Jayapangus Press
Ganaya : Jurnal Ilmu Sosial dan Humaniora

Volume 7 Nomor 3 (2024)
ISSN : 2615-0913 (Media Online)
Terakreditasi

Earnings Management, Financial Performance and Its Influence on Tax Avoidance with Independent Commissioners as Moderation

Esterline Galatio*, Estralita Trisnawati
Universitas Tarumanagara, Jakarta, Indonesia
*esterline.127222014@stu.untar.ac.id

Abstract

The exploration of the role between earnings management, financial performance (profitability), and their impact on tax avoidance is a compelling subject that hinges on perspective. This study aims to examine how earnings management and financial performance affect tax avoidance, with an independent commissioner serving as a moderating factor. Conducted as a quantitative analysis, the study focuses on non-cyclical consumer sector companies listed on the Indonesia Stock Exchange (BEI) from 2018 to 2022, using 80 companies as population, totalling 400 sample data to observe. Utilizing secondary data sourced from annual financial reports available on www.idx.co.id and individual company websites, the study employs a purposive sampling approach. Findings reveal that earnings management and financial performance significantly influence tax avoidance, while the presence of independent commissioners does not moderate the relationship between earnings management, financial performance, and tax avoidance.

Keywords: Tax Avoidance; Earnings Management; Financial Performance; Return On Assets; Independent Commissioners

Abstrak

Peran antara manajemen laba, kinerja perusahaan (profitabilitas), dan pengaruhnya terhadap *tax avoidance* merupakan subjek yang menarik untuk dieksplorasi lebih jauh, tergantung kepada perspektif masing-masing pihak. Penelitian ini bertujuan untuk mengkaji bagaimana manajemen laba dan kinerja perusahaan mempengaruhi *tax avoidance*, dengan komisaris independen sebagai variabel moderasi. Dilakukan dengan metode analisis kuantitatif, penelitian ini berfokus kepada perusahaan sektor *non-cyclical consumer* yang terdaftar di Bursa Efek Indonesia (BEI) dari tahun 2018 hingga 2022, dengan menggunakan populasi sebanyak 80 perusahaan, yang menghasilkan total 400 data sampel untuk diamati. Menggunakan data sekunder yang bersumber dari laporan keuangan tahunan yang tersedia di www.idx.co.id dan situs web masing-masing perusahaan, penelitian ini menerapkan pendekatan purposive sampling. Temuan mengungkapkan bahwa manajemen laba dan kinerja perusahaan secara signifikan memengaruhi *tax avoidance*, sementara keberadaan komisaris independen tidak memoderasi hubungan antara manajemen laba dan kinerja perusahaan dengan *tax avoidance*.

Kata Kunci: *Tax Avoidance*; Manajemen Laba; Kinerja Perusahaan; *Return On Assets*; Komisaris Independen

Introduction

According to Article 1 paragraph 1 of the Republic of Indonesia Law No. 28 of 2007 concerning the Third Amendment to Law No. 6 of 1983 concerning General Provisions and Procedures for Taxation, tax can be explained as a mandatory contribution

to the state owed by individuals or entities which is coercive in nature based on the Law, without receiving direct compensation and used for the needs of the state for the greatest prosperity of the people (Widyaningtyas, 2020). Therefore, tax revenue is one of the important pillars in the State Revenue and Expenditure Budget (APBN), accordance with the provisions of Law No. 17 of 2003 concerning State Finances, article 8 paragraph e.

This regulation indicates that as the main responsibility in collecting revenue for the state, tax revenue must be able to meet the needs of government administration in accordance with its ability to collect funds for the state. The government's ability to collect taxes can be measured by the tax ratio. The higher the tax ratio of a country, the more effective the tax collection performance in that country (source: document of Bureau of Budget Analysis and Implementation of the APBN-SETJEN DPR-RI).

Referring to the state budget report (APBN), tax revenue in 2020 reached Rp 2,034.5 trillion with a GDP of Rp 19,588.4 trillion. With this realization, the tax ratio in Indonesia in the previous year, 2022, stood at 10.39%. For comparison, the tax ratio in 2020 and 2021 was only 8.33% and 9.11%, respectively.

Although the tax ratio has increased, Indonesia itself is still categorized as a country with a low tax effort, which is only 0.6. This means that only 60% of the potential tax revenue has been successfully collected by the government (news.ddtc.co.id). According to the expert staff to the Minister of Finance in Tax Compliance, Yon Arsal, Indonesia needs a tax ratio of 15% to 18% to be able to finance all its national development independently (pajakku.com). While the government wants to collect as much tax revenue as possible, taxpayers tend to want to pay as little tax as possible. Efforts to reduce the tax burden legally by exploiting loopholes in tax regulations are called tax avoidance (Moeljono, 2020). Tax avoidance is allowed because it does not violate tax laws, but it is not desired by the state because it directly erodes the tax base, which results in a decrease in tax revenue needed by the state.

In 2019, there were several tax avoidance cases in Indonesia. One of them, as reported by the Tax Justice Network, was the tax avoidance practice by the British American Tobacco (BAT) tobacco company through PT. Bentoel Internasional Investama, which caused the state to lose US$ 14 million per year. The report explains that BAT has redirected some of its income out of Indonesia through two methods. First, the intra-company loans for refinancing bank debt and debt for the purchase of machinery and equipment, where interest payments on these loans are deducted from the company's taxable income in Indonesia. Which from that strategy, Indonesia loses revenue for the country amounting to US$ 11 million per year. Meanwhile, the second method involves making payments back to the UK as royalties, expenses, and IT costs, resulting in decreasing revenue from Indonesia under this strategy reaching US$ 2.7 million per year (kontan.co.id).

Another tax avoidance cases in Indonesia carried out by the company PT. Adaro Energy, Tbk., in 2019 using a transfer pricing scheme. The company that operating in the mining sector and having a significant presence in Indonesia transfers the profits from coal mining activities in Indonesia to an entity located in a tax-free zone, namely its subsidiary in Singapore, Coltrade Services International. The purpose of this action is to reduce tax obligations in Indonesia by transferring funds to the subsidiary company. As a result, it is estimated that the company has reduced its tax liability, which should have reached US$ 125 million, less than the amount that should have been paid in Indonesia (Friana, 2019).

Meanwhile, in 2020, the Tax Justice Network report estimated that Indonesia suffered losses of US$ 4.86 billion per year or the equivalent of Rp 68.7 trillion as a result of tax avoidance practices. The report, titled The State of Tax Justice 2020: Tax Justice

in the time of COVID-19, released by the Tax Justice Network, stated that of the total loss of Rp 68.7 trillion, the loss caused by corporate taxpayers reached US$ 4.78 billion or the equivalent of Rp 67.6 trillion. While the remaining losses came from individual taxpayers with an amount of around US$ 78.83 million or the equivalent of Rp 1.1 trillion (taxjustice.net).

In several studies, the practice of tax avoidance can be influenced by several factors such as earnings management (Manuel et. al. (2022), Hariseno & Pujiono (2021), Pajriyansyah & Firmansyah (2021), Pratiwi & Oktaviani (2021), Alam & Fidiana (2019)) and financial performance (Rahmadian et. al. (2023), Anjani et. al. (2022), Faradilla & Bhilawa (2022), Nyman et. al. (2022), Zalzabila & Hernawati (2022), Khomsiyah et. al. (2021), Mahdiana & Amin (2020), Fatimah et. al. (2020), Rifai & Atiningsih (2019)).

Based on the description of previous research results mentioned above, there has not been consistent evidence regarding the influence of earnings management and financial performance on tax avoidance. Therefore, this research is conducted by adding the proportion of independent commissioners as a moderator. Several previous studies on independent commissioners' impact on tax avoidance have been conducted by Budiasih et al., (2023), Taebenu & Siagian (2023), Badoa (2022), Dewi & Oktaviani (2022), Munawar et. al. (2022), Yossanda & Rahmanto (2021), Sinaga & Suardhika (2019).

The theoretical exploration of agency theory was initially proposed by Jensen and Meckling in 1976, elucidates the working relationship between shareholders or company owners, referred to as principals, and the management of a company, known as agents. The theory explains that agency relationships are contracts wherein shareholders utilize management to conduct business activities and manage corporate assets. Shareholders, as capital providers, delegate the task of managing to the management, acting as their representatives, expecting efficient management (Anjani et. al., 2022). However, conflicts arise due to divergent interests between management and shareholders. These conflicts may arise from the management's desire to maximize their interests while shareholders seek to maximize returns on their investments (Merisa, 2020). Furthermore, this conflict of interest can also arise from differences in interests because management is considered to have more information than shareholders as company owners. Due to differing interests and information imbalances, this tends to trigger inappropriate management actions. One of them is altering financial reports to appear in line with shareholder expectations, thus not reflecting the true condition of the company. To address these conflicting interests and prevent information disparities, shareholders can issue a certain amount of compensation to be given to management. This allows management to utilize these differing interests in company policies such as tax planning policies. Management has a significant opportunity to change the company's taxable income, resulting in a further reduction in the company's tax burden. This strategy aims to ensure the company has high profits with even greater compensation for management (Suteja et. al., 2022).

Tax avoidance action’s that taken by companies can create agency problems due to the difference in interests between shareholders and management regarding to tax risk. Shareholders believe that management will reduce tax liabilities by focusing on profit maximization for the benefit of shareholders. However, from an agency perspective, the separation of ownership and control can lead to corporate tax decisions reflecting the personal interests of management rather than shareholders (Abdul Wahab et. al., 2017).

In carrying out tax avoidance practices, management will tend to manipulate financial reports by adding company profits according to their interests to achieve personal goals. However, this will reduce the reliability of financial reports because manipulated reports no longer reflect the actual condition of the company (Hariseno &

Pujiono, 2021). This condition leads to information asymmetry because information is unevenly distributed between management and shareholders, and shareholders are not able to directly observe the management's activities (Pajriyansyah & Firmansyah, 2017).

Furthermore, an analysis of financial performance is necessary to assess the extent to which a company has adhered to financial implementation rules properly because the efficiency of a company's management can be reflected in its performance. One method to assess the efficiency of a company's financial performance is by using profitability ratio analysis. Profitability ratios indicate a company's ability to generate profits over a specific period and provide insights into the effectiveness of company management. Shareholders can utilize profitability as one metric to evaluate their investments in the company (Wijaya, 2019).

Agency theory also states that there are differences in interests between shareholders and management, therefore independent commissioners are appointed to act as overseers. It is believed that due to these differences in interests, independent commissioners able to enhance supervision over the company (Dewi & Oktaviani, 2022).

Considering that one of the motivations for companies to engage in earnings management practices is taxation, tax is a primary concern for companies as it can reduce their net income. Therefore, companies tend to manage their earnings according to their interests, such as by reducing revenue if they want to lower their tax burden. Earnings management is used as a tool for companies to avoid taxes. The more frequently a company reduces its revenue, the more aggressive their behavior towards tax avoidance, in other words, the higher the level of tax avoidance they engage in (Alam & Fidiana, 2019). Therefore, the following hypothesis was formulated:

H1 : Earnings management has a positive influence on tax avoidance.

Company’s financial performance, which is represented by its profitability, is related to the company's net profit. The higher the profitability value means the better the financial performance, resulting in higher profits. Increased profits lead to an increase in tax liabilities (Fatimah et. al., 2020). Due to the high tax burden, companies will tend to look for ways to minimize the tax burden paid and are inclined to engage in tax avoidance actions (Yustrianthe & Fatniasih, 2021). Therefore, the following hypothesis was formulated :

H2 : Financial performance has a positive influence on tax avoidance.

Actions related to tax avoidance practices can also cause losses for shareholders. The presence of an independent board of commissioners is expected to address shareholders' concerns regarding management behavior that may be opportunistic and detrimental to them. Oversight by the independent board of commissioners over management performance is expected to reduce the likelihood of management engaging in opportunistic tax avoidance actions (Rahmadian & Wijaya, 2023). Therefore, the following hypothesis was formulated :

H3 : Independent commissioners weaken the positive influence of earnings management on tax avoidance.

Through its role in exercising oversight functions, the composition of the board can influence management in preparing financial reports, thus ensuring the production of high-quality reports. With an increasing number of independent board of commissioners, oversight of financial reporting becomes more objective (Badoa, 2022). Moreover, it is hoped that independent commissioners can reduce the potential for conflicts of interest between management and shareholders by acting as mediators in strategic decision-making and policy formulation to align with applicable regulations. These strategic decisions and company policies also relate to the management of corporate taxes (Rahmadian & Wijaya, 2023). Therefore, the following hypothesis was formulated :

H4 : Independent commissioners strengthen the positive influence of financial performance on tax avoidance.

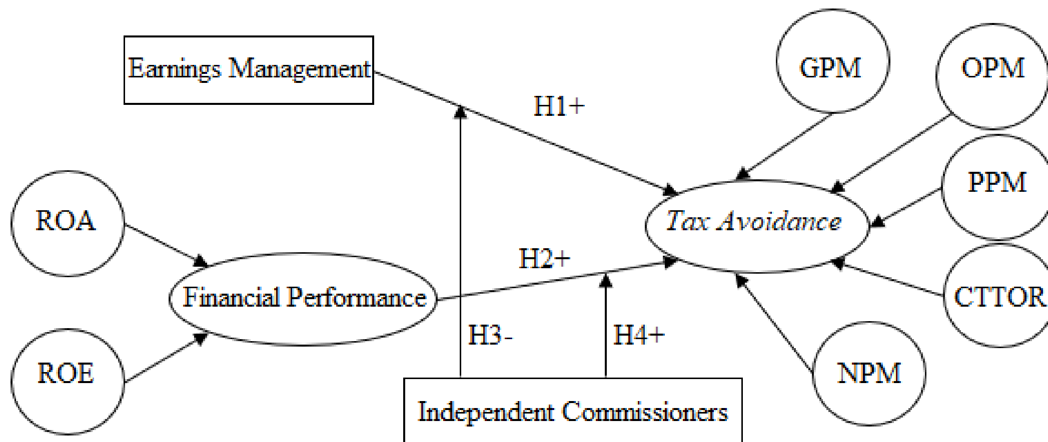

Figure 1. Theoretical Framework

The theoretical framework in this study, as illustrated in Figure 1 above, indicates that earnings management and financial performance are expected to have a positive influence on tax avoidance. While independent commissioners weaken the positive influence of earnings management on tax avoidance, yet they strengthen the positive influence of financial performance on tax avoidance.

Method

This research employed a quantitative research design spanning the period from 2018 to 2022 (5 years). The data used were secondary data in the form of annual financial reports obtained through www.idx.co.id and the official websites of each company, utilizing purposive sampling method for conditional samples determined based on specific criteria as shown in the Table 1.

Table 1. Procedure for Sample Selection

Criteria	Company	Data
Non-cyclical consumer companies listed on the IDX for 2018 – 2022	110	550
Non-cyclical consumer companies whose financial reports are incomplete	(30)	(150)
Non-cyclical consumer companies which is a state-owned company	(0)	(0)
Number of observations from 2018 - 2022	80	400

Source : Data collected and processed (2024)

Tax avoidance in this research will used at least 5 (five) ratios, such as Gross Profit Margin (GPM), which is the comparison between gross profit and revenue; Operating Profit Margin (OPM), which is the comparison between net operating profit and revenue; Pretax Profit Margin (PPM), which is the comparison between pre-tax profit and revenue; Corporate Tax to Turn Over Ratio (CTTOR), which is the comparison between corporate income tax payable and revenue; and Net Profit Margin (NPM), which is the comparison between net profit after tax and revenue. Meanwhile, earnings management in this study will be calculated using the revenue discretionary model approach by Stubben, therefore, discretionary revenue is calculated using the following model :

$$\Delta ARit = \alpha + \beta 1\Delta Rit + \beta 2\Delta Rit \times SIZEit + \beta 3\Delta Rit \times AGEit + \beta 4\Delta Rit \times AGE_SQit + \beta 5\Delta Rit \times GRR_Pit + \beta 6\ \Delta Rit \times GRR_Nit + \beta 7\Delta Rit \times GRMit + \beta 8\Delta Rit \times GRM_SQit + \varepsilon it$$

Whereas :

ARit	: Accounts receivable change of company i at the end of year t.
Rit	: Annual revenue change of company i in year t.
SIZEit	: Company size, natural log of total assets of company i in year t.
AGEit	: Company age, natural log of company i's age in year t.
GRR_Pit	: Revenue growth adjusted to industry median (= 0 if negative).
GRR_Nit	: Revenue growth adjusted to industry median (= 0 if positive).
GRR_Mit	: Industry median adjusted gross margin at the end of fiscal year.
SQ	: Square of the variable.
Δ	: Annual change.
εit	: Error.

The financial performance in this study is proxied by Return on Assets (ROA) and Return on Equity (ROE). ROA calculates the ratio of net income divided by total assets and ROE calculates the ratio of net income divided by total equity. Last but not least, the proxy used to measure independent commissioners in a company is by calculating the ratio of the number of independent board members divided by the total number of board members. That is been said, the hypothesis examination in this study uses the following :

$$TAit = \alpha it + \beta 1MLit + \beta 2KPit + \beta 3MLit*KIit + \beta 4KPit*KIit + \varepsilon it$$

Notes :

TA	= Tax Avoidance
α	= Constant
ML	= Earnings Management
KP	= Financial Performance
KI	= Independent Commissioners
β1 - β4	= Regression Coefficients
ϵ	= Error
i	= Company
t	= Time

Result and Discussion

In this study, following the Circular Letter of the Directorate General of Taxes number SE-96/PJ/2009, five benchmarking ratio indicators are used to determine the proxy variable for tax avoidance, including GPM, OPM, PPM, CTTOR, and NPM. The researchers conducted factor analysis testing using SPSS 27 software aimed at selecting the most appropriate indicators for the dependent variable to be used in this study. The results of the testing are as follows :

Table 2. Tax Avoidance Factor Analysis Results

		GPM	OPM	PPM	CTTOR	NPM
Anti-image Covariance	GPM	.773	.004	.001	.006	-.001
	OPM	.004	.125	9.752E-6	2.792E-5	.000
	PPM	.001	9.752E-6	.000	.002	.000
	CTTOR	.006	2.792E-5	.002	.008	-.002
	NPM	-.001	.000	.000	-.002	.000
Anti-image Correlation	GPM	.982[a]	.014	.061	.075	-.071
	OPM	.014	.998[a]	.002	.001	-.059
	PPM	.061	.002	.579[a]	.991	-.998
	CTTOR	.075	.001	.991	.484[a]	-.986
	NPM	-.071	-.059	-.998	-.986	.569[a]

Source: Data collected and processed via SPSS vers. 27 (2024)

From the table above, can be seen that the anti-image correlation values for each variable are as follows : for GPM it is 0.982, for OPM it is 0.998, for PPM it is 0.579, for CTTOR it is 0.484, and for NPM it is 0.569. Therefore, because the values of GPM and OPM are above 0.7, these two indicators will be used in this study.

While in this study, two indicators are also used to determine a suitable proxy for financial performance variables, which is Return on Assets (ROA) and Return on Equity (ROE). Using the same procedure to test the tax avoidance indicators above, the results are as follows :

Table 3. Financial Performance Factor Analysis Results

		ROA	ROE
Anti-image Covariance	ROA	.871	-.313
	ROE	-.313	.871
Anti-image Correlation	ROA	.500[a]	-.359
	ROE	-.359	.500[a]

Source: Data collected and processed via SPSS vers. 27 (2024)

The test results in the table above have balanced anti-image correlation values for each indicator (ROA at 0.500 and ROE also at 0.500), the dependent variable indicator that will be used in this study is the indicator that has been more commonly used in previous research, which is ROA (consistent with the research conducted by Budiasih, Y., Tannady, H., Arum, R. A., Laratmase, P., & Kurniawan, U. (2023), Faradilla, I. C., & Bhilawa, L. (2022), Fajarwati, P. A. N., & Ramadhanti, W. (2021), Fatimah, A. N., Nurlaela, S., & Siddi, P. (2021), Badoa, M. E. C. (2020), dan Irawati, W., Akbar, Z., Wulandari, R., & Barli, H. (2020)).

The data samples that have been obtained are then subjected to descriptive statistical testing to provide a general overview of the data under study and to ascertain information related to the data used in this research. The results can be seen in Table 4.

Table 4. Statistic Descriptive Results

	GPM	OPM	ML	ROA	KI
Mean	0.242747	0.026045	-0.038523	0.048384	0.376042
Median	0.211068	0.036673	1.252710	0.041796	0.333333
Maximum	0.729318	1.875069	139.5595	0.607168	1.000000
Minimum	-0.620093	-2.395046	-46.68095	-0.517459	0.000000
Std. Dev.	0.165158	0.239011	10.44578	0.109181	0.139896

Source : Data collected and processed via Eviews vers. 9 (2024)

Tax avoidance using the gross profit margin (GPM) indicator has a mean of 0.242747, a median of 0.211068, a maximum value of 0.729318, a minimum value of -0.620093, and a standard deviation of 0.165158. While the tax avoidance variable using the operating profit margin (OPM) indicator has a mean of 0.026045, a median of 0.036673, a maximum value of 1.875069, a minimum value of -2.395046, and a standard deviation of 0.239011. Earnings management (ML) has a mean of -0.038523, a median of 1.252710, a maximum value of 139.5595, a minimum value of -46.68095, and a standard deviation of 10.44578. Financial performance, with return on assets (ROA) as its indicator, has a mean of 0.048384, a median of 0.041796, a maximum value of 0.607168, a minimum value of -0.517459, and a standard deviation of 0.109181. Independent commissioners (KI) have a mean of 0.376042, a median of 0.333333, a maximum value of 1.000000, a minimum value of 0.000000, and a standard deviation of 0.139896.

In this study, there is also a modification of the calculation formula for the earnings management variable analyzed using the Stubben model. This is due to multicollinearity occurring in the Stubben model formula, resulting in the β1 result not appearing when tested. Following are the results of the multicollinearity test :

Table 5. Multicollinearity Results for Stubben Model

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.516912	1.861821	NA
B2_C1	0.014084	122.0018	106.7711
B3_C2	0.070496	409.3768	355.6589
B4_C3	0.047354	145.2389	126.9625
B5_C4	0.013009	165.5829	126.3749
B6_C5	0.010659	18.86099	16.01970
B7_C6	0.083338	3.149995	2.870032
B8_C7	0.016342	3.393852	3.192160

Source : Data collected and processed via Eviews vers. 9 (2024)

Based on the table results above, the majority of independent variables have a centered VIF value above or greater than 10, so it can be concluded that multicollinearity has occurred for the model in question.

Therefore, the earnings management formula to be used is modified to :

$\Delta ARit = \alpha + \beta 2 \Delta Rit \times SIZEit + \beta 3 \Delta Rit \times AGEit + \beta 4 \Delta Rit \times AGE_SQit + \beta 5 \Delta Rit \times GRR_Pit + \beta 6\ \Delta Rit \times GRR_Nit + \beta 7 \Delta Rit \times GRMit + \beta 8 \Delta Rit \times GRM_SQit + \varepsilon it$

Menawhile, the results of hypothesis testing in the research are explained in table 6 below:

Table 6. Analysis Result of Regression Model (OPM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.041700	0.012881	-3.237267	0.0013
ML	0.005747	0.002597	2.213320	0.0274
ROA	1.419996	0.212542	6.681011	0.0000
ML_KI	-0.014767	0.007600	-1.943100	0.0527
ROA_KI	0.001426	0.514340	0.002773	0.9978

Effects Specification	S.D.	Rho
Cross-section random	0.076547	0.1714
Idiosyncratic random	0.168299	0.8286

Weighted Statistics			
R-squared	0.367018	Mean dependent var	0.018260
Adjusted R-squared	0.360608	S.D. dependent var	0.210431
S.E. of regression	0.168264	Sum squared resid	11.18360
F-statistic	57.25768	Durbin-Watson stat	1.057183
Prob(F-statistic)	0.000000		

Source : Data collected and processed via Eviews vers. 9 (2024)

Based on the table results above, it can be concluded that the adjusted R-squared value is 0.360608 or 36.0608%, meaning that the percentage of the tax avoidance dependent variable with the operating profit margin (OPM) indicator in this study can be explained by independent variables consisting of earnings management and financial performance, as well as the moderating variable of independent commissioners. The remaining 63.9392% is explained by other variables not used in this study. Meanwhile, the F-test in this model is conducted by examining the Prob (F-statistic) value in the table above, which is 0.000000, where this sig value is smaller than the alpha of 0.05, indicating that the regression model is suitable (fit) for use in this study. From the table above, the multiple linear regression model in this study can be formulated as follows :

TA (OPM) = - 0,041700 + 0,005747 ML + 1,419996 ROA - 0,014767 ML*KI + 0,001426 ROA*KI

The results of the model testing in this study indicate that earnings management has a probability value of 0.0274, which is less than 0.05. This means that earnings management has a positive effect on tax avoidance, so H1 is accepted. Tax avoidance is carried out by exploiting gaps in tax regulations. Therefore, management will seek to exploit gaps in existing tax regulations, as well as applicable accounting standards, to determine which accounting methods are appropriate and should be applied to reduce tax burdens. These differences will also make management more creative in financial reporting. This study is consistent with research conducted by Hariseno & Pujiono (2021), Yossanda & Rahmanto (2021), dan Pajriyansyah & Firmansyah (2017).

Financial performance using the return on assets (ROA) indicator has a coefficient value of 1.419996 and a probability value of 0.0000, which is less than 0.05. This means that financial performance has a positive effect on tax avoidance, so H2 is accepted. Companies with high profitability will find it easier to exploit gaps in managing their tax burdens. In agency theory, management will seek to manage their tax burdens to avoid reducing management performance compensation as a result of reduced company profits caused by tax burdens. The results of this study are consistent with research conducted by Zalzabila & Hernawati (2022), Mahdiana & Amin (2020), Maidina &Wati (2020), dan Dewinta & Setiawan (2016).

The interaction of independent commissioners on the relationship between earnings management and tax avoidance has a coefficient value of -0.014767 and a probability value of 0.0527, which is greater than 0.05. This means that the independent commissioner variable is not able to strengthen or weaken the moderating role in the relationship between the earnings management variable and tax avoidance, so H3 is rejected. In public companies, the addition of independent commissioners is usually done only to comply with established regulations, while majority shareholders play a crucial role in running the company. The results of this study are consistent with research conducted by Emanuel et. al. (2023).

Lastly, the interaction of the independent commissioner variable on the relationship between financial performance and tax avoidance has a coefficient value of 0.001426 and a probability value of 0.9978, which is greater than 0.05. This also means that the independent commissioner variable does not provide a moderating role in the relationship between financial performance and tax avoidance, so H4 is rejected. The presence of independent commissioners in public companies usually aims only to comply with applicable regulations. The management's decision to implement tax avoidance strategies is entirely in the hands of the company's management and is not influenced by the presence of independent commissioners in the company. The results of this study are consistent with research conducted by Yulyani, et. al. (2022), dan Badoa (2020).

As mentioned above, the tax avoidance variable has equally strong indicators between operating profit margin (OPM) and gross profit margin (GPM). Therefore, a robustness test was also conducted for both of these indicators. From that testing, here are the hypothesis test results for gross profit margin (GPM) :

Table 7. Analysis Result of Regression Model (GPM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.218481	0.014892	14.67101	0.0000
ML	-0.001337	0.001022	-1.307727	0.1917
ROA	0.644456	0.091661	7.030887	0.0000
ML_KI	0.004538	0.002988	1.518624	0.1297
ROA_KI	-0.388647	0.208080	-1.867780	0.0625

Effects Specification	S.D.	Rho
Cross-section random	0.128519	0.8070
Idiosyncratic random	0.062842	0.1930

Weighted Statistics			
R-squared	0.220999	Mean dependent var	0.051857
Adjusted R-squared	0.213111	S.D. dependent var	0.071738
S.E. of regression	0.063636	Sum squared resid	1.599577
F-statistic	28.01497	Durbin-Watson stat	1.339740
Prob(F-statistic)	0.000000		

Source : Data collected and processed via Eviews vers. 9 (2024)

The adjusted R-squared value based on Table 7 for the hypothesis test results is 0.213111 or 21.3111%. The F-test in this model research is conducted by examining the Prob (F-statistic) value in the table above, which is 0.000000, indicating that the regression model is suitable (fit) for use in this study. The multiple linear regression model in this study can be formulated as follows :

TA (GPM) = 0,218481 – 0,001337 ML + 0,644456 ROA + 0,004538 ML*KI - 0,388647 ROA*KI

The variable earnings management has a coefficient value of -0.001337 and a probability value of 0.1917, which is greater than 0.05. This means that earnings management does not affect tax avoidance, so H1 is rejected. The findings of this study are in line with the research conducted by Emanuel et. al. (2023), Manuel et al. (2022), and Alam & Fidiana (2019). The effort to reduce earnings with the intention of avoiding taxes often contradicts the urge for management to increase earnings. This is especially relevant in publicly traded companies, where companies that have not reached their earnings targets may feel pressured, thus engaging in earnings management to minimize earnings for the purpose of saving on tax burden is strongly avoided because investors are feared the negatively react for the company. Therefore, the results which align with agency theory, states that although management may desire to reduce the tax burden through tax avoidance practices, shareholders do not want this to happen because it can undermine the credibility of financial reports.

Financial performance using the return on assets (ROA) indicator has a coefficient value of 0.644456 and a probability value of 0.0000, which is less than 0.05. This

indicates that financial performance has a positive effect on tax avoidance, so H2 is accepted. As mention as above, the results of this study are consistent with research conducted by Zalzabila & Hernawati (2022), Mahdiana & Amin (2020), Maidina &Wati (2020), dan Dewinta & Setiawan (2016).

The interaction of the independent commissioner variable on the relationship between earnings management and tax avoidance has a coefficient value of 0.004538 and a probability value of 0.1297, which is greater than 0.05. This means that the independent commissioner variable is not able to strengthen or weaken the moderating role in the relationship between earnings management and tax avoidance, so H3 is rejected. The results of this study are consistent with research conducted by Emanuel et. al. (2023).

Meanwhile, the interaction of the independent commissioner variable on the relationship between financial performance and tax avoidance has a coefficient value of -0.388647 and a probability value of 0.0625, which is greater than 0.05. This also means that the independent commissioner variable does not provide a moderating role in the relationship between financial performance and tax avoidance, so H4 is rejected. The results of this study are consistent with research conducted by Yulyani, et. al. (2022), dan Badoa (2020). Comparing the results of both tests above proves that the regression model investigated in this study is robust.

Conclusions

This study aims to explore the influence of earnings management and financial performance on tax avoidance, with independent commissioners as a moderating factor. Utilizing secondary data from https://www.idx.co.id and the official websites of relevant companies, this research focuses on consumer non-cyclicals sector companies listed on the Indonesia Stock Exchange from 2018 to 2022. The research findings indicate that earnings management and financial performance positively impact tax avoidance, while independent commissioners do not affect the relationship between earnings management, financial performance, and tax avoidance. This study has limitations including the use of the Stubben model, which may not be suitable for earnings management and thus required modification, and the potential impact of the Covid-19 pandemic on the research results. Therefore, future research is suggested to employ different earnings management calculation models (such as the Jones, DeChow, Kothari, or Roychowdhury models), include or use other independent variables (such as sales growth, company size, leverage, etc.), change or adding the sample of company objects, and separate the research periods before and during the Covid-19 pandemic to reduce bias.

References

Abdul Wahab, E. A., Ariff, A. M., Madah Marzuki, M., & Mohd Sanusi, Z. (2017). *Political Connections, Corporate Governance, And Tax Aggressiveness In Malaysia. Asian Review of Accounting, 25*(3), 424-451.

Alam, M. H., & Fidiana, F. (2019). Pengaruh Manajemen Laba, Likuiditas, Leverage dan Corporate Governance Terhadap Penghindaran Pajak. *Jurnal Ilmu dan Riset Akuntansi (JIRA), 8*(2).

Anjani, N., Sutriyono, A. E., & Hasanah, H. (2022). Pengaruh Return On Equity, Debt Equity Ratio, Dan Sales Growth Terhadap Penghindaran Pajak Pada Perusahaan Sektor Industri Makanan Dan Minuman Yang Terdaftar Di BEI Tahun 2017-2020. *Jurnal Ekonomi STIEP, 7*(1), 34-42.

Badoa, M. E. C. (2020). Pengaruh Leverage Dan Profitabilitas Terhadap Penghindaran Pajak Dengan Proporsi Komisaris Independen Sebagai Variabel Moderasi. *In Prosiding Seminar Nasional Pakar* (pp. 2-55).

Budiasih, Y., Tannady, H., Arum, R. A., Laratmase, P., & Kurniawan, U. (2023). Analisis Faktor Determinan Kinerja Keuangan Dengan Komisaris Independen Sebagai Variabel Moderasi. *Journal of Economic, Bussines and Accounting (COSTING), 6*(2), 1366-1377.

Dewinta, I. A. R., & Setiawan, P. E. (2016). Pengaruh Ukuran Perusahaan, Umur Perusahaan, Profitabilitas, Leverage, Dan Pertumbuhan Penjualan Terhadap Tax Avoidance. *E-Jurnal Akuntansi Universitas Udayana, 14*(3), 1584-1613.

Dewi, S. L., & Oktaviani, R. M. (2022). Mampukah Komisaris Independen Memoderasi Pengaruh Kinerja Keuangan Terhadap Tax Avoidance. *Jurnal Akademi Akuntansi, 5*(1), 76-87.

Emanuel, R., Trisnawati, E., & Firmansyah, A. (2023). Manajemen Laba, Leverage, Pertumbuhan Penjualan, Penghindaran Pajak: Peran Moderasi Komisaris Independen. *E-Jurnal Akuntansi, 33*(3), 756-772.

Fairus, M., & Sihombing, P. (2020). The Effect Of Good Corporate Governance (GCG) Mechanism On Earnings Management Practices Of The Stubben Model (Study Case On Mining Sector Companies Listed On The Indonesia Stock Exchange 2014-2019). *European Journal of Business and Management Research, 5*(6).

Fajarwati, P. A. N., & Ramadhanti, W. (2021). Pengaruh Informasi Akuntansi (ROA, Leverage, Sales Growth, Capital Intensity dan Company Size) dan Company Age terhadap Tax Avoidance. *Jurnal Investasi, 7*(1), 1-15.

Faradilla, I. C., & Bhilawa, L. (2022). Pengaruh profitabilitas, leverage, ukuran perusahaan dan sales growth terhadap tax avoidance. *Fair Value: Jurnal Ilmiah Akuntansi Dan Keuangan, 5*(1), 34-44.

Fatimah, A. N., Nurlaela, S., & Siddi, P. (2021). Pengaruh Company Size, Profitabilitas, Leverage, Capital Intensity Dan Likuiditas Terhadap Tax Avoidance Pada Perusahaan Makanan Dan Minuman Yang Terdaftar Di Bei Tahun 2015-2019. *EKOMBIS REVIEW: Jurnal Ilmiah Ekonomi Dan Bisnis, 9*(1), 107-118.

Friana, H. (2019). Tinggal Sebulan, Penerimaan Pajak 2019 Masih Kurang Rp474 Triliun. Retrieved Desember 25, 2019, from tirto.id: https://tirto.id/tinggal-sebulan-penerimaan-pajak-2019-masih-kurang-rp474-triliun-enT2.

Hariseno, P. E., & Pujiono, P. (2021). Pengaruh Manajemen Laba Terhadap Penghindaran Pajak. *JIKEM: Jurnal Ilmu Komputer, Ekonomi dan Manajemen, 1*(1), 101-111.

Irawati, W., Akbar, Z., Wulandari, R., & Barli, H. (2020). Analisis Profitabilitas, Leverage, Pertumbuhan Penjualan Dan Kepemilikan Keluarga Terhadap Penghindaran Pajak. *JAK (Jurnal Akuntansi) Kajian Ilmiah Akuntansi, 7*(2), 190-199.

Jensen, M. C. and Meckling, W. H. (1976). Theory of The Firm: Managerial Behavior, Agency Cost and Ownership Structure. Journal of Financial Economics.

Kontan.co.id (2019). Tax Justice Laporkan Bentoel Lakukan Penghindaran Pajak, Indonesia Rugi US$ 14 Juta. Diakses melalui https://nasional.kontan.co.id/news/tax-justice-laporkan-bentoel-lakukan-penghindaran-pajak-indonesia-rugi-rp-14-juta.

Khomsiyah, N., Muttaqiin, N., & Katias, P. (2021). Pengaruh Profitabilitas, Tata Kelola Perusahaan, Leverage, Ukuran Perusahaan, Dan Pertumbuhan Penjualan Terhadap Penghindaran Pajak Pada Perusahaan Pertambangan Yang Terdaftar Di BEI Periode 2014-2018. *Ecopreneur. 12, 4*(1), 1-18.

Mahdiana, M. Q., & Amin, M. N. (2020). Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan, Dan Sales Growth Terhadap Tax Avoidance. *Jurnal Akuntansi Trisakti, 7*(1), 127-138.

Maidina, L. P., & Wati, L. N. (2020). Pengaruh Koneksi Politik, Good Corporate Governance Dan Kinerja Keuangan Terhadap Tax Avoidance. *Jurnal Akuntansi, 9*(2), 118-131.

Manuel, D., Sandi, S., Firmansyah, A., & Trisnawati, E. (2022). Manajemen laba, leverage dan penghindaran pajak: peran moderasi tanggung jawab sosial perusahaan. *JURNAL PAJAK INDONESIA (Indonesian Tax Review), 6*(2S), 550-560.

Merisa (2020). *Pengaruh Faktor Keuangan Terhadap Manajemen Laba Dengan Corporate Governance Sebagai Variabel Moderating* (Tesis). Universitas Tarumanagara, Program Pasca Sarjana, Jakarta.

Moeljono, M. (2020). Faktor-Faktor Yang Mempengaruhi Penghindaran Pajak. Jurnal Penelitian Ekonomi Dan Bisnis, 5(1), 103-121.

Munawar, M., Farida, A. L., Kumala, R., & Erawati, D. (2022). Pengaruh Profitabilitas, Leverage, Dan Likuiditas Terhadap Agresivitas Pajak Dengan Komisaris Independen Sebagai Variabel Moderating Pada Perusahaan Manufaktur Di BEI Tahun 2016-2020. *Owner: Riset dan Jurnal Akuntansi, 6*(2), 2180-2188.

Nyman, R. C. S., Kaidun, I. P., & Lingga, I. S. (2022). Pengaruh Firm Size, Return On Equity, dan Current Ratio Terhadap Tax Avoidance pada Perusahaan LQ 45 yang Terdaftar di Bursa Efek Indonesia. *Jurnal Akuntansi, 14*(1), 172-186.

Pajriyansyah, R., & Firmansyah, A. (2017). Pengaruh Leverage, Kompensasi Rugi Fiskal Dan Manajemen Laba Terhadap Penghindaran Pajak. *Keberlanjutan, 2*(1), 431-459.

Pratiwi, Y. E., & Oktaviani, R. M. (2021). Perspektif Leverage, Capital Intensity, Dan Manajemen Laba Terhadap Tax Aggressiveness. *Jurnal Akuntansi Dan Pajak, 22*(1), 45-55.

Rahmadian, A., & Wijaya, R. A. (2023). Pengaruh Profitabilitas, Likuiditas, Dan Good Corporate Governance Terhadap Penghindaran Pajak (Tax Avoindance) Melalui Ukuran Perusahaan Sebagai Variable Moderasi Pada Perusahaan Manufaktur Yang Terdaftar Di BEI Periode 2017-2021. *Publikasi Riset Mahasiswa Akuntansi, 4*(1), 1-16.

Rifai, A., & Atiningsih, S. (2019). Pengaruh Leverage, Profitabilitas, Capital Intensity, Manajemen Laba Terhadap Penghindaran Pajak. *ECONBANK: Journal of Economics and Banking, 1*(2), 135-142.

Sinaga, C. H., & Suardikha, I. M. S. (2019). Pengaruh Leverage Dan Capital Intensity Pada Tax Avoidance Dengan Proporsi Komisaris Independen Sebagai Variabel Pemoderasi. *E-Jurnal Akuntansi, 27*(1), 1-32.

Stubben, S. R. (2010). Discretionary Revenue as a Measure of Earnings Management. *The Accounting Review, 85*(2), 695-717.

Suteja, S. M., Firmansyah, A., Sofyan, V. V., & Trisnawati, E. (2022). Ukuran Perusahaan, Pertumbuhan Penjualan, Penghindaran Pajak: Bagaimana Peran Tanggung Jawab Sosial Perusahaan? *Jurnal Pajak Indonesia (Indonesian Tax Review), 6*(2), 436-445.

Taebenu, T. A., & Siagian, V. (2023). Pengaruh Komisaris Independen Dan Kompensasi Rugi Fiskal Terhadap Penghindaran Pajak (Pada Perusahaan Sektor Pertanian Yang Terdaftar Di BEI Tahun 2017-2021. *JEMSI (Jurnal Ekonomi, Manajemen, dan Akuntansi), 9*(2), 296-302.

Tax Justice Network (2020). The State of Tax Justice 2020: Tax Justice in the time of COVID-19 (November 2020). Diakses melalui https://taxjustice.net/wp-content/uploads/2020/11/The_State_of_Tax_Justice_2020_ENGLISH.pdf.

Trisnawati, E., & Gunawan, J. (2019). Governance Disclosures, Senior Management And Their Influences On Tax Avoidance. *International Journal of Innovation, Creativity and Change, 9*(3), 85-104.

Widyaningtyas, N. S. (2020). Hubungan Antara Perilaku Wajib Pajak Dan Kebijakan Pajak Berdasarkan Sudut Pandang Behavioral Accounting. *E-Jurnal Akuntansi, 30*(1), 14-27.

Wijaya, R. (2019). Analisis Perkembangan Return On Assets (ROA) Dan Return On Equity (ROE) untuk Mengukur Kinerja Keuangan. *Jurnal Ilmu Manajemen, 9*(1), 40-51.

Yossanda, T. V., & Rahmanto, B. T. (2021). Komisaris Independen Sebagai Pemoderasi Pengaruh Manajemen Laba Terhadap Agresivitas Pajak. *AKURASI: Jurnal Riset Akuntansi dan Keuangan, 3*(1), 29-42.

Yulyani, E., Akbar, N., & Avionita, V. (2022). Pengaruh Leverage dan Return On Assets terhadap Tax Avoidance dengan Proporsi Komisaris Independen sebagai Variabel Moderasi. *The Double Entry Journal, 1*(1), 13-25.

Yustrianthe, R. H., & Fatniasih, I. Y. (2021). Pengaruh Pertumbuhan Penjualan, Leverage, Dan Profitabilitas Terhadap Tax Avoidance. *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi (MEA), 5*(2), 364-382.

Zalzabila, R., & Hernawati, R. I. (2022). Analisis Aspek Yang Mempengaruhi Penghindaran Pajak Dengan Parameter Pertumbuhan Penjualan, Rasio Keuangan & Ukuran Perusahaan. *JAKA (Jurnal Akuntansi, Keuangan, dan Auditing), 2*(1), 63-73.