax years, PT X's fiscal gains (or losses) are detailed in Table 1 below.

Table 1. PT X's fiscal gains (or losses) between 2021-2025

Description	2021	2022	2023	2024	2025	Residual
Profit (Loss) Fiscal	200	(500)	400	700	500	
Fiscal Loss Compensation 2020	(2.000)	(1.800)	(1.800)	(1.400)	(700)	(200)
Fiscal Loss Compensation 2022	0	0	(500)	(500)	(500)	(500)
Total	(1.800)	(2.300)	(1.900)	(1.200)	(700)	

The unutilized fiscal loss of IDR 200 million from the 2020 tax year will lapse and cannot be offset against fiscal gains in the 2026 tax year. Conversely, the fiscal loss of IDR 500 million from the 2022 tax year remains available for compensation against fiscal profits in both the 2026 and 2027 tax years.

Compensation for fiscal losses can also be used as a way of tricking people into avoiding their tax obligations [5, 6, 28, 29]. Thus,

H5: Compensation for fiscal losses significantly and positively impacts tax avoidance.

3. RESEARCH METHODS

This study's object was carried out through the financial data of companies listed on the Indonesia Stock Exchange (IDX) during the 2017-2021 observation period. The criteria determined by the researchers for determining the sample are as follows: a). companies in the financial sector listed on the Indonesia Stock Exchange (IDX) from 2017 to 2021; b). companies in the financial sector not delisted during the research year; c). companies that published complete financial reports during the research year; d). companies that reported fiscal losses in the financial statements during the study year.

Regression was employed in this study for conducting data analysis. This study uses EViews as software for testing the data. The basis for selecting the approach is EViews because the panel data are used. The panel data employed involves data from 27 banks in Indonesia with an observation period between 2017-2021.

In this study, tax avoidance is determined by the effective proxy of the tax rate with the ratio of the tax burden value divided by profit before tax [3, 9, 28]. Corporate governance represented by institutional ownership variables is measured based on former studies [15, 30]. By comparing the size of the ratio of the number of institutional shares to all outstanding shares, one can approximate institutional ownership. The proxy used to determine the number of independent commissioners is the total number of corporate commissioners divided by the number of independent commissioners. The proxy used comes from research [11, 20].

In this study, the audit committee is a proxy for the number of audit committees the company employs. The use of this proxy is based on research conducted by former studies [23, 25]. Audit quality is measured using a nominal scale with a dummy with 0 for companies that do not use KAP Big Four and 1 for vice versa. This proxy is based on researches [27, 31, 32]. Compensation for financial losses is also measured with a dummy where companies that take advantage of this policy are given a score of 1 while those who do not are given a score of 0. This proxy is based on researches [5, 28, 29]. The operational definitions and variable measurements can be summarized in Table 2.

Table 2. Measurement of research variables

Variables	Measurement	Scale	Report Source
Tax avoidance	$\text{ETR} = \frac{\text{Tax expense}}{\text{Profit before tax}}$	Ratio	Financial Statement
Institutional ownership	$= \frac{\text{Number of institutional shares}}{\text{Total outstanding shares}}$	Ratio	Company Website
Independent commissioner	$= \frac{\text{Number of independent commissioners}}{\text{The total number of the board of commissioners}}$	Ratio	Company Website
Audit committee	$= \sum \text{Audit committee member}$	Nominal	Company Website
Audit quality	Score 1 if a company has been audited by a Big Four KAP and score 0 if a company is audited by a non-Big Four KAP	Nominal	Company Website
Fiscal loss compensation	Score 1 if there is compensation for fiscal losses and score 0 if there is no compensation for fiscal losses	Nominal	Financial Statement

4. RESULTS AND DISCUSSION

The findings of the statistical description of each variable employed in this study are presented in Table 2. Institutional ownership has a mean value of 0.679706 as well as a median value of 0.656676. It implies that the mean value is greater than the median value, indicating that the average value of financial sector companies has large institutional ownership. PT Tifa Finance Tbk had a maximum value of 0.996452 in 2021. Meanwhile, PT Asuransi Ramayana Tbk had a minimum value of 0.205658 in 2021. Independent commissioners have a mean value of 0.513361 as well as a median value of 0.500000. It suggests that the mean value is more significant than the median value, meaning that the average value of financial sector companies has many independent commissioners. The maximum value for independent commissioners is 0.750000, which occurs in two companies: PT Asuransi Bina Dana Artha Tbk in 2017-2020 and PT Asuransi Ramayana Tbk. Meanwhile, the minimum value for independent commissioners is 0.250000 for Trust Finance Indonesia Tbk in 2019.

For the audit committee, the mean value is 3.651852, as well as the median is 3.000000. It denotes that the mean value is more significant than the median value, indicating that the average financial sector company has many audit committees. The highest score for the audit committee is 10.00000, and this value is possessed by the company PT. Bank Rakyat Indonesia Tbk in 2020. In comparison, the minimum score for the audit committee is 2.00000, which happened to PT. State Savings Bank Tbk in 2019 and PT Asuransi Ramayana Tbk in 2017 and 2018. In addition, audit quality has a mean value of 0.666667 as well as a median value of 1.000000. It suggests that the mean value is lower than the median value, denoting that the average financial sector company has a small audit quality. Meanwhile, the maximum value obtained is 1.00000, owned by 19 companies, whereas the minimum value of 0.00000 is owned by 8 companies.

Moreover, tax loss compensation has a mean value of 0.044444 as well as a median value of 0.000000. The highest score for compensation for financial losses is at PT. Trimegah Sekuritas Indonesia Tbk and PT Wahana Ottomitra Multiartha Tbk in 2016. Then, for tax avoidance, the mean value is 0.242158 as well as the median is 0.239972. It implies that the mean value is more significant than the median value, indicating that the average financial sector company has a large tax avoidance. While the maximum value of 0.86461 is owned by PT Wahana Ottomitra Multiartha Tbk in 2017, the minimum value of 0.025433 is owned by PT. Bina Dana Artha Tbk Insurance in 2018.

Testing for the model specification used in this study was carried out by carrying out the Chow and Hausman tests. Based on Table 3, the Common Effect Model and the Fixed Effect Model are contrasted in the first test using the Chow test. The first test results of the selected Fixed Effect Model have a probability value of less than 5%. The second test uses the Hausman test by comparing the Fixed and Random Effect Models (as shown in Table 4). In this regard, the Fixed Effect Model was chosen as the best model with a probability value of less than 5%.

Table 3. Descriptive statistics

Variables	Minimum	Maximum	Mean	Median	Std. Dev
Institutional ownership	0.238758	0.967913	0.679706	0.656676	0.163920
Independent commissioner	0.250000	0.750000	0.513361	0.500000	0.109585
Audit committee	2.000000	7.000000	3.611111	3.000000	1.092312
Audit quality	0.000000	1.000000	0.685185	1.000000	0.466607
Fiscal loss compensation	0.000000	1.000000	0.046296	0.000000	0.211106
Tax avoidance	0.025433	0.986461	0.242158	0.239972	0.109270

Table 4. Model specification test result

	Chow Test	Hausman Test
	Prob.	Prob.
Cross-section Chi-square	0.0000	
Cross-section random		0.0000

Table 5. Hypothesis test

Variables	Coefficient	Std. Error	T-Statistic	Prob.	Sig.
C	0.316775	0.119391	2.653262	0.0097	***
Institutional ownership	-0.114401	0.126630	-0.903422	0.3692	
Independent commissioner	-0.249273	0.083382	-2.989527	0.0038	***
Audit committee	-0.046652	0.011598	-4.022470	0.0001	***
Audit quality	0.014552	0.045343	0.320941	0.7491	
Fiscal loss compensation	0.727237	0.063920	11.37724	0.0000	***
R-squared	0.818473	Adjusted R-squared		0.744429	
F-statistic	11.05386	Prob (F-statistic)		0.000000	

Note: ***p<.01,** p<.05,* p<.1

4.1 The impact of institutional ownership on tax avoidance

Derived from the data in Table 5, the link between institutional ownership and tax avoidance exhibits a significance value of 0.3692. The regression analysis results prove that institutional ownership has not effects tax avoidance, so H1 is rejected. The amount of institutional ownership has little impact on how corporations evade paying taxes. Shares with institutional ownership come from organizations responsible for overseeing how well managers run their businesses. Banks, pension funds, insurance firms, and other institutions are among the in question. The higher share ownership by institutions means that the tax burden paid by companies will also be higher, and this will encourage financial sector companies to use corporate governance mechanisms in proxies for institutional ownership as a tool to take tax-saving measures.

Institutional ownership in agency theory is expected to reduce agency conflicts between shareholders acting as principals and company managers acting as agents. Company managers have more information to reference to decide and run the company than shareholders. A high return rate on investment will be the focus of shareholders, so shareholders will try to reduce costs, which are considered a reduction in profits that will be distributed to shareholders, and the costs in question are tax burdens. A high percentage of institutional ownership will more easily influence management, which has much information to support company managers in tax avoidance.

Much of the information is only for internal consumption by management and is not available to institutional investors. Public ownership is typically in the minority, making it impossible for it to be used as a monitoring or intervention tool or to significantly affect the agent's discipline in carrying out the principal's wishes. This study's results align with those [30, 33, 34], which state that institutional ownership has no impact on efforts to evade taxes.

4.2 The Impact of independent commissioners on tax avoidance

Extracted from the data presented in Table 4, the relationship between independent commissioners and tax avoidance demonstrates a significant value of 0.0038, and the nature of this relationship is negative. The regression analysis results prove that the independent commissioner negatively and significantly impacts tax avoidance in financial sector companies, so H2 is accepted. In other words, the more the number of independent commissioners in the company reduces tax avoidance practices. A company's independent board of commissioners supervises the directors in achieving company goals. With an increasing number of independent commissioners, supervision will be stronger. Independent commissioners in agency theory are expected to lower agency problems between investors as principals and company managers as agents.

Independent commissioners play a balancing role in carrying out supervision and controlling all actions taken by company managers to protect minority shareholders. The fact that it exists will reassure investors that they will get a return on their investment. Large profit earnings are, therefore, necessary to assure investors' projected returns while limiting the company's tax burden.

This study's results corroborate with those [13, 35, 36], stating that tax avoidance is significantly impacted negatively by an independent commissioner. Management will make thoughtful judgments and conduct the business openly under the supervision of an impartial board of commissioners to reduce tax evasion.

4.3 The impact of audit committee on tax avoidance

Extracted from Table 4, the relationship between the audit committee and tax avoidance is characterized by a significant value of 0.0001, and this link exhibits a negative direction. The regression analysis results prove that the audit committee negatively impacts tax avoidance in financial sector companies, so H3 is accepted. It means that audit committee members formed by the board of commissioners to assist in their duties play a role properly so that they can improve oversight of manager performance. An audit committee cannot be added solely to comply with government regulations regarding guidelines and establishing an audit committee. According to studies [22, 23, 25], the audit committee is crucial in assisting the board of commissioners in expressing opinions on accounting, internal control, and financial policies.

In agency theory, the audit committee is expected to lower agency issues between investors as principals and company managers as agents. The audit committee members will reduce tax avoidance practices in companies if they have background and expertise in accounting. The field of accounting or finance expertise will better understand loopholes in tax regulations and how to avoid risks so they can provide useful advice to generate greater profits or returns for shareholders.

4.4 The impact of audit quality on tax avoidance

Drawn from the data within Table 4, the link between quality and tax avoidance is associated with a significance value of 0.7491. The regression analysis results prove that audit quality has no effect on tax avoidance in financial sector companies. Therefore, the plausible hypothesis (H4) is rejected, meaning that the financial statements audited by KAP The Big Four and KAP non-The Big Four do not guarantee audit quality and will be more trusted not to practice tax avoidance by companies. The researcher suspects that it is not only the KAP The Big Four which provides good results that have high credibility, but all KAPs carry out audits in accordance with applicable and enforced guidelines and regulations, as the purpose of an external audit is to identify important factors that offer a response in the form of action.

Audit quality in agency theory is expected to reduce agency issues between investors as principals and company managers as agents. Its application can reduce agency costs, namely the amount of costs incurred to reward external auditors in auditing the company's financial statements. The tax authorities are more likely to trust businesses that use KAP The Big Four audit services since they are trusted with high work integrity, always apply existing regulations, and are of good quality. However, if the corporation can offer KAPs more and better welfare advantages, a KAP with a high reputation may engage in dishonest behavior to increase their welfare. The above research results are consistent with studies [31, 32], stating that tax evasion strategies are unaffected by audit quality.

4.5 The impact of fiscal loss compensation on tax avoidance

Based on the information obtained from Table 4, the relationship between fiscal loss compensation and tax avoidance is marked by a significant value of 0.0000, and the nature of this relationship is positive. The regression analysis results prove that fiscal loss compensation positively impacts tax avoidance in financial sector companies. Hence, the proposed hypothesis (H5) is accepted, meaning that the higher the fiscal loss compensation, the more it will encourage companies to practice tax avoidance. Compensation for financial losses is transferring compensation for financial losses from one period to another experienced by a company. Companies that lose money in one accounting period are given tax relief.

A tax loss from one tax year can be offset against income from the next year for up to five years. For five consecutive years, because the taxable gains will be utilized to lower the amount of financial loss compensation, the corporation will not have to pay as much in taxes. Management may use fiscal loss compensation to implement tax avoidance measures. The results are in line with studies [6, 13, 37, 38].

5. CONCLUSIONS

This study's results revealed that 1). Partially, independent commissioners and audit committees negatively impact tax avoidance; 2). Institutional ownership and audit quality partially do not impact tax avoidance; 3). Compensation for fiscal losses positively impacts tax avoidance. The study findings suggest that not all corporate governance elements employed impacted corporate tax avoidance efforts, particularly in the banking sector. Meanwhile, government policies in the form of compensation for financial losses can actually be used by taxpayers to carry out tax avoidance.

Theoretically, the results of this study add to the body of knowledge in taxation about the use of corporate governance and fiscal loss compensation policies. Not all elements of corporate governance have an impact on tax avoidance efforts.

This research cannot be generalized. The research object used is limited to companies in the banking sector. It is hoped that future research can add more so that the research results will be even better. Subsequent investigations will extend beyond the confines of the banking sector and encompass additional financial domains such as consumer financing, insurance, and investment services.

Expectations for future research are also emphasized for proxies used to measure variables. The proxy for measuring tax avoidance can use other proxies, such as the effective cash tax rate. This study is expected to carry implications for obligatory corporate governance regulations and the utilization of discretionary fiscal loss compensation policies within companies. The interplay between governance and fiscal loss compensation can serve as valuable insights for companies, helping them assess the influence of these measures on their tax avoidance strategies.

REFERENCES

[1] Srimindarti, C., Widyaningsih, C.A., Oktaviani, R.M., Hardiningsih, P. (2022). The effect of corporate governance and company size on tax avoidance. Jurnal Organisasi dan Manajemen, 18(1): 114-125. https://doi.org/10.33830/jom.v18i1.1417.2022

[2] Oktaviani, R.M., Wulandari, S., Sunarto, S. (2023). Multinational corporate tax avoidance in Indonesia. International Journal of Professional Business Review, 8(2): e01549. https://doi.org/10.26668/businessreview/2023.v8i2.1549

[3] Frank, M.M., Lynch, L.J., Rego, S.O. (2009). Tax reporting aggressiveness and its relation to aggressive financial reporting. The Accounting Review, 84(2): 467-496. https://doi.org/10.2308/accr.2009.84.2.467

[4] Bird, R., Davis-Nozemack, K. (2018). Tax avoidance as a sustainability problem. Journal of Business Ethics, 151: 1009-1025. https://doi.org/10.1007/s10551-016-3162-2

[5] Andriyani, M., Mahpudin, E. (2021). Pengaruh corporate governance dan kompensasi rugi fiskal terhadap tax avoidance: Studi empiris pada perusahaan pertambangan yang terdaftar di BEI Tahun 2017-2019. Jurnal Akuntansi dan Pajak, 21(2). http://doi.org/10.29040/jap.v21i02.1431

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

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

[8] Girindratama, M.W., Rudiawarni, F.A. (2022). Pengaruh business strategy terhadap tax planning: Peran financial expertise dan institutional ownership. Media Riset Akuntansi, Auditing & Sistem Informasi, 22(1): 65-90. https://doi.org/10.25105/mraai.v22i1.9958

[9] Pirzada, K., Mustapha, M.Z.B., Wickramasinghe, D. (2015). Firm performance, institutional ownership and capital structure: A case of Malaysia. Procedia-Social and Behavioral Sciences, 211: 170-176. https://doi.org/10.1016/j.sbspro.2015.11.025

[10] Nihayah, S.Z., Oktaviani, R.M. (2022). Pengaruh kualitas audit, kompensasi rugi fiskal, dan pertumbuhan aset terhadap tax avoidance. Jurnal GeoEkonomi, 13(1): 55-66. https://doi.org/10.36277/geoekonomi.v13i1.180

[11] Iswara, E.R., Oktaviani, R.M. (2022). Tax avoidance dari sudut pandang komisaris independen, komite audit, dan kompensasi rugi fiskal. Jurnal Akuntansi dan Keuangan Universitas Bandar Lampung, 13(1): 1-15. https://doi.org/10.36448/jak.v13i1.2452

[12] Wen, W., Cui, H., Ke, Y. (2020). Directors with foreign experience and corporate tax avoidance. Journal of Corporate Finance, 62: 101624. https://doi.org/10.1016/j.jcorpfin.2020.101624

[13] Annuar, H.A., Salihu, I.A., Obid, S.N.S. (2014). Corporate ownership, governance and tax avoidance: An interactive effects. Procedia-Social and Behavioral Sciences, 164: 150-160. https://doi.org/10.1016/j.sbspro.2014.11.063

[14] Rego, S.O. (2003). Tax-avoidance activities of US multinational corporations. Contemporary Accounting Research, 20(4): 805-833. https://doi.org/10.1506/VANN-B7UB-GMFA-9E6W

[15] Dyreng, S.D., Hanlon, M., Maydew, E.L. (2008). Long-run corporate tax avoidance. The Accounting Review, 83(1): 61-82. https://doi.org/10.2308/accr.2008.83.1.61

[16] Kovermann, J., Velte, P. (2019). The impact of corporate governance on corporate tax avoidance-A literature review. Journal of International Accounting, Auditing and Taxation, 36: 100270. https://doi.org/10.1016/j.intaccaudtax.2019.100270

[17] Setyahadi, R.R., Narsa, I.M. (2020). Corporate governance and sustainability in Indonesia. Journal of Asian Finance, Economics and Business, 7(12): 885-894. https://doi.org/10.13106/jafeb.2020.vol7.no12.885

[18] Sunarto, S., Widjaja, B., Oktaviani, R.M. (2021). The effect of corporate governance on tax avoidance: The

role of profitability as a mediating variable. The Journal of Asian Finance, Economics and Business, 8(3): 217-227. https://doi.org/10.13106/jafeb.2021.vol8.no3.0217
[19] Suandy, E. (2011). Hukum Pajak (6th ed.). Jakarta: Salemba Empat.
[20] Chairil Anwar Pohan, M. (2014). Manajemen Perpajakan: Strategi Perencanaan Pajak & Bisnis (Edisi Revisi). Gramedia Pustaka Utama.
[21] Jiang, H., Kim, E. (2022). Characteristics of top management team and Chinese tax planning nexus: Findings from a fuzzy-set qualitative comparative analysis. Frontiers in Psychology, 13: 964278. https://doi.org/10.3389/fpsyg.2022.964278
[22] Darsani, P.A., Sukartha, I.M. (2021). The effect of institutional ownership, profitability, leverage and capital intensity ratio on tax avoidance. American Journal of Humanities and Social Sciences Research (AJHSSR), 5(1): 13-22.
[23] Minh Ha, N., Phuong Trang, T.T., Vuong, P.M. (2022). Relationship between tax avoidance and institutional ownership over business cost of debt. Cogent Economics & Finance, 10(1): 2026005. https://doi.org/10.1080/23322039.2022.2026005
[24] Dewi, R.R., Gunawan, I.D. (2019). The implications of CSR and GCG on tax avoidance. Jurnal Akuntansi, 23(2): 195-212. https://doi.org/10.24912/ja.v23i2.577
[25] Mappadang, A. (2021). Corporate governance and corporate tax avoidance: An interactive effects (Evidence from Indonesia Capital Market). Jurnal Keuangan dan Perbankan, 25(1): 81-92. https://doi.org/10.26905/jkdp.v25i1.5043
[26] Dang, V.C., Nguyen, Q.K. (2022). Audit committee characteristics and tax avoidance: Evidence from an emerging economy. Cogent Economics & Finance, 10(1): 2023263. https://doi.org/10.1080/23322039.2021.2023263
[27] Hsu, P.H., Moore, J.A., Neubaum, D.O. (2018). Tax avoidance, financial experts on the audit committee, and business strategy. Journal of Business Finance & Accounting, 45(9-10): 1293-1321. https://doi.org/10.1111/jbfa.12352
[28] Al Lawati, H., Hussainey, K. (2021). Do overlapped audit committee directors affect tax avoidance? Journal of Risk and Financial Management, 14(10): 487. https://doi.org/10.3390/jrfm14100487
[29] Sunarsih, U., Handayani, P. (2018). Pengaruh corporate governance terhadap penghindaran pajak pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia. Jurnal Akuntansi, 12(2): 163-185. https://doi.org/10.25170/jara.v12i2.87
[30] Kanagaretnam, K., Lee, J., Lim, C.Y., Lobo, G.J. (2016). Relation between auditor quality and tax aggressiveness: Implications of cross-country institutional differences. Auditing: A Journal of Practice & Theory, 35(4): 105-135. https://doi.org/10.2308/ajpt-51417
[31] Oktavia, O., Siregar, S.V., Wardhani, R., Rahayu, N. (2019). The role of country tax environment on the relationship between financial derivatives and tax avoidance. Asian Journal of Accounting Research, 4(1): 70-94. https://doi.org/10.1108/AJAR-01-2019-0009
[32] Saputra, M., Nadirsyah, N., Hanifah, H. (2017). The influence of ownership structures, financial distress, and tax loss carry forward on tax avoidance (Study on manufacturing company listed in Indonesia Stock Exchange). Journal of Resources Development and Management, 31(1): 21-31.
[33] Kholbadalov, U. (2012). The relationship of corporate tax avoidance, cost of debt and institutional ownership: Evidence from Malaysia. Atlantic Review of Economics: Revista Atlántica de Economía, 2(1): 7-36.
[34] Widuri, R., Wijaya, W., Effendi, J., Cikita, E. (2019). The effect of good corporate governance on tax avoidance of listed companies in Indonesian stock exchange in 2015-2017. Journal of Economics and Business, 2(1): 120-126. https://doi.org/10.31014/aior.1992.02.01.72
[35] Sherly, F., Yohanes, Y. (2022). Pengaruh profitability, leverage, audit quality, dan faktor lainnya terhadap tax avoidance. E-Jurnal Akuntansi Tsm, 2(2): 543-558.
[36] Oktaviyani, R., Munandar, A. (2017). Effect of solvency, sales growth, and institutional ownership on tax avoidance with profitability as moderating variables in Indonesian property and real estate companies. Binus Business Review, 8(3): 183-188. https://doi.org/10.21512/bbr.v8i3.3622
[37] Fauzan, F., Arsanti, P.M.D., Fatchan, I.N. (2021). The effect of financial distress, good corporate governance, and institutional ownership on tax avoidance. Riset Akuntansi dan Keuangan Indonesia, 6(2): 154-165. https://doi.org/10.23917/reaksi.v6i2.16126
[38] Pratomo, D., Rana, R.A. (2021). Pengaruh kepemilikan institusional, komisaris independen dan komite audit terhadap penghindaran pajak. JAK (Jurnal Akuntansi) Kajian Ilmiah Akuntansi, 8(1): 91-103. https://doi.org/10.30656/jak.v8i1.2487