

THE EFFECT OF FIRM PERFORMANCE AND AUDIT COMMITTEE ON TAX AVOIDANCE

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Abstract

This research aims to test empirically the effect of firm performance and audit committees on tax avoidance. This analysis uses independent variables, namely firm performance and audit committee. And the dependent variable is tax avoidance. The sample of this research is a list of companies indexed by Compass 100 which are listed on the Indonesian Stock Exchange with a research period of 2019-2021. The sample was taken by purposive sampling method. Data collection was carried out using the secondary data method from the annual reports of the sampled companies. The statistical method uses Multiple Linear Regression Analysis. The results of this study indicate that firm performance significantly negatively affects tax avoidance, but the audit committee does not affect tax avoidance. Tax avoidance is influenced by financial measurements and whereas non-financial measurements do not affect tax avoidance. Furthermore, it is possible to say that financial measurement is the basis for companies to avoid taxes.

Keywords: Tax avoidance, Firm Performance, Audit Committee

INTRODUCTION

Tax avoidance is a complex and unique issue. It involves more than just people being more interested in debates (Huseynov, Sardali & Zhang, 2017). However, the public has become aware of this issue because of media reports on the tax avoidance techniques employed by some multinational corporations (Kanagaretnam, Lee, Lim, & Lobo, 2016). On the contrary, tax avoidance is permitted. But on the other hand, tax avoidance is undesirable. In the context of the Indonesian Government, various regulations have been made to prevent tax avoidance. One of these rules, for example, is related to transfer pricing, namely the application of the principle of fairness and business practice in transactions between taxpayers and parties who have special relationships. Companies as the taxpayer will always try to reduce their taxes to a minimum. In managing the tax, the company will make various efforts to minimize the amount of tax that will be issued to increase net profit after tax which will improve firm performance.

Firm performance is a way for companies to assess and evaluate their performance in a period. Firm performance is a picture that reflects the work performance of a company (Rokhmah, 2019). When firm performance improves, they are less involved in tax avoidance and vice versa (Dhahri, 2020). Indeed, on the one hand, the companies with the highest profits are more visible to the government, and the companies with poorer performance need to avoid taxes. Therefore, in fulfilling tax obligations, the way the company is influenced by the structure of corporate governance.

In the structure of corporate governance in public companies, the audit committees have a significant important figure. According to NCGP (National Committee on Governance Policy), to apply

the good corporate governance principle, an audit committee is mandatory for every firm that applies the principles of accountability and responsibility. The audit committee with its duties will be able to prevent any improper conduct or activities that might influence the firm's financial reporting. It will make the audit committee will be interesting and beneficial to examine further, especially if it is related to the existing tax avoidance.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

TAX AVOIDANCE

Tax avoidance actions can be performed by any firm, whether it is a company that has a large profit or a company that has a minus profit. Short-term tax avoidance can be advantageous for the firm, but it can also be risky because it may be against the law (Dang & Nguyen, 2022). This certainly has a bad impact on the state because it can result in reduced state revenues from the tax sector. Tax avoidance is inseparable from costs and it must also be borne in carrying out tax avoidance actions including the sacrifice of time and energy, as well as the law risk. According to Constantin (2016), tax avoidance is financially detrimental and punishable by law. From the explanation above, it can be concluded that tax avoidance is one way to decrease tax obligations by utilizing the weaknesses in the applicable tax laws.

Firm Performance

The firm has to measure its performance so that its business processes can run well. When compared to competitors' results, a firm's performance is measured by how well it can produce good results over a specific period (Pecinova & Lostakova, 2012). So it can be concluded that firm performance is a description of a firm's financial situation that is examined using financial analysis methods to determine whether it is in good or bad financial condition and how it relates to firm performance during a specific period.

One way to measure company performance is through financial aspects, one of them which is ROA. Because of their capacity to manage their revenue and tax obligations, it is considered that firms with a high ROA do not engage in tax avoidance (Maharani & Suardana, 2014). According to research conducted by Napitupulu et. al. (2019), the higher ROA means that the smaller the level of tax avoidance. As a measure of a company's effectiveness in terms of its financial operations in generating income, ROA is used as a measurement. An increase in ROA indicates that a firm is performing well, which enables it to meet its tax obligations and preserve its standing among shareholders. The company shall correctly fulfill its obligations in line with existing rules to do. As a result, it will reduce tax avoidance.

H1: Firm performance has a negative effect on tax avoidance

Audit Committee

The audit committee is now a common part of the corporate governance framework for public firms as a result of the Indonesia Stock Exchange's (IDX) recommendation. In terms of corporate governance, the audit committee serves as an effective supervisor over employee needs and fraud as

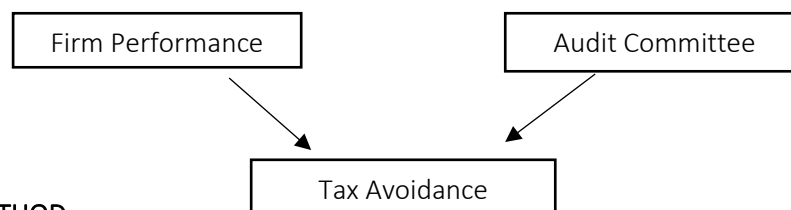
well as determining whether the firm is operating within the bounds of the law (Diantari & Ulupui, 2016). Based on this, the audit committee will be able to stop improper conduct or operations in a firm. According to Lin, Li & Yang (2006), the audit committee plays a crucial role in guaranteeing the accuracy of the firm's financial reporting.

To control tax avoidance actions, the firm must pay close attention to the audit committee (Dang & Nguyen, 2022). It may provide benefits to the firm, but it still violates tax law. The audit committee affects tax avoidance, therefore the greater the figure members of audit committees, the more likely tax avoidance strategies will be eliminated (Tandean & Winnie, 2016). Tax avoidance behavior is mostly determined by the control system to oversee the decisions of managers which is internal control. An audit committee's presence can strengthen internal controls and is seen as a crucial and effective monitoring instrument to raise the standard of information disclosure. When the audit committee can carry out its role following corporate governance, it will be able to limit the occurrence of tax avoidance. Then the following hypothesis is presented.

H2: The audit committee has a negative effect on tax avoidance.

Research Framework

Based on the hypothesis above, in this research, the following design can be used to explain how variables relate to other variables:



RESEARCH METHOD

Data Collecting and Processing

This research uses a quantitative descriptive methodology with a data analysis technique using secondary data. Quantitative research, according to Sugiyono (2017), is a research technique based on a philosophy of positivity so that it can be used to conduct research in the form of certain samples and populations, collect data from research elements and analyze statistical data to test selected hypotheses. Secondary data itself is a collection of data or statistics whose source is from intermediary media or data whose sources are obtained indirectly. The sample for this research subject was based on data from a firm's annual reports filed on the Indonesia Stock Exchange (IDX).

Purposive sampling is the sampling method utilized since it is predicated on the assumption that the data sample selected can meet the test requirements. The following criteria were used to choose relevant firms.

1. Compass 100 indexed companies are listed on the IDX for the period 2019-2021

2. Companies with complete available data as a whole published relating to the variables studied
3. Companies that use IDR as a currency.
4. Companies that did not face losses throughout the research period
5. The finance and insurance sector must be excluded to prevent bias.

Variables and Measurements

Tax avoidance

Research conducted by Dyreng et. al. (2010) implies this variable is generated using the company's cash effective tax rate (CETR). The following is the calculation method for CETR.

$$CETR = \frac{\textit{Payment of taxes}}{\textit{Earning before tax}}$$

Firm performance

To measure firm performance, ROA (*return on assets*) is a proxy used by dividing net income by total assets (Cheng et al., 2012). Because it is demonstrating how effectively management uses assets to generate income and to carry out its operational activities, ROA described the firm ability to create revenues from the assets and also provides a better measure of the firm profitability (Renfiana & Dewi, 2020). The formula is as follows.

$$ROA = \frac{\textit{Net income}}{\textit{total assets}}$$

Audit Committee

The financial service authority regulations provide that the audit committee must include three members who are independent commissioners or parties affiliated with parties other than the issuer. The number of committees in the firm is a proxy of audit committees according to research by Fadhila et al. (2017) and is formulated as follows.

$$AUD = \sum \textit{Audit Committee}$$

Research Model

Classical assumption test

One requirement for performing multiple linear regression analysis by OLS (*ordinary least square*) is to perform a classical assumption test. In addition, to ensure whether the regression model conditions have been met so that it can be free from deviations to get good assumptions. It consists of:

Normality test

A normality test is a statistical test performed on a sample to determine whether the sample meets the assumption of normality or not (Ghozali, 2013). This normality assumption test needs to be done if we want to carry out parametric statistical procedures because it is a condition for the validity of the results of this parametric test. According to the empirical experience of various statisticians, it is reasonable to infer that data with a sample size of more than 30 ($n > 30$) is normally distributed. A large sample is a common term for this. Data that is more than 30 does not necessarily mean that it is normally distributed, on the other hand, data were less than 30 are not necessarily not normally distributed. Therefore, evidence is needed. One of the statistical tests that can be used is the Kolmogorov Smirnov (KS). Kolmogorov Smirnov itself is a suitability test to ensure data follows the distribution. The method works by using data scores with a score in the distributions.

Multicollinearity test

The multicollinearity test stated by Ghozali (2016) is a test that aims to determine whether a correlation was identified by the regression model between one variable and another variable. This tests result may influence the high variable in the sample which causes a large standard error so that while testing the coefficient, the t-table will have a value greater than the t-count. This statement implies that the independent and the dependent variable's influence are not linearly related.

Multicollinearity in the regression model can be detected using the tolerance value and the VIF value. The variance of an independent variable that cannot be described by other independent variables is shown by the tolerance value itself. $VIF = 1/\text{tolerance}$, which indicates that a high VIF value corresponds to a low tolerance value. It shows high collinearity. The tolerance value which is 0.10 with a $VIF > 10$ is the cut-off value used.

Heteroscedasticity test

One of the classical test statistics, which is the heteroscedasticity test that is used to determine if the residuals from one observation differ from the others in terms of variance (Ghozali, 2013). If this assumption test is not met, then it is declared invalid as an estimation tool. The scatterplot graph is a way to find out whether there is heteroscedasticity in a multiple linear regression or not. Indicating the presence of heteroscedasticity is the existence of a distinctive pattern, such as dots forming a particular pattern. Otherwise, if it shows no pattern below and above 0 on the y-axis, it indicates that heteroscedasticity has not occurred. (Ghozali, 2016).

Autocorrelation test

Based on research by Ghozali (2016), autocorrelation will be able to appear when there are observations that are related to one another and are ordered over time. This occurs when the residual is not independent of one to other observation. Researching the regression model on the Indonesian Stock Exchange requires this test because the period is more than one year. The hypothesis taken is as follows.

- a) When the *Asymptomatic signature value* is > 0.05 , meaning that the residual is random
- b) When the *Asymptomatic signature value* is < 0.05 , meaning systematic residual

Partial significant test (T-Test)

In statistics, there is known as T-test, which is used to determine that each variable as independent has an impact on the other variable as dependent in some capacity. Ghozali (2016) claims that the T-test essentially assesses the extent to which each independent variable has an impact on disclosing the dependent variable. The significant level used is 0.05, based on a 95% confidence level. According to Ghozali (2016), the following are some of the criteria examined by the T-test.

- a) When the T-test > 0.05, meaning that the two variables are not influenced
- b) When the T-test < 0.05, meaning that there is an influence between the two variables

Simultaneous significant test (F-Test)

The *F-test* is used to perform if an independent variable can simultaneously and significantly influence the dependent variable. The significant level used is 0.05. The hypothesis of this test uses ANOVA by seeing the F value in the table. Table F, it will be shown a comparison value where this value will determine whether a test using F count is significant or not. Meanwhile, according to Ghozali (2016), the provisions of this *F-test* are as follows.

- a) When $F < 0.05$, it indicates that all of the variables have a significant effect on other variables
- b) When $F > 0.05$, it indicates that one variable does not affect other variables.

Coefficient determination test (R^2)

The capacity of the independent variable to explain the dependent variable is evaluated using the R^2 test (Ghozali, 2016). Between 0 to 1 is the value used for the coefficient of determination. When the R^2 is low, the independent variable's capacity to describe the dependent variable is small. On the other hand, the independent variable shows that it has all the information necessary to identify the dependent variable when the coefficient value is close to one.

Multiple linear regression analysis

Involving more than one dependent variable is a linear regression model. Multiple linear analysis according to Ghozali (2018) was carried out to measure the direction and how well the independent variable affects the dependent variable. The data that is owned is processed using descriptive multiple linear analysis. this analytical technique is used to analyze the effect of tax avoidance variables firm performance variables and audit committee variables. Multiple linear regression analysis was done by proxying the dependent variable as TA and the independent variable as FP and AC (firm performance and audit committee) in the following equation.

$$TA = \alpha + \beta_1.FP + \beta_2.AC + e$$

Description:

TA = tax avoidance (CETR)

α = constant



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β_1 = company performance variable regression coefficient

β_2 = audit committee variable regression coefficient

FP = firm performance

AC = audit committee

e = standard error

RESULTS AND DISCUSSION

Based on the specified criteria, the last remaining company data was 46. During data processing, several things hampered the data processing, when carrying out the data normality test, the data used as a test was not normal. So outliers are done. After the outliers were carried out, the 23 companies that became the sample were excluded from outliers so that the data would be normal when testing was carried out. The sample based on the criteria is 46 companies, then reduced by the number of outliers of 23 companies. Then the number of final company data that became the sample was 23 so the total final sample was 69.

Data description

The description of the data used is descriptive statistics to see an overview of the data distribution of all the variables in the study to make it easier to understand and informative. The dependent variable is tax avoidance which is measured by CETR, while the independent variables themselves are firm performance which is proxy by ROA and the audit committee as AC. This research's data processing was done with the aid of the most recent SPSS version, specifically version 27. The analysis of descriptive statistical tests shows an overview and statistical measures for each of the variables, like the amount of data, and the value of the minimum, maximum, mean, and standard deviation which has been shown in the table below.

Table 1 Descriptive Statistics

Descriptive Statistics					
	N	Min	Max	Mean	Standard Deviation
Tax avoidance	69	.014	.264	.10508	.058226
Firm performance	69	.008	.378	.09679	.083788
Audit Committee	69	3	4	3.17	.382
Valid N (listwise)	69				

Source: SPSS, data processed (2022)

Considering the information available findings in the table above show descriptive statistics of the firm performance, audit committee, and tax avoidance variables. N is the amount of sample data used, which is 69. With 3 years of observation starting from 2019 to 2022, it is clear that tax avoidance has a minimum value of 0.014, then for the highest tax avoidance value or ratio is 0.264. The tax avoidance variable proxy by CETR has a mean of 0.10508 (10.51%), and a standard deviation value of 0.058226 (5.8%). The mean value generated by tax avoidance is higher than the value of the standard deviation. This means that the distribution of the data is quite good, so the variable is feasible to be tested.

Furthermore, in the statistical descriptive test outcomes above, it can be seen that the lowest firm performance ratio during the observation period, namely from 2019 to 2021, was 0.008. On the other hand, the highest firm performance ratio was 0.378. The average ratio of firm performance based on test results is 0.09679 (9.68%) and the standard deviation value is 0.083788 (8.38%). This means that the percentage comparison between the mean of firm performance is higher than the standard deviation. This shows that the distribution is quite good, so it is feasible to be tested.

From the observation table above with the audit committee variable from the test results it is shown that the lowest audit committee is 3. While the highest number of audit committees is 4. According to test results, there are 3.17 audit committees on average, which indicates that the sample of organizations included in this study's audit committees has an average of 3 members. The standard deviation value is 0.382 and the mean is 3.17 which means that when the standard deviation is less than the mean, data is less diversified.

Classic assumption test

The following is a presentation of test results from the classical assumption test to be able to show feasibility or regression models.

Normality Test

By determining whether the distribution of the data is regularly distributed or not, the normality test is used to evaluate the spread of data in a variable. The Kolmogorov-Smirnov (K-S) test was used in this research to examine the normality of the data. The table that follows shows the test results.

Table 2 Normality test after eliminating outliers

One-Sample Kolmogorov-Smirnov Test	
	Unstandardized Residual
N	69

Normal Parameters ^b	Mean		.0000000
	Std. Deviation		.05543530
Most Extreme Differences	Absolute		.075
	Positive		.075
	Negative		-.065
Test Statistic			.075
Asymp. Sig. (2-tailed) ^c			.200 ^d
Monte Carlo Sig. (2-tailed) ^e	Sig.		.434
	99% Confidence Interval	Lower Bound	.421
		Upper Bound	.446

Source: SPSS, data processed (2022)

According to the One-Sample Kolmogorov-Smirnov test's results for the normality check, the table above indicates the Asymptotic significance 2-tailed is $0.200 > 0.05$. Because the value of significance is high, the existing variables mean that they have a normal distribution and meet the requirements of normality. So The residual values can be inferred to be regularly distributed.

Multicollinearity test

The objective of the multicollinearity test is to analyze if the independent variables in the regression model are correlated or not. To detect this, the following table shows it on the tolerance value and VIF value sides.

Table 3 Multicollinearity test

Coefficients		
Model	Collinearity Statistics	
	Tolerance	VIF

1	(Constant)		
	Firm Performance	.972	1.029
	Audit Committee	.972	1.029

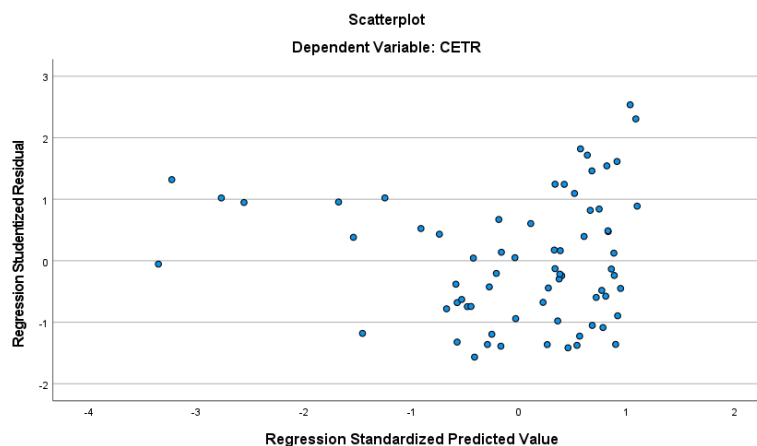
Source: SPSS, data processed (2022)

Multicollinearity does not exist when the tolerance value is larger than 0.10 or when the VIF < 10. From the table above, it can be seen that the firm's performance shows a tolerance value of 0.972, which means that the tolerance value on the independent variable is greater than 0.10. And the VIF value of firm performance is 1,029, which means that the VIF value on the independent variable is less than 10. Likewise, the audit committee has the same value as firm performance. So the multicollinearity test in the table above shows that there is no multicollinearity.

Heteroscedasticity test

The heteroscedasticity test was run to see if there is any variance inequality between observations in the current regression model. The scatterplot graph below demonstrated how to identify heteroscedasticity in multiple linear regression.

Table 4 Heteroscedasticity test



Source: SPSS, data processed (2022)

Based on the graph above, it can be shown that the plots formed do not have patterns such as dots that form other patterns that are wavy, widened, or narrowed. The plot above does not have a specific pattern, the points on the graph spread randomly above and under 0. Therefore, the test results from the table above show that there is no heredity.

Autocorrelation test

The autocorrelation test in the regression model is carried out if the data that becomes the research sample is time series data. The autocorrelation test is used if the regression model correlated with the confounding errors in the current and previous periods. The Run Test is used to determine if autocorrelation exists or not. The outcomes of the Run test are shown in Table 4.3.4 below.

Table 5 Autocorrelation test

Runs Test	
	Unstandardized Residual
Test Value	-.00743
Cases < Test Value	34
Cases >= Test Value	35
Total Cases	69
Number of Runs	29
Z	-1.575
Asymp. Sig. (2-tailed)	.115
a. Median	

Source: SPSS, data processed (2022)

From the Run Test results given in the table above it is clear that the Asymp. Sig(2-tailed) is $0.115 > 0.05$. So it can be said that in this test there are no symptoms of autocorrelation. So that the analysis of linear regression can go on.

Partial significant test (T-Test)

To evaluate if each independent variable significantly affects the dependent variable, the partial significance test is utilized. The outcomes are the T-test of processed using SPSS as follows.

Table 6 T-Test

Coefficients				
Model	Unstandardized Coefficients	Standardized Coefficients	T	Sig.

		B	Std. Error	Beta		
1	(Constant)	.136	.060		2.273	.026
	Firm Performance	-.214	.083	-.309	-2.597	.012
	Audit Committee	-.003	.018	-.021	-.175	.862

Source: SPSS, data processed (2022)

It shows that the Sig. (2-tailed) for Firm Performance of 0.012 < 0.05, it can conclude that there is a significant effect between the two variables. Conversely, the Sig. (2-tailed) for Audit Committee is 0.862 > 0.05, Therefore, it is clearly stated the audit committee has no significant effect on tax avoidance.

According to the regression test results, the multiple linear regression equation can be created for this research, as follows.

$$\text{Tax avoidance} = 0.136 - 0.214\text{Firm Performance} - 0.003\text{Audit Committee}$$

The given regression equation has the following possible interpretations.

1. The value shows a regression coefficient of 0.136 which means that if the independent variable (firm performance and audit committee) is 0, then the amount of tax action will increase by 0.136.
2. Firm performance shows a regression coefficient of -0.214. This shows about, every 1% increase in firm performance will lead to a 0.214 reduction in tax avoidance.
3. The audit committee shows a regression coefficient of -0.003. this means that every 1% increase in the audit committee will result in a decrease in tax avoidance of 0.003.

Simultaneous significant test (F-Test)

The F test is intended to show if the independent variables influence the dependent variable concurrently. The findings of the test in this study are displayed in the following.

Table 7 F-Test

ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.022	2	.011	3.406	.039 ^b

	Residual	.209	66	.003		
	Total	.231	68			

Source: SPSS, data processed (2022)

The significance value of the data is 0.039, and the calculated F value is 3.406, as proven by the results of the calculations. A significance level of 0.05 serves as the reference for decision-making. It is indicating that there is an effect on firm performance and audit committee because the significant value in the calculation is less than 0.05.

Another basis for decision-making can also be taken from the calculated F-value which must be higher than the existing table F-value to determine if there is an influence of the independent variable on the dependent variable. In the ANOVA test above, using the significance level and degrees of freedom used is $n-k = 69 - 2 = 67$ with the F table value = 3.15. From the ANOVA test above F count is 3.406 or F count $3.406 > F$ table 3.15. Therefore, it shows that the firm's performance and the audit committee influence tax avoidance.

Coefficient determination test (R^2)

The main purpose of the R^2 test is to demonstrate how effectively the dependent variable may be described by the model. The results are in the following table.

Table 8 R^2 Test

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.306 ^a	.094	.066	.056269

Source: SPSS, data processed (2022)

From the table, it can be indicated that the R^2 value and also the adjusted R^2 value. In this study, the value used is the adjusted R^2 because it uses 2 independent variables. Based on the table, the value of adjusted R^2 shows 0.066. This indicated that the independent variables, which are firm performance and the audit committee, can explain tax avoidance of 6.6%, and the rest which is 93.4% is explained by another variable out of the model variables used.

Discussion

Effect of firm performance on tax avoidance

If the hypothesis is accepted or rejected, depends on the outcomes of the tests. As a result, it has been partially conducted based on decision making which is significance level. The test shows a

negative coefficient value which is -0.214 which means the direction is contradictory. The test results are shown in Table 4.4, namely $0.012 < 0.05$. Based on this, it can be said that the firm's performance has a significant negative effect and supports H1.

ROA is a description of the firm's performance in terms of the company's financial activities in generating profits. Companies that have an increase in ROA mean that they have better performance so they can meet their tax obligations and keep the firm's image in the standing of shareholders (Bayunanda & Ompusunggu, 2018). To be able to achieve this, the company will carry out its obligations properly according to applicable tax rules. Thus, it will decrease tax avoidance. This research is similar to the research by Dhahri (2020).

Effect of the audit committee on tax avoidance

The results show that the significance value of the audit committee is 0.862 which is greater than (α), 0.05. It implies that the audit committee has no significant effect on tax avoidance. The number of audit committees of a firm cannot affect tax avoidance. The audit committee's task is only to certainly assist the independent board of commissioners make sure the financial statements are fairly presented and in conformity with the principles of accounting. The rest of the decisions rest with the management. This means that the audit committee is unable to directly decide on the company. Where management tends to take action to minimize profits for tax purposes (Pohan, 2008). Therefore, the audit committee has limited authority. The results of this study are the same as Tania & Mukhlisin (2020), which also found that audit committees do not have a significant influence on tax avoidance.

CONCLUSION

This research uses the analysis of multiple linear regression and uses the SPSS version 27 program. The data used is a description of companies indexed by Compass 100 on IDX with an observation period from 2019 – 2021. The initial sample used was 100 companies with 300 samples. Then after going through elimination, the last data available were from 23 companies with a total sample of 69. Based on the discussion of the data analysis that was performed in the prior chapter, conclusions can be formed.

1. Firm performance that is proxy by ROA has a significant negative effect on tax avoidance. Companies that have high ROA tend to carry out tax planning carefully, so it can produce optimal taxes, and the trend to carry out tax avoidance activities will decrease.
2. The presence of an audit committee within the company does not affect tax avoidance. Therefore, the audit committee only assists the independent board of commissioners to ascertain whether the financial reports prepared are by accounting principles. The rest of all decisions related to finance and taxes are in the hands of management.

As a conclusion from the above results, an explanation is given that tax avoidance is influenced by financial measurements and whereas non-financial measurements do not affect tax avoidance. Furthermore, it is possible to say that financial measurement is the basis for companies to avoid taxes.

Limitation

Research, of course, has its limitations which are a challenge for every researcher. Therefore, the following are the limitations encountered during the study.

1. The companies that were sampled were only 100 companies based on the Compass index with a total of 23 companies as the final sample after elimination.
2. Many companies do not have a complete annual report from year to year, so there is a lot of sample data that must be removed to meet the existing criteria.
3. There are limited variables used. The variable used is only 2. The indicated R^2 value of 6.6% implies that there are still many other variables that have not been used.

Suggestions

Practical suggestion

Firms are encouraged to pay more special attention to their financial performance, especially assets because the results of this study show that company performance as a proxy by ROA influences tax avoidance. These firms are expected to observe the use of their assets. High assets explain high tax obligations as well. Therefore, companies must carry out careful tax planning, so that they can optimize tax obligations in companies and narrow down the occurrence of tax avoidance.

Theoretical advice

1. Further research is expected to increase the period of observation so that more accurate results can be obtained than before.
2. Future research is expected to add other variables related to corporate governance such as audit quality (Lestari & Nedya, 2019), institutional ownership (Fauziah & Widiyati, 2022), managerial ownership (Kim, Quinn & Wilson, 2016), etc. which maybe can explain tax avoidance.
3. Future research is expected to try different tax avoidance measurement proxies from this study.
4. Future research can try to collect and use data using questionnaires, questionnaires, etc.

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