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The Effect Of Leverage, Corporate Governance, And Company Characteristics On Tax Avoidance (Case Study On Manufacturing Companies Listed On The Jakarta Islamic Index For The Period 2019-2023)

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ABSTRACT

Indonesia uses a self-assessment tax collection system, namely a tax collection system that is enforced by means of taxpayers calculating, paying and reporting the amount of tax that has been adjusted to the laws and regulations independently. Unfortunately, this is actually an opportunity for taxpayers, in this case the agency, to take tax avoidance actions because of the freedom given by the tax law. The purpose of this study was to determine the effect of leverage, corporate governance as measured by institutional ownership, independent commissioners, audit committees, and company characteristics assessed by company size on tax avoidance in manufacturing companies listed on the Jakarta Islamic Index in 2019-2023. The sample was selected using purposive sampling method and collected 6 companies. This type of research is quantitative, with a causal associative approach. Using secondary data using *Agency Theory* and *Trade off theory*. The regression analysis model used is multiple linear regression with the help of SPSS 25. The results showed that partially leverage has a positive influence on tax avoidance. Corporate Governance (CG) with the proxy of the constitutional ownership board, independent commissioners and audit committee has no effect on tax avoidance. Leverage, Corporate Governance (CG) with proxies of constitutional ownership boards, independent commissioners and audit committees and company characteristics assessed from company size simultaneously have a significant effect on tax avoidance.

A. INTRODUCTION

Indonesia is a developing country, with this development the government requires a large source of revenue to finance routine and non-routine state expenditures. One of the sources of Indonesia's state revenue is obtained from tax revenue. Taxes are the most potential source of revenue in Indonesia, namely as the largest contributor to the state budget. Taxes are an important element regulated in the Law of the Republic of Indonesia No. 28 of 2007 article 1, namely, taxes are mandatory contributions to the state owed by individuals or entities that compelling based on law, with no direct reward and are used for state purposes for the greatest prosperity of the people (Hikmah and Sulistyowati 2020).

The tax collection system applied by Indonesia is a *self-assessment* system, namely a tax collection system that is enforced by means of calculating, paying and reporting the amount of tax that has been adjusted to the laws and regulations independently (Fitriasuri and Ardila 2022) . *Self assessment system*, is the most ideal system because there is convenience for taxpayers to carry out their obligations to the state. However, this system has a very high risk of tax compliance. This *tax avoidance* behavior is the effect of the system. There are different interests between the government and the company as the taxpayer. Taxes in the eyes of the state are a source of revenue to finance government administration, but for companies taxes are a burden that will reduce the net profit generated by the company (Rahmadhani and Lastanti 2024) . Based on these differences in interests, taxpayer non-compliance will occur which has an impact on *tax avoidance* practices. According to Lestari and Kusmuriyanto, *tax avoidance* is a legal reduction effort carried out by optimally utilizing the provisions in the field of taxation such as exemptions and deductions introduced or utilizing things that have not been regulated and weaknesses that exist in the applicable tax regulations (Lestari and Kusmuriyanto 2015).

Tax avoidance is done with the intention that the company can achieve its main goal of optimizing expected profits. *Tax avoidance* practices are a dilemma for companies, because taxpayers reduce the amount of tax to be paid, but do not conflict with applicable laws and regulations. In this case, the Directorate General of Taxes cannot prosecute legally, even though the practice of tax avoidance will affect the tax revenue that will be received by the government. (Hanum and Zulaikha 2013) Although no law has been violated, all parties agree that tax avoidance is not acceptable. This is because tax avoidance directly results in reduced state revenue (Zaki et al. 2019).

Tax avoidance is a serious problem that has a negative impact on the economy and society. These impacts include decreased state revenues, decreased quality of public services, social injustice, damage to the state's reputation and credibility, and potential economic and political instability. Therefore, serious and sustained efforts are needed to prevent and eradicate tax evasion.

Cases of reducing the amount of tax in Indonesia occur in various companies. In 2019, a case of tax evasion occurred at PT Adaro Energy (Tbk) which only paid taxes to Indonesia of IDR 1.75 trillion, less than the actual amount (Merdeka.com, nd). In addition, in 2017, the Indonesian Directorate General of Taxes corrected the sales value of PT Toyota Manufacturing Indonesia. The company is suspected of conducting income transfer as a tax measure, namely by moving profits to companies in other countries that have lower tax costs. The transfer of costs is done by changing the price amount so that it becomes inappropriate. Singapore has a smaller tax cost than Indonesia, there are several companies based in Singapore (Kompasiana.com, 2017).

To determine whether there is an indication that the company is practicing tax avoidance, it can be seen from several factors. Company size is one of the factors that influence tax avoidance. Size is a scale or value that can classify how large or small the size of the company is according to various ways such as total assets, log size, sales, and stock market value (Dewi and Oktaviani 2021) . The greater the total assets owned by the company indicates the greater the size of the company (Veronica 2024) . The larger the size of the company, the more complex the transactions will be so that the profit generated will also be greater which will affect the level of corporate tax payments, allowing companies to take advantage of existing loopholes to take tax avoidance actions from each transaction (Kurniawati and Khamimah 2023).

Then another factor that encourages taxpayers to take tax avoidance actions is the decision regarding the company's funding policy. In this case, the company utilizes one of the funding policies by using debt or what is called leverage. The leverage ratio is a ratio that explains the relationship between the company's assets and capital and debt (Rani & Darminto, 2021). The greater amount of debt will indicate an increase in leverage, resulting in a higher interest expense for the company. (Ridwansyah, Eliza, and Safira 2023) . With the increase in interest expense, the company's tax burden will decrease. This interest expense has an effect on reducing taxes because interest expense can be used as a deduction from the company's net profit which has an impact on reducing the amount of tax that will be paid by the company (Simanjuntak 2019).

Another factor that can also influence is corporate governance. Corporate governance on tax avoidance is an important issue in the context of corporate governance and policy. Corporate governance includes practices that ensure transparency, accountability, and fairness in the management of the company. Key elements of good governance include the presence of an independent board of commissioners, institutional ownership, managerial ownership, and an audit committee (Mappadang 2021).

In the Islamic view, tax evasion is considered an act that is against Islamic law because it is close to bad intentions. Bad actions to avoid taxes harm the state. Wilda et al. (2024) explain that the intention/motivation to avoid taxes is a manifestation of evil (not good). In this context, tax evasion is a morally sinful behavior according to Sharia principles. More specifically, the payment of a certain amount of tax to the government is a form of management of corporate funds that will be accountable to God in the afterlife (Sauvika Pradhiwiriana Nabilla, Nuraina, and Yayang Bilqisa 2023). Thus, not paying taxes, regardless of motivation, especially due to opportunistic tax avoidance, is a sinful act. The relationship between the taxpayer and government can be viewed as an implicit contract, Islam emphasizes honesty as the main prerequisite to be upheld by the parties involved in the 'tax contract'. If a breach of contract is committed by one of the parties, the taxpayer, it means that he has initiated ill will in the tax reporting system and has committed an act of injustice. Moreover, if this behavior happens to go undetected by the tax authorities, Allah will always know what we do, even what is in our hearts and when the bad intentions have not been executed (Bei 2024).

Tax Avoidance Theory in Islam. Ibn Taymiyyah in Sucipto (2017) argues that the tax base, the speed of tax movement, tax avoidance, and embezzlement are part of a vicious circle. This is because if the tax base is getting narrower, the tax rate is getting higher, so it will be even greater to avoid it and cause many cases of embezzlement.

Furthermore, Islam discusses tax avoidance that such actions are strictly prohibited because it is the same as eating the rights of others or others. This is as the Word of Allah Swt. in the Qur'an Surat An-Nisa (4): 29 as follows:

يٰٓاَيُّهَا الَّذِيْنَ اٰمَنُوْا لَا تَأْكُلُوْٓا اَمْوَالَكُمْ بَيْنَكُمْ بِالْبَاطِلِ اِلَّآ اَنْ تَكُوْنَ تِجَارَةً عَنْ تَرَاضٍ مِّنْكُمْ ۗ وَلَا تَقْتُلُوْٓا اَنْفُسَكُمْ ۗ
اِنَّ اللّٰهَ كَانَ بِكُمْ رَحِيْمًا

"*O you who believe, do not eat your neighbor's wealth by false means, except in the form of consensual trade between you. Do not kill yourselves. Verily, Allah is Most Merciful to you."* (QS. An-Nisa: 29)

The above letter explains that Muslims should not eat other people's property through bad means. *Tax* avoidance is an act that falls under this prohibition because it is the willful non-payment of taxes. Thus, business activities that are in line with Islamic business ethics are certainly not permissible.

In Islamic Business Ethics, tax avoidance activities carried out by the Company are a violation of the pillars of Islamic business ethics which include: 1) The Principle of Honesty, i.e., Entrepreneurs who do *Tax Avoidance* will violate this principle because they do not disclose and also do not pay the profits obtained honestly through legal loopholes that are still legal in taxation provisions; 2) Principle of Social Awareness, In Islamic teachings, business is not only profit-oriented, but rather the creation of mutual benefits through the attitude of Ta'awun or commonly called helping. *Tax Avoidance* is certainly not in line with the principle of justice because with less tax paid compared to the amount that can be utilized for the benefit of the country and its people, the company is considered to ignore its social interests as a good citizen; 3) The principle of justice, entrepreneurs are required to pay their tax obligations directly proportional to the rates that have been determined based on the type of business and income. Entrepreneurs who do *Tax Avoidance* (tax avoidance) are not in line with the principles (pillars) of justice because they are not fair to their competitors and are not fair to the state government. This is because the tax payable paid is not proportional to the actual rate set based on the profit;) Principle of Good Intention, a business must be established based on good faith which can be seen from the vision, mission, and goals that the company wants to achieve. Through the application of *Tax Avoidance*, business actors certainly do not have good intentions when doing business because the company ignores the welfare of the country; 5) Amanah principle, Amanah in running a business can be seen from the way the company maintains the trust of the state which is one of the components of state welfare. Through the application of Tax Avoidance, it is certainly not in line with this principle because the company does not keep its promise in fulfilling its responsibilities as a support for the welfare of the state (Sauvika Pradhiwiriana Nabilla et al. 2023).

Hypothesis Development

The effect of *leverage* on *tax avoidance*

Trade off theory states that the capital structure model is based on the trade off between the advantages and disadvantages of using debt. This theory assumes that the company's capital structure is a balance between the benefits of using debt with the costs of *financial distress* and *agency* costs. Debt incurs interest expenses that can save taxes. Interest expense can be deducted from income so that profit before tax becomes smaller, thus taxes are also getting smaller.

The results of research conducted by Betharia Rajagukguk (2022) found that *leverage* has a positive and significant effect on *tax avoidance*. (Area 2022) so that from the theory and results of previous research, this research is hypothesized:

H1*:* *Leverage* has a significant effect on *tax avoidance*

The effect of institutional ownership on *tax avaoindace*

Institutional ownership is a number of company shareholdings owned by parties outside the company, which are usually by institutions or institutions. The higher the ownership of company shares by outsiders, there is an assumption that control in the company will be better because as shareholders they also have important personnel in decision-making efforts including finance (Jasmine, 2017). In accordance with agency theory that there is a relationship between management and where the owner should play a more active and strict role in controlling management actions so as to minimize harmful actions such as *tax avoidance* (Arianandini & Ramantha, 2018). Likewise, as stated by Nurul Hikmah & Sulistyowati (2020) who through the results of their research stated that institutional ownership has a negative effect on *tax avoidance* (Hikmah and Sulistyowati 2020).

H2: Institutional ownership has a significant negative effect on *tax avoidance*

The influence of the board of commissioners on *tax avaoindace*

In agency theory, the board of commissioners has an important role in minimizing conflicts of interest between the agent and the principal due to the asymmetrical relationship between the two (Umar et al. 2022) . The independent board of commissioners assists in making long-term strategic plans that will be used by the company, reviewing the implementation of these strategies and reducing *tax avoidance* (Muid, 2019).Similarly, as stated by Sevi Lestya Dewi & Rachmawati Meita Oktaviani (2020) who through the results of their research stated that independent commissioners have a significant negative effect on *tax avoidance* (Susanti, M, and Silvera 2021).

H3 : Independent Commissioners have a significant effect on *tax avoidance*

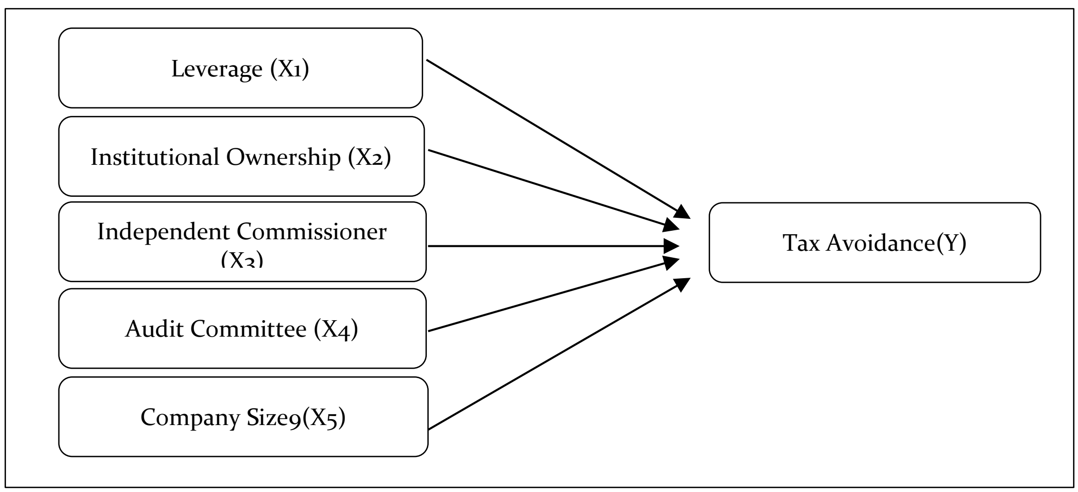
The effect of audit committee on *tax avaoindace*

The Audit Committee plays an important role in agency theory by reducing information asymmetry between the owner (principal) and management (agent). Agency theory explains that conflicts of interest arise when management does not act according to the owner's expectations. The audit committee helps monitor and oversee financial reports, thereby increasing the company's accountability and transparency. Likewise, as stated by Dwi Fitrianingsih & Putri Wulandari (2024) who through the results of their research stated

that the Audit Committee has a significant positive effect on *tax avoidance* (Fitrianingsih and Wulandari 2024).
H4 : The audit committee has a significant positive effect on *tax avoidance*
The effect of company characteristics on *tax avaoindace*

Company characteristics that affect tax avoidance and are used in this study using *size*. *Size* (company size) is closely related to *trade-off* theory in capital structure. This theory states that large companies tend to have lower disclosure costs and are better able to get debt proposri debt in their capital structure becomes smaller. Just as stated by Stevani Tohady, Riris Rotua Sitorus (2023) who through the results of his research stated that, size has a negative effect on tax avoidance (Tohady and Sitorus 2023).
H5 : Company size (*Size*) has a negative effect on *tax avoidance*

Figure 1. Theoretical framework
Research Source: Data Processed (2024)



Based on the above background, this study aims to analyze the effect of leverage, corporate governance, and company characteristics on *tax avoidance.* This research is important because it integrates the three main elements of leverage, corporate governance, and firm characteristics that collectively influence the firm's strategy in managing the tax burden. Thus, this study not only enriches the academic literature but also provides practical insights for policy makers and corporate stakeholders.

B. RESEARCH METHODS

The research method that will be used in this research is quantitative analysis method using secondary data. Quantitative research methods are methods to test certain theories by examining the relationship between variables, quantitative research emphasizes objective phenomena, and goal maximization. (Anggraeni et al. 2020) The type of data used in this study is secondary data: Secondary data is a research data source obtained by researchers indirectly through intermediary media (obtained and recorded by other parties) " (Abdullah 2017). This research uses a causal associative approach. The causal associative approach is research that has the aim of knowing the relationship or influence between one variable and another (Sugiyono 2012).

The population in this study includes all manufacturing companies listed on the JII during the period 2019 - 2023. The number of manufacturing companies listed on the JII is 17 companies with sample selection techniques using purposive sampling, namely sampling techniques with consideration based on more specific criteria in order to provide the information needed in the study, purposive sampling technique aims to make the data obtained more representative. (Sugiyono 2017) . The provisions taken into consideration in this study are Manufacturing Companies listed on the Jakarta Islamic Index (JII) in the 2019-2023 period, Manufacturing Companies included in the Jakarta Islamic Index (JII) in the 2019-2023 semester. Based on these criteria, 6 companies were obtained as samples in this study. So that the number of samples in this study were 30 samples. The tool used to see causality quantitatively is SPSS 25.

In this study, the data analysis used is descriptive analysis and multiple regression analysis. This study also conducted a classical assumption test to see the feasibility of the data to be used before conducting multiple regression tests. After conducting the classical assumption test, the T test and F test are carried out to see the effect of the independent variable and the dependent variable and test them partially or together. (Aziza 2023)

C. RESEARCH AND DISCUSSION

Descriptive Analysis Test

Descriptive analysis used to analyze data that has been collected as seen from the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness. The use of descriptive statistics to describe the sample data profile before conducting hypothesis testing.

Table 4. Research Descriptive Statistics

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std.Deviation**
LEVERAGE	30	.170	7.047	1.23363	1.576686
INST	30	.501	.850	.63183	.143401
INDP	30	.333	1.000	.49137	.194755
AUDIT	30	3.000	4.000	3.06667	.253708
KP	30	16.629	30.936	19.88040	5.036875
TA	30	.227	.601	.44767	.100109
Valid N (listwise)	30				

Source: Data, Processed (2024)

Based on the results of descriptive statistical testing in table above, it can be seen that the amount of data examined is 30. In the table it can be seen that leverage has a minimum and maximum value of 0.170 and 7.047, respectively. While the average value of leverage is 1.23363 with a standard deviation of 1.576686. The table above also shows that institutional ownership has a minimum value of 0.501 and a maximum of 0.850. While the average value of institutional ownership is 0.63183 with a standard deviation of 0.143401. The independent commissioner variable has a minimum and maximum value of 0.333 and 1.000 respectively with an average value of 0.49137 and a standard deviation of 0.194755. The audit committee variable has a minimum value of 3.000 and a maximum value of 4.000 with an average of 3.06667 and a standard deviation of 0.253708. The size variable shows that the minimum and maximum values are 16,629 and 30,936 with an average of 19.88040 and a standard deviation of 5.036875. While tax avoidance has a minimum value of 0.227 and a maximum of 0.601. Tax avoidance also has an average value of 0.44767 with a standard deviation value of 0, 100109.

Classical Assumption Test

Classical assumption testing aims to ensure that the regression equation determined has accuracy in estimation, is unbiased, and consistent. Another goal is to ensure that the regression model used has normally distributed data, free from autocorrelation, multicollinearity and heteroscedasticity

a. **Normality Test**

Normality testing aims to test whether in the regression model, there are normal residuals in the residual variables by looking at the acquisition of a significant value. If the significant value> 0.05 then the variable is normally distributed and vice versa

Table 5 Normality Results

One-Sample Kolmogorov-Smirnov Test

	Unstandardized Residual
N	30
Normal Parameters[a,b] Mean	.0000000
Std. Deviation	.08573771
Most Extreme Differences Absolute	.087
Positive	.087
Negative	-.077
Test Statistic	.087
Asym p. Sig. (2-tailed)	.200[c,d]

a. *Test distribution is Normal*
b. *Calculated from data*
c. *Lilliefors Significance Corecction*
d. *This is a lower bound of the true significance*

Source: Data, processed (2024)

Based on the table above, it can be concluded that the *Asymp. Sig.* is 0.200, where the value is greater than 0.05. This means that this regression model as a whole is normally distributed.

b. **Multicollinearity Test**

Multicollinearity testing aims to test whether there is a correlation between the independent variables in the regression model. Multicollinearity can be measured from the *Tolerance* and *Variance Inflation Factor* (VIF) values. If Tolerance> 0.1 and VIF < 10 then there is no multicollinearity problem.

Table 6 multicollinearity test

Coefficients[a]

		Unstandardized Coefficients		Collinearity Statistics	
Model		B	Std.Error	Tolerance	VIF
1	(Constant)	-.073	.249		
	LEVERAGE	.023	.013	.718	1.393
	INST	.178	.207	.348	2.876
	INDP	-.061	.160	.316	3.164
	AUDIT	.094	.070	.964	1.038
	KP	.006	.004	.886	1.129

a. Dependent Variable: TA

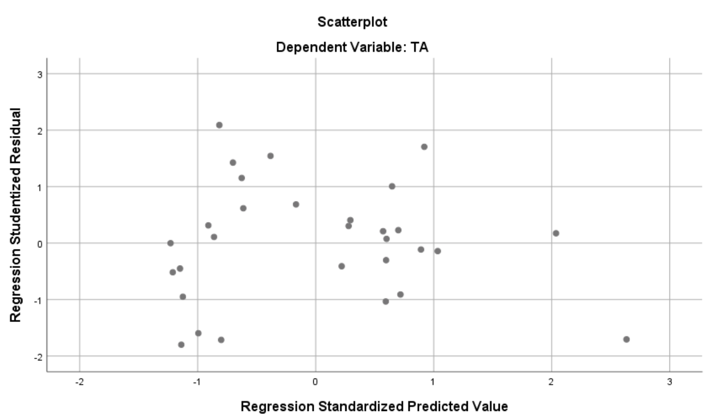
Source: Data, processed (2024)

Based on the table above, it can be said that the *tolerance* value of all variables is greater than 0.1 and the VIF value is smaller than 10. This proves that the regression model in this study does not have multicollinearity symptoms.

c. Heteroscedasticity Test

Based on the results of data processing with the help of *Statistical Pckage For the Social Sciences* (SPSS) version 25, a *scatterplot* graph is obtained.

Table 7 Heteroscedasticity Test Results



Source: Data, processed (2024)

Based on the graph above, the results of the graph and the heteroscedasticity test have shown that the data has been evenly distributed at or below zero on the liner line.

d. Autocorrelation Test

Based on the results of data processing with the help of *Statistical Product and Service Solution* (SPSS) version 25, the results of the auto correlation test are as follows:

Table 8 Heteroscedasticity Test Results

Model Summary[b]					
Model	R.	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.516[a]	.266	.114	.094247	1.468

a. Predictors: (Constant), KP, AUDIT, INST, LEVERAGE, INDP

Source: Data, processed (2024)

The autocorrelation test results show a Durbin-Watson (DW) value of 1.468 so it can be concluded that the data tested has passed the autocorrelation test.

Partial Regression Coefficient Test (T Test)

The T test is used to determine the significance of the constant of each independent variable, whether Leverage (X1), Corporate Governance with the proxy of Institutional Ownership (X2), Independent Commissioner (X3), Audit Committee (X4), Company Characteristics with the proxy of Company Size (X5) has a partial effect on the dependent variable, namely *Tax Avoidance* (Y).

Table 8 T Test Results

Coefficients[a]					
	Unstandardized Coefficients		Standardized Coefficients	t	sig
	B	Std.Error	Beta		
Model					
1 (Constant)	-3.522	.974		-3.617	.001
LEVERAGE	.159	.055	.662	2.874	.008
INST	.235	.323	.198	.727	.474
INDP	-.181	.219	-.241	-.828	.416
AUDIT	.769	.564	.219	1.363	.185
KP	.629	.219	.529	2.878	.008

a. Dependent Variable: TA

Source: Data, processed (2024)

The test results of the *Leverage* variable (X1) obtained a significance value of 0.008 (0.008 <0.05) with a regression coefficient of 0.159. From these results it can be concluded that the *Leverage* variable (X1) partially has a positive effect on the *Tax Avoidance* variable (Y). In the results of hypothesis testing the Institution Ownership variable (X2) obtained a significance value of 0.474 (0.474 <0.05) with a coefficient value of 0.235. From these results, it means that the Institutional Ownership Board variable (X2) partially has no effect on the *Tax Avoidance* variable (Y). The results of hypothesis testing of the Board of Commissioners (X3) variable obtained a significance value of 0.416 (0.416>0.05) with a regression coefficient of -0.181. This shows that the Board of Commissioners (X3) variable partially has no effect on the *Tax Avoidance* (Y) variable. In testing the next hypothesis, the Audit Committee variable (X4) obtained a significance value of 0.185 (0.185>0.05) with a regression coefficient of 0.769. From these results, it can be concluded that the Audit Committee variable (X4) partially has no effect on the *Tax Avoidance* variable (Y). Furthermore, the results of hypothesis testing of the Company Size variable (X5) obtained a significance value of 0.008 (0.008>0.05) with a regression coefficient of 0.629. Therefore it can be concluded that the variable Company Size (X5) partially has a positive effect on the variable *Tax Avoidance* (Y).

Simultaneous Test (F Test)

Table 7 F Test Results

ANOVA[a]					
Model	Sum of Squares	df	Mean Square	F	Sig
1 Regression	.763	5	.153	3.233	.023[b]
Residuals	1.133	24	.047		
Total	1.896	29			

a. Dependent Variable: TA

b. Predictors: (Constant), KP, AUDIT, INST, *LEVERAGE*, INDP

Source: Primary Data, processed (2024)

The F test is a test that shows whether all independent variables in the regression model together have an influence on the dependent variable. The F statistical test is carried out with decision-making criteria if F> 4 then Ho is rejected at a significant level of 5% or 0.05. In other words, accept the alternative hypothesis, that all independent variables together have a significant effect on the dependent variable.

Based on the results of the data test above, the significance value is smaller than 0.05 or 0.023 <0.05. So it can be concluded that all independent variables have an effect simultaneously or together on the dependent variable.

Determination Coefficient Test

Table 8. Coefficient of Determination Analysis Results

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson

1	.516[a]	.266	.114	.094247	1.468

a. Predictors: (Constant), KP, AUDIT, INST, INDP
b. Dependent Variable: TA
Source: Data, processed (2024)

The coefficient of determination test is carried out to measure how far the model's ability to explain the dependent variable. The coefficient of determination is between 0-1. If the coefficient value is close to 1, it can explain the ability to provide almost all the information needed in predicting the dependent variable, and vice versa.

Based on the coefficient of determination test table, it can be seen that the results of the coefficient of determination test show that the *R-Square* (R^2) value is 0.266, this shows the contribution of the variables that *leverage, corporate governance,* and company characteristics to *tax avoidance*. 26.6%. While the rest is explained by variables not observed in this study.

Multiple Regression Analysis

Multiple regression analysis is intended determine the effect between two or more independent variables with the dependent variable. In addition, regression analysis is intended to test the truth of the hypothesis proposed in this study.

Table 9 Multiple Analysis Test Results

Coefficients[a]					
	Unstandardized Coefficients		Standardized Coefficients	t	sig
	B	Std.Error	Beta		
Model					
1 (Constant)	-3.522	.974		-3.617	.001
LEVERAGE	.159	.055	.662	2.874	.008
INST	.235	.323	.198	.727	.474
INDP	-.181	.219	-.241	-.828	.416
AUDIT	.769	.564	.219	1.363	.185
KP	.629	.219	.529	2.878	.008

Dependent Variable: TA
Source: Primary Data, processed (2024)

Based on the table above, it can be seen that all independent variables affect the dependent variable. The value of the regression equation formed is as follows:

$$Y = -3,522 + 0,159X1 + 0,235X2 - 0,181X3 + 0,769X4 + 0,629X5 + e$$

1. ***Leverage* Effect on *Tax Avoidance*.**

Based on the results of hypothesis testing (t test) that has been done, it shows that *leverage* has a significant positive effect on *tax avoidance*. This means that partially if the leverage is increased, it will reduce *tax avoidance*. But also vice versa, if the *leverage* value decreases, the *tax avoidance* action will increase. So from this it can be concluded that *leverage* will significantly affect *tax avoidance*. This research is in line with research conducted by Ngadi Permana et al., (2022), Nabila Rafifah Khairunnisa et al., (2023) and A. Taufik et al., (2023) which say that *leverage* affects *tax avoidance*.

There is an assumption that the company chooses to go into debt with the main purpose of doing *tax avoidance*. From this it can be said that *leverage* will affect *tax avoidance*, which is in line with the assumptions of *trade off theory*. Where *trade off theory* states that corporate financial funding originating from third parties (debt) can then be utilized to reduce the resulting tax burden.

2. **The Effect of Institutional Ownership in Corporate Governance on Tax Avoidance.**

Based on the results of the analysis obtained, it can be concluded that the institutional ownership variable (X2) has no effect on *tax avoidance* (Y). The results of this study are in line with research conducted by A. Taufik et al., (2023) which provides the same result statement, namely institutional ownership has no effect on *tax avoidance*.

In this case, the existence of institutional ownership emphasizes management to maximize profits for the benefit of investors. Companies that have a responsibility to shareholders have an obligation to prosper shareholders. However, this actually contradicts the statement from *agency theory* where the theory explains that there is a separation between the owner and the manager of the company and in this study the company owner actually has a dominant role in determining company policy. This institutional ownership will actually encourage management to increase its supervision in order to generate large profits while still maintaining the company's profitability.

3. **The Effect of Independent Board of Commissioners in Corporate Governance on Tax Avoidance**

The independent board of commissioners variable in corporate governance is measured using the proportion of the number of independent commissioners from the total board of commissioners in one company. Independent commissioners are also members of the board of commissioners, but they have the specificity of not being related or related to management, other members of the board of commissioners and controlling shareholders, and are free from business relationships and relationships that might undermine their independence. Based on table 8, the results of the analysis using the t statistical test on the independent board of commissioners variable obtained a coefficient value of -0.181 and a tcount value of -0.828 with a sig value of 0.416 (>0.05).). This means that Ho is rejected and H1 is accepted. This shows that the independent board of commissioners in corporate governance has no effect on tax avoidance. The higher the proportion of independent commissioners, the lower the level of *tax avoidance* carried out by the company. This explains agency theory because it can reduce agency conflicts between shareholders and company management.

The results of this study are in line with research conducted by Riri Amelia and Andar Febyansyah, (2023) which provides the same result statement, namely institutional ownership has no effect on *tax avoidance*.

4. **The Effect of the Audit Committee Board in Corporate Governance on Tax Avoidance**

The fourth hypothesis proposed in this study is the audit committee on tax avoidance. From the results of this study, the regression coefficient for the audit committee variable was obtained, with a significant value of 0.185 or greater than 0.05, the hypothesis proposed in the study was rejected and not proven. This shows that the independent board of commissioners in corporate governance has no effect on tax avoidance. The audit committee has no effect because the number of audit committees in the company is assumed to not guarantee that the company will carry out tax avoidance and the number of audit committees will not guarantee that they can intervene in their role in determining the amount of tax rate policy in the company.

The results of this study are in line with research conducted by Imada Darel Natanael et al., (2021) Arry Eksandy., (2017) which provides the same result statement, namely the audit committee has no effect on *tax avoidance*.

5. **Effect of Company Size on *Tax Avoidance***

Based on the results of the analysis obtained, it can be concluded that company size has a positive and significant effect on *Tax Avoidance*. The results of this study are in line with research conducted by Sulhendri and Nita Wulandari, (2020) and Fatimah Nursanti et al., which provide the same result statement, namely company size has a positive and significant effect on *tax avoidance*.

In practice, the size of the company will be in line and directly proportional to the company's transactions. Behind corporate transactions, it allows the industry to use opportunities for tax avoidance in every business transaction legally. Not only that, large companies that work transnationally in all countries, have the aim of avoiding greater taxes, compared to companies that work domestically. This is because they can send profits to companies in other countries, where these countries levy smaller taxes, compared to the tax burden that must be paid domestically. Meanwhile, small companies that have limited business activities are quite difficult to avoid taxes. Company size has an impact on tax avoidance. The greater the total assets of the company, the greater the size of the company, so that any increase in company size will increase tax avoidance. (Dwi Urip Wardoyo, Adliana Dwi Ramadhanti, and Dewi Ummu Annisa 2022)

Overall, firm size affects tax avoidance in line with the assumptions of trade-off theory. Large companies have the capacity to avoid taxes more effectively than small companies, but they must also consider the associated costs and risks.

D. CONCLUSION

Based on the results of the analysis and discussion in the previous section, the authors draw several conclusions in accordance with the problem formulation in this study as follows:

1. *Leverage* partially has a significant positive effect on *Tax Avoidance*
2. Institutional Ownership partially has no effect on *Tax*
3. Independent Commissioners partially have no effect on *Tax*
4. Audit Committee partially has no effect on *Tax*
5. Company size partially has a significant positive effect on *Tax Avoidance*
6. *Leverage,* Institutional Ownership, Independent Commissioner, Audit Committee, Company Size simultaneously have a significant effect on *Tax Avoidance*.

E. ADVICES

Based on the limitations contained in the study, the researcher provides several suggestions to improve the research results. The limitations in this study are that the independent variables that affect *Tax Avoidance* still include a limited number, because there are still many other factors that have the potential to influence. The object of research is limited to manufacturing companies listed on the Jakarta Islamic Index (JII). The period of this research used is only 5 years of observation, namely 2019 to 2023, so that the number of research samples is only three times the number of company samples, namely 30. Future research can be developed by adding other independent variables that affect *Tax Avoidance*. Regarding the number of samples and the research period, so that further research can seek a larger number of samples with a longer research period so that the results will be better.

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