THE 1ST JESICA International Conference and Call For Papers

Proceedings of The 1st Jakarta Economic Sustainable International Conference Agenda (JESICA)

THE INFLUENCE OF POLITICAL CONNECTIONS, CAPITAL INTENSITY AND AUDIT COMMITTEE ON TAX AVOIDANCE

Luthfiah Nur Khairina[1] , Ni Putu Eka Widiastuti[2]
[1,2]Universitas Pembangunan Nasional Veteran Jakarta, DKI Jakarta, Indonesia
[1]luthfiahnur@upnvj.ac.id

ABSTRACT

This study is a quantitative study that aims to analyze the relationship between political connections, capital intensity, and the audit committee on tax avoidance. This study uses 24 samples of state-owned companies listed on the Indonesia Stock Exchange for the 2016-2020 period. Research data is secondary data obtained from the company's annual report. This study uses panel data regression analysis as a data analysis technique. Based on the test results, it can be concluded that (1) the political connection of the board of commissioners has no significant effect on tax avoidance, (2) the political connection of the board of directors has no significant effect on tax avoidance, (3) capital intensity has no significant effect on tax avoidance, and (4) the audit committee has no significant effect on tax avoidance. The study also uses control variables consisting of ROA, leverage, and firm size.

Keywords: *Tax Avoidance; Political Connections; Capital Intensity; Audit Committee.*

INTRODUCTION

The company makes various efforts to maximize the company's profit, one of which is to do tax avoidance. The strategy that companies can do to reduce the tax burden legally by taking advantage of loopholes in tax regulations is called tax avoidance (Munawaroh and Ramdany, 2019). In addition, in 2020 the emergence of the Covid-19 pandemic which put great pressure on the Indonesian economy and the world. The Covid-19 pandemic in 2020 caused a contraction in economic growth in several countries in Southeast Asia, such as Indonesia minus 2.07%, Singapore minus 5.4%, Malaysia minus 5.6%, Thailand minus 6.1%, and the Philippines. minus 9.5% (Purwanto, 2021). Covid-19 does not only have an impact on a country's economic growth, but has a huge impact on business actors. Based on a study conducted by the Employment Planning and Development Agency revealed that as many as 40.6% of respondents stated that the condition of their company was very disadvantaged during the Covid-19 period (Rahmadi, 2020).

The Ministry of Finance provides a solution through fiscal policy by providing incentives for companies, one of which is by accelerating the implementation of lowering the corporate income tax rate. The government lowered the corporate tax rate to 22% from 25% for 2020 to

2021. In addition, the corporate income tax rate will decrease again to 20% in 2022. This policy was made to attract foreign investors and the domestic economy is also expected to grow (Saragih et al., 2021). In addition, this tax rate reduction has been planned since 2019 and the implementation of the tariff is accelerated based on Perpu Number 1 of 2020 concerning State Financial Policy and Financial System Stability for Handling the Covid-19 Pandemic.

According to news published by Bisnis.com This tax rate reduction can trigger companies to avoid tax by delaying paying off their tax debts until 2022, in order to get a lower tax rate (Arief and Elena, 2021). In addition, in the midst of this uncertain condition, it puts pressure on management to continue to maximize company profits, so as to maximize company profits, management takes advantage of loopholes to minimize taxation in order to reduce costs incurred. Although still within the legal corridor, this practice of tax avoidance can reduce the potential for tax revenues that will harm the state. If this tax avoidance practice is carried out in the long term, it will make the company conduct aggressive tax avoidance.

Based on the data in the report *The State of Tax Justice* 2020which revealed that losses resulting from corporate tax evasion in Indonesia were estimated at $4.86 billion. This tax avoidance practice is unethical because the company must have social responsibility, both to the surrounding community and to all company stakeholders including the government. The existence of opportunistic and aggressive tax avoidance practices carried out by management can harm shareholders (Octavia, 2020). Companies are at risk of paying tax sanctions if a tax audit is carried out as a result of tax avoidance practices and also has an impact on damaging the company's image in the eyes of the public (Yuliawati and Sutrisno, 2021).

According to news published by Compass (2016) there are a number of tax avoidance cases in Indonesia, one of which is some tax avoidance activities carried out by PT RNI. First, PT RNI is a company registered as a Limited Liability Company, but in terms of capital it depends on affiliate debt. The owner of the company in Singapore does not invest capital, but in the form of debt, so that when the interest is paid to the owner in Singapore, it will be recognized as dividend by the owner in Singapore. If it is recorded as debt and incurs interest expense, it will reduce the tax burden because interest expense is a deductible expense. Second, there was a debt with a value of Rp20.4 billion in PT RNI's 2014 financial statements, but the company's turnover was only Rp.2.178 billion, as well as a retained loss in the 2014 report of Rp. 26.12 billion. The existence of large losses in the financial statements makes the company get 5 years compensation. Thus, an inspection is carried out by the Special DJP Regional Office (Kompas, 2016). In addition, at PT RNI for the 2014 financial year, there are 2 boards of commissioners and 1 board of directors who have political connections. Companies with political connections make management bolder in tax avoidance (Widarjo et al., 2021).

The next phenomenon is that there are political connections in state-owned companies, one of which is PT Garuda Indonesia Tbk, where Garuda's board of commissioners has political connections because they have served in government. In addition, Garuda Indonesia's shares are owned by the government by 60.54%. This direct ownership of the government also indicates a political connection to the company (Prapitasari and Safrida, 2019). This makes management feel that there is protection from the government, so management is more daring in carrying out tax avoidance practices. One aspect that influences companies in carrying out tax avoidance is to take advantage of political connections. A political connection is a bond between a party and another party who has mutual interests in politics in order to achieve

benefits between the two parties (Purwanti and Sugiyarti, 2017). Sari and Somoprawiro (2020) states that companies with political connections will have protection from the government, so that companies can carry out more aggressive tax planning and can cause financial statement transparency to decrease.

The existence of these political connections makes the company to do political lobbying to get special treatment such as lower tax audit risk and get relief from tax sanctions. Companies with strong political connections make management bolder in doing tax avoidance (Widarjo et al., 2021). This argument is supported by empirical evidence that increased lobbying activities and political contributions in the previous period resulted in increased tax avoidance in the current period (Romero, 2019). Add more Utari and Supadmi (2017)revealed that the practice of tax avoidance also occurs in BUMN, where BUMN is closely related to the government because it is a state-owned company. Same with research Saragih et al. (2021) which reveals indications of tax avoidance practices in SOEs even though they are still within the legal corridor and can become aggressive tax avoidance if they occur in the long term.

There are several studies on political connections that have been done before. There is empirical evidence which states that tax avoidance is positively influenced by political connections which shows that corporate tax avoidance activities are influenced by political connections (Utari and Supadmi, 2017), (Romero, 2019), (Munawaroh and Ramdany, 2019), (Maidina and Wati, 2020), (Nurrahmi and Rahayu, 2020), (Lin, 2020), (Kim and Lee, 2021). Furthermore, research Sudibyo and Jianfu (2016) revealed that there is a significant influence between political conncetions on tax avoidance, where companies with political connections pay lower taxes than companies without political connections. Octavia (2020) also revealed a significant influence between the political connection of the independent director and the political connection of the audit committee with tax avoidance. Asadanie and Venusita (2020) also stated that the higher the political connection the company has, the higher the practice of tax avoidance. However, in contrast to Iswari et al (2019) which states that there is a significant negative effect between political relations and tax avoidance, where the political relationship of the board of directors makes the board of directors more careful in making tax decisions and the political relationship of the board of commissioners makes the board of commissioners prevent actions that can harm the company.

Furthermore, there is also a gap with several studies which state that political connections have no significant effect on tax avoidance. This shows that political connections are not an important factor in the company's policy to take opportunistic actions with tax avoidance activities (Widarjo et al., 2021), (Sari and Somoprawiro, 2020), (Purwanti and Sugiyarti, 2017), (Sustainable and Putri, 2017), (Aprilia, Majidah, & Assalam, 2020), (Lestari et al., 2019). There is a gap in research results from previous studies, so it is necessary to review the relationship between political connections and tax avoidance.

In addition to political connections to carry out tax avoidance, companies can also take advantage of capital intensity to reduce the company's tax burden. Companies that invest in fixed assets, where these assets are used for the company's operational activities to earn a profit are called capital intensity (Lestari et al., 2019). Investment in the company's fixed assets will cause depreciation expenses. This depreciation expense is included in the deductible expense in the fiscal which can reduce the company's taxable income, so that the company's tax burden becomes lower.

This argument is supported by Sianturi et al. (2021) states that when the capital intensity of the company increases, the company's tax avoidance practices also increase. Kalbuana et al. (2020) also proves that tax avoidance is significantly negatively affected by capital intensity. Prawati et al. (2020) revealed that there is a significant relationship between capital intensity and tax avoidance, because the choice of investment through fixed assets is used by companies to reduce tax costs. Furthermore, by Sugeng, Prasetyo, & Zaman (2020) also proves that there is a significant relationship between capital intensity and tax avoidance.

However, the results of this study are different from other studies. Study Lestari et al. (2019) states that capital intensity has a significant positive effect on tax avoidance, so that the higher the capital intensity, the lower the tax avoidance carried out. Also different from research Aprilia et al. (2020) which states that tax avoidance is not affected by the intensity of fixed assets. This is because fixed assets are not only used for tax evasion, but to assist the company's operational activities (Aprilia et al., 2020). There is a gap in research results from previous studies, so it is necessary to review the effect of capital intensity on corporate tax avoidance.

Companies that practice tax avoidance are at risk of future losses, such as audits that result in tax sanctions and damage to the company's image. If this tax avoidance practice is carried out in the long term, it will lead to increasingly aggressive tax avoidance practices and can harm the company's stakeholders. So, it is necessary to supervise the company in every policy taken. One of the factors that can prevent opportunistic actions of management in tax avoidance activities is the audit committee.

Based on Financial Services Authority Regulation Number 55/POJK.04/2015 (2015) defines the audit committee as a committee formed by and responsible to the Board of Commissioners to assist in carrying out the duties and functions of the Board of Commissioners. The audit committee can play a role in reducing agency conflict by supervising managers so as not to make opportunistic decisions (Septiadi et al., 2017). The audit committee functions in controlling the process of preparing the company's financial statements, so that when the audit committee function is carried out effectively, it can reduce the company's tax avoidance activities (Septiadi et al., 2017). according to Jannah and Rahmawati (2020) the effectiveness of the audit committee can be seen from 3 indicators, namely financial expertise, size of the audit committee in the company, and activities that can be seen from the number of meetings. It is hoped that the existence of this audit committee can improve supervision in the preparation of financial statements, so as to reduce tax avoidance practices carried out by managers.

Fauzan et al. (2019) revealed that the audit committee has a significant influence on tax avoidance. The existence of an audit committee in the company will make managers more responsible and open in presenting financial reports because the audit committee functions in overseeing all activities within the company (Fauzan et al., 2019). Furthermore, research Diantari and Ulupui (2016) reveals that there is a significant negative effect between the audit committee and tax avoidance and proves that in the preparation of financial statements, the supervision carried out by the audit committee can prevent management fraud. However, the result is different from Sari and Somoprawiro (2020) which states that the audit committee has a significant positive effect on tax avoidance, because the functions of the company's audit committee members are not carried out properly in increasing the credibility of the company's

financial statements. Same with research Maidina and Wati (2020) also revealed that the audit committee has a positive influence on tax avoidance because it is suspected that management may discuss tax avoidance practices if audit committee meetings are often held. However, Utari and Supadmi (2017) revealed that the audit committee did not have a significant effect on tax avoidance because the audit committee's task of supervising did not go well. There is a gap in research results from several previous studies, so it is necessary to review the influence of the audit committee on the practice of corporate tax avoidance.

The novelty of this research is to combine the variables of political connection, capital intensity, and audit committee as independent variables. This research was conducted on state-owned companies listed on the Indonesia Stock Exchange for the 2016-2020 period because of the political relationship between the board of commissioners and the board of directors in SOEs with the government and indications of tax avoidance in SOEs (Utari and Supadmi, 2017) (Saragih et al., 2021), as well as the pressure due to the Covid-19 pandemic conditions that made managers try to minimize the company's tax burden. This study aims to look at the factors that can affect tax avoidance from various points of view. First, from a political perspective, companies can use political connections to reduce their tax burden. Second, in terms of choosing the company's investment, whether the practice of tax avoidance by the company can be influenced by capital intensity which can cause depreciation expense, so that it can reduce the company's taxable income. Third, in terms of corporate governance, whether the existence of an audit committee can prevent or reduce the actions of opportunistic managers in carrying out tax avoidance. Based on this goal,This study is expected to provide a deeper understanding of agency theory on management decisions to tax avoidance with the influence of political connections, capital intensity, and audit committees; (2) Practical Benefits, namely (a) For the Government, peThis research is expected to be useful for the Ministry of Finance and the Directorate General of Taxes, especially the Directorate of Audit and Collection in setting regulations and taking action to improve supervision and compliance of taxpayers and (b) For companies, this research is expected to be input and be considered by the company management so that Be more careful in making decisions avoid tax.

METHOD

The population in this study are state-owned companies listed on the Indonesia Stock Exchange (IDX) for the 2016-2020 period. To determine the sample, this study uses a purposive sampling method with sample criteria, namely (1) BUMN companies listed on the IDX for the 2016-2020 period that consistently publish annual reports for the 2016-2020 period which can be accessed through the IDX website or the company's official website; (2) BUMN companies that were not delisted during the study period; and (3) state-owned companies whose annual reports provide the data needed for the measurement of each variable. The research data were tested using descriptive statistical tests, classical assumption tests and hypothesis testing. The data analysis technique in this research is using panel data regression analysis. The research data processing was carried out using statistical programs, namely STATA and Microsoft Office Excel.

Table 1. Sample Selection Table

Keterangan	**Sampel**
State-owned enterprises listed on IDX for the period 2016-2020	**25**
State-owned enteriprise whose annual reports can't be accessed in full for the 2016-2020 period is PP Properti Tbk	**(1)**
Companies that meet the sample criteria	**24**
Total Sample for 5 years	**120**

The dependent variable in this study is tax avoidance which will be measured using Abnormal Book Tax Difference (ABTD). The independent variable, political connections are measured using the proportion of the board of commissioners and the board of directors who have political connections. Here is political connection's criteria which include:

1. There are company officials or shareholders with a minimum share ownership of 10% who have or have had relationships with heads of state, members of parliament, ministries, government, TNI, police, and others.
2. There is direct share ownership from the government.

Political connection data is seen through the company's annual report, namely in the personal data section of the board of commissioners and the company's board of directors. The measurement of political connections in this study adopts from research Iswari et al. (2019) which can be formulated as follows:

Proportion of the Board of Commissioners

$$PC_COM = \frac{\text{The Number of Board of Commissioners with Political Connenction}}{\text{Total Board of Commissioners}}$$

Board of Directors Proportion

$$PC_DIR = \frac{\text{The Number of Board of Directors with Political Connection}}{\text{Total Board of Directors}}$$

The second independent variable, capital intensity was measured using the Capital Intensity Ratio using data contained in the company's financial statements. Capital Intensity Ratio can be formulated as follows (Kurnia et al., 2021):

$$\text{CIR} = \frac{\text{Total Fixed Asset}}{\text{Total Asset}}$$

The last independent variable, audit committee variable in this study is seen from the effectiveness of the audit committee in the company. According to Jannah and Rahmawati (2020) the effectiveness of the audit committee can be measured through 3 indicators, namely the expertise of the audit committee in finance, the size of the audit committee, and the activities of the audit committee as seen from the number of meetings.

RESULTS AND DISCUSSION

Statistic Descriptive

The following are the results of the descriptive statistics. Based on table 1 revealed that tax avoidance have a mean value 0,000000005. Based on the average results, it shows that state-owned companies carry out tax avoidance, but it is still within reasonable limits.

Table 2. Statistic Descriptive Table

Variabel	Obs	Mean	Std. Deviasi	Min	Max
ABTD	120	5,00e-09	0,1497708	-0,4331368	0,5803347
PC_COM	120	0,7042686	0,2374262	0	1
PC_DIR	120	0,0400954	0,0809603	0	0,3333333
CIR	120	0,2683429	0,2410122	0,0006332	0,870447
KA	120	0,9324074	0,0958695	0,6666667	1
ROA	120	0,0227181	0,0699092	-0,4508583	0,2118531
Leverage	120	0,642541	0,1873397	0,2856842	1,180077
Size	120	22,74075	5,643927	12,09855	32,45446

Source: Output STATA 14, data processed by researchers (2021)

Data Panel Regression

This study uses panel data regression because the research data is a combination of cross section data and time series data. This panel data regression test was conducted in order to select the best regression model consisting of the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), where the test consisted of the Chow test, Lagrange multiplier test, and hausman test.

Table 3. Chow Test Result

Probability	0,0000
A	0,05

Source: Output STATA 14, data processed by researchers (2021)

Based on the results of the Chow test in Table 3, it can be seen that the probability value < alpha, the more appropriate regression model is FEM.

Table 4. Lagrange Multiplier Test Result

Probability	0,0000
A	0,05

Source: Output STATA 14, data diolah peneliti (2021)

The Lagrange Multiplier test was conducted to compare REM with CEM. The test results in table 4, it can be interpreted that the probability results are smaller than the alpha value, so the results indicate the selection of REM

Table 5. Hausman Test Result

Probability	0,0000
A	0,05

Source: Output STATA 14, data processed by researchers (2021)

Based on the test results in table 5, it states that the probability value is lower than alpha, then the model selected in the Hausman test is FEM. Thus, the model used in the study is FEM.

Classical Assumption Tests

Normality Test

Table 6. Skewness Kurtosis Test

Variable	*Skewness*	*Kurtosis*
ABTD	1,718971	7,532752
PC_COM	-0,8541214	3,462307
PC_DIR	2,107048	6,901328
CIR	0,714191	2,341128
KA	-1,238901	3,522407
ROA_w	-0,7304487	9,136164
Leverage	-0,1437792	2,165752
Size	0,1332036	2,006354

Source: Output STATA 14, data processed by researchers (2021)

The output results of the kurtosis skewness test in table 7 above are the results of the normality test that has been done by Winsorized. These results indicate that all data in this study are normally distributed because the results of skewness <3 and kurtosis value <10.

Multicollinearity Test

Table 7. Multicollinearity Test

Variable	VIF	1/VIF
PC_COM	9,85	0,101503
Size	9,31	0,107430
CIR	3,50	0,285537
centered_Leverage	3,00	0,333434
ROA_w	2,40	0,417274
PC_DIR	1,60	0,624520
centered_KA	1,36	0,734927
Mean VIF	4,43	

Source: Output STATA 14, data processed by researchers (2021)

Based on the results of the multicollinearity test that has been treated using centering, table 6 shows the VIF value of each independent and control variable is <10. Thus, the data from each of these variables does not have multicollinearity problems or does not have a relationship between the independent variables and the control variables.

Heteroskedasticity Test

Table 8. Heteroskedasticity Test

	Chi2 (24)	Prob>chi2
ABTD	14766,58	0,0000

Source: Output STATA 14, data processed by researchers (2021)

Based on table 9 above, it can be seen that the data is heteroscedastic because it has a probability result of less than 0.05. So it needs to be overcome by using robust to be able to overcome the problem of heteroscedasticity in the research model.

Discussion

The following are the results of the panel data regression test using FEM with robust processing on STATA 14:

Table 9. Fixed Effect Model Panel Data Regression Test Results with Robust

Variable	*Coefficients*	*Robust Standard Error*	*Probability*	Uji Hipotesis
Cons	-0,2421815	0,0675835	0,002	
PC_COM	-0,030608	0,0429498	0,483	H1a Ditolak
PC_DIR	-0,1643738	0,1033084	0,125	H1b Ditolak
CIR	-0,0261802	0,0815213	0,751	H2 Ditolak
centered_KA	-0,0544356	0,1261052	0,670	H3 Ditolak
ROA_w	1,49207	0,4138068	0,001**	
centered_Leverage	0,1422	0,1443038	0,335	
Size	0,0105875	0,0026076	0,000*	
Number of Obs	120			
R Square	0,1764			
Prob > F	0,0000			

Note: *significance 1% **significance 5%

Source: Output STATA 14, data processed by researchers (2021)

Based on the results of STATA 14 in table 10, the regression equation can be formed as follows:

$$\begin{aligned}\mathrm{ABTD_{it}} = {} & -0{,}2421815 - 0{,}030608\ \mathrm{PC_{COM_{it}}} - 0{,}1643738\ \mathrm{PC_{DIR_{it}}} \\ & - 0{,}0261802\ \mathrm{CIR_{it}} - 0{,}0544356\ \mathrm{KA_{it}} + 1{,}49207\ \mathrm{ROA_{it}} + 0{,}1422\ \mathrm{LEV_{it}} \\ & + 0{,}0105875\ \mathrm{SIZE_{it}} + \theta \mathrm{SOE_{it}} + \theta YearControls_{\mathrm{it}} + \varepsilon_{\mathrm{it}}\end{aligned}$$

The Influence of the Board of Commissioners' Political Connections on Tax Avoidance

Based on the test results in table 9, it is revealed that the political connections of the board of commissioners affect tax avoidance significantly, so H1a is rejected. This proves that the political connections owned by company officials do not make the company act opportunistically to take advantage of these political connections and do tax avoidance. When viewed from the average value of the political connections of the board of commissioners, it shows that 70.43% of the board of commissioners in the sample companies are indicated to have political connections because they have served and/or held concurrent positions in government. The average figure is quite high, but the political connections possessed by the board of commissioners are not used to carry out tax avoidance practices. This is evidenced by the average value of tax avoidance which is 0.000000005 which indicates that the company does tax avoidance which is still within reasonable limits.

This result is in accordance with the theory of planned behavior proposed by Ajzen (1991) which assumes that each individual behaves according to their respective intentions. According to Saputra (2019), taxpayer compliance either positively or negatively can be influenced by the attitude of the taxpayer because the behavior of the taxpayer's knowledge and experience as well as the experience of others will shape the intention of the taxpayer to comply or not comply with obligations. the taxation. Thus, this study reveals that state-owned companies included in the research sample have positive tax compliance because they do not practice aggressive tax avoidance and do not take advantage of their political connections to carry out tax avoidance.

Furthermore, when viewed from agency theory, the results of the study show that the company as an agent is responsible for complying with the regulations set by the government as the government, and is responsible for maintaining the good image of the company for the benefit of its stakeholders. The results of this study are in line with Purwanti & Sugiyarti (2017), Lestari et al. (2019), Sari & Somoprawiro (2020), Aprilia et al. (2020), Widarjo et al. (2021) which reveals that tax avoidance is not significantly influenced by political connections.

The Influence of the Board of Directors' Political Connections on Tax Avoidance

Based on the results of the study, it was revealed that the political connection of the board of directors had no significant effect on tax avoidance, so H1b was rejected. This shows that the political connections owned by the company's directors do not make the company act opportunistically to take advantage of these political connections and do tax evasion. When viewed through the average value of the political connections of the board of directors, the result is 4%. This percentage is very small, so it can be one of the reasons that the board of directors does not take advantage of political connections in carrying out tax avoidance.

The results of testing this hypothesis are in line with the theory of planned behavior issued by Ajzen (1991), where individuals behave based on their own intentions. The behavior of the board of directors in making tax decisions can be influenced by intention, where the intention can be influenced by factors such as attitude, subjective norms, and perceived behavioral control. Based on this theory, it shows that BUMN companies in the research sample have positive tax compliance in carrying out their tax obligations because they do not practice aggressive tax avoidance and do not take advantage of their political connections to carry out tax avoidance. On the other hand, the board of directors does not take advantage of political connections to carry out tax avoidance because there is an obedient attitude from the principal to the regulations set by the agent in order to maintain a good image of government institutions in the eyes of the public so that they become obedient taxpayers (Purwanti & Sugiyarti, 2017).

The results of this test are in line with Purwanti & Sugiyarti (2017), Lestari et al. (2019), Sari & Somoprawiro (2020), Aprilia et al. (2020), Widarjo et al. (2021). Apart from the fact that the state-owned companies in the sample have positive intentions, these companies also want to maintain a good image of the company in the eyes of their stakeholders. State-owned companies as companies controlled by the government, want to give a good image so that they can become examples as companies that comply with taxes. In addition, based on PMK Number 71/PMK.03/2010 it states that companies whose majority shares are directly owned by the government are included in low-risk Taxable Entrepreneurs.

The Influence of Capital Intensity on Tax Avoidance

Based on the results of hypothesis testing in table 9 shows that capital intensity does not have a significant effect on tax avoidance. This shows that the assets owned by the company are indeed functioned to improve the company's operational activities and are not used to reduce the company's tax burden. This is evidenced by the maximum value of CIR which is 87% at PT Garuda Indonesia Tbk (GIAA) in 2020, while the company does not carry out tax avoidance that is outside the reasonable limit because it has an ABTD value of -0.433137. Furthermore,

for the company that has the lowest capital intensity result, namely PT Semen Indonesia Tbk (SMGR) for the 2018 period with a value of 0.0006332, while the result of the ABTD for that period is -0.000312 which indicates that the company does not practice tax avoidance beyond reasonable limits.

Based on the theory of planned behavior, this shows that the company has positive intentions regarding its tax compliance. The behavior of this management can be caused by individual attitudes, subjective norms, and perceived ease. On the other hand, when viewed from agency theory, the company as the principal carries out its responsibilities to the government as an agent by complying with established regulations. In addition, the company also has a responsibility to its stakeholders in maintaining the good image of the company in the eyes of the public. Good image as a state-owned company that complies with taxes in the eyes of the public, as well as in the eyes of shareholders.

The results of this study are in line with Aprilia et al. (2020) and Wiguna & Jati (2017) which state that capital intensity has no effect on tax avoidance. This is because companies that have large fixed assets do use these assets for the benefit of the company in supporting the company's operational activities (Wiguna & Jati, 2017). Thus, the amount of fixed assets owned by the company is not solely used to reduce the company's tax burden in carrying out tax avoidance.

The Influence of Audit Committee on Tax Avoidance

The test results in table 9 state that tax avoidance is not significantly influenced by the audit committee. This is not simply the lack of effectiveness of the company's audit committee because the average score of the effectiveness of the audit committee is 93.24%. Although the effectiveness of the audit committee in the sample companies is high, the audit committee cannot influence company policies in influencing tax avoidance practices. This is because the audit committee is responsible to the board of commissioners in carrying out its supervisory function. According to Utari & Supadmi (2017) the audit committee only functions in providing opinions to the board of commissioners regarding financial policy issues, but cannot influence company behavior. Decisions taken by the company remain the authority of management, including in making tax decisions (Utari & Supadmi, 2017). Management has the authority to make decisions and implement policies, including in terms of taxation.

Based on the theory of planned behavior which explains that management behavior in making decisions is based on management's intention to take actions that can benefit or harm the company (attitude toward behavior). Thus, the audit committee cannot influence management in making decisions regarding problems faced by the company (Utari & Supadmi, 2017). The results of this study are in line with Utari & Supadmi (2017) who also prove that this audit committee does not have a significant effect on tax avoidance.

The Influence of Other Factors on Tax Avoidance

Researchers also use ROA, leverage, and firm size as control variables. First, the results of the test show that tax avoidance is significantly positively influenced by ROA. These results are in agreement with (Iswari et al., 2019) and (Kim & Lee, 2021). The high profitability of

the company can affect the actions taken by the company (Utari & Supadmi, 2017). The higher the company's profitability can make management want to reduce the tax burden in order to maximize company profits. Second, the results show that leverage does not have a significant effect on tax avoidance. This shows that the funding made by the company through debt is used to support the company's operational activities and not to avoid taxes (Aprilia et al., 2020). These results are in line with Oktavia (2020) and Aprilia et al. (2020) which states that leverage does not have a significant effect on tax avoidance. Third, the results also show that firm size has a significant positive effect on tax avoidance. This is because the size of the company can influence management in making decisions. This is in line with Diantari & Ulupui (2016) who revealed that company size has a significance with a positive direction on tax avoidance.

CONCLUSION

This study aims to analyze the relationship between political connections, capital intensity, and the audit committee on tax avoidance. The study was conducted on state-owned companies listed on the IDX for a period of 5 years (2016-2020). The test results show that hypothesis 1a proves that the political connection of the board of commissioners has no significant effect on tax avoidance. Furthermore, for hypothesis 1b it also proves that the political connection of the board does not have a significant effect on tax avoidance. This shows that the company does not take advantage of political connections to carry out tax avoidance. The test results for the second hypothesis prove that capital intensity has no significant effect on tax avoidance. This shows that the sample companies do use pure fixed assets to support the company's operations and not to do tax avoidance. Furthermore, the third hypothesis proves that the audit committee does not have a significant effect on tax avoidance. This is because the audit committee works in providing views to management, while the decisions remain in the hands of management.

Furthermore, this research cannot be separated from limitations, where this study uses content analysis methods or makes observations from annual reports, thus allowing the emergence of differences in perceptions between researchers. This research is expected to help the government, especially the Directorate General of Taxes, in taking action by increasing the supervision and compliance of taxpayers. Furthermore, the results of the research are also expected to be an advice for companies to be more careful in making decisions regarding taxes that occur in the company in order to avoid risks that may arise in the future. In addition, this research can be developed by further researchers by adding research samples using companies other than state-owned enterprises and using other proxies to measure tax avoidance.

REFERENCES

Ajzen, I. (1991). The Theory of Planned Behavior. *Organizational Behavior and Human Decision Processses*, *50*, 179–211. https://doi.org/10.1080/10410236.2018.1493416

Aprilia, V., Majidah, & Asalam, A. G. (2020). Pengaruh Intensitas Aset Tetap, Karakter Eksekutif, Koneksi Politik dan Leverage Terhadap Tax Avoidance (Studi pada

Perusahaan Makanan dan Minuman yang Terdaftar di Bursa Efek Indonesia Tahun 2014-2018). *Jurnal Ilmiah Akuntansi Dan Finansial Indonesia*, *3*(2), 15–26. https://doi.org/10.31629/jiafi.v3i2

Arief, T., & Elena, M. (2021). *Ibu Sri Mulyani Jangan Lengah, Awas Praktik Penghindaran Pajak Korporasi!* https://ekonomi.bisnis.com/read/20210408/259/1378233/ibu-sri-mulyani-jangan-lengah-awas-praktik-penghindaran-pajak-korporasi

Asadanie, N. K., & Venusita, L. (2020). Pengaruh Koneksi Politik terhadap Penghindaran Pajak. *INVENTORY : Jurnal Akuntansi*, *4*(1), 14–21. https://doi.org/10.25273/inventory.v4i1.6296

Cobham, A., Bernardo, J. G., Palansky, M., & Mansour, M. B. (2020). The State of Tax Justice 2020 : Tax Justice in the time of COVID-19. *Tax Justice Network*, *November*, 1–83. https://www.taxjustice.net/reports/the-state-of-tax-justice-2020/

Diantari, P. R., & Ulupui, I. A. (2016). Pengaruh Komite Audit, Proporsi Komisaris Independen, Dan Proporsi Kepemilikan Institusional Terhadap Tax Avoidance. *E-Jurnal Akuntansi*, *16*(1), 702–732.

Fauzan, F., Ayu, D. A., & Nurharjanti, N. N. (2019). The Effect of Audit Committee, Leverage, Return on Assets, Company Size, and Sales Growth on Tax Avoidance. *Riset Akuntansi Dan Keuangan Indonesia*, *4*(3), 171–185. https://doi.org/10.23917/reaksi.v4i3.9338

Iswari, P., Sudaryono, E. A., & Widarjo, W. (2019). Political connection and tax aggressiveness: A study on the state-owned enterprises registered in Indonesia stock exchange. *Journal of International Studies*, *12*(1), 79–92. https://doi.org/10.14254/2071-8330.2019/12-1/5

Jannah, H. R., & Rahmawati, I. P. (2020). Corporate Governacen dan Efisiensi investasi pada perusahaan YAng terdaftar di Jakarta Islamic Index. *Jurnal Akuntansi Dan Bisnis*, *20*(2), 159–172.

Kalbuana, N., Solihin, S., Saptono, S., Yohana, Y., & Yanti, D. R. (2020). The Influence of Capital Intensity, Firm Size, and Leverage on Tax Avoidance on Companies Registered in Jakarta Islamic Index (JII) Period 2015-2019. *International Journal of Economics, Business and Accounting Research (IJEBAR)*, *4*(3), 272–278. https://jurnal.stie-aas.ac.id/index.php/IJEBAR/article/view/1330/727

Kim, J. H., & Lee, J. H. (2021). How ceo political connections induce corporate social irresponsibility: An empirical study of tax avoidance in south korea. *Sustainability*, *13*(14). https://doi.org/10.3390/su13147739

Kompas. (2016). *Terkuak, Modus Penghindaran Pajak Perusahaan Jasa Kesehatan Asal Singapura*. https://money.kompas.com/read/2016/04/06/203829826/Terkuak.Modus.Penghindaran.Pajak.Perusahaan.Jasa.Kesehatan.Asal.Singapura

Kurnia, Pratomo, D., & Raharja, D. G. (2021). The Influence of Capital Intensity and Fiscal

Loss Compensation on Tax Avoidance (Study of Food and Beverages Companies Listed On The Indonesia Stock Exchange From 2010-2015). *PalArch's Journal of Archaeology of ...*, *18*(1), 813–823. https://archives.palarch.nl/index.php/jae/article/download/2425/2380

Lestari, G. A. W., & Putri, I. G. A. M. A. D. (2017). Pengaruh Corporate Governance, Koneksi Politik, dan Leverage Terhadap Penghindaran Pajak. *E-Jurnal Akuntansi Universitas Udayana*, *18*, 2028–2054. https://doi.org/10.24843/EJA.2021.v31.i09

Lestari, P. A. S., Pratomo, D., & Asalam, A. G. (2019). Pengaruh Koneksi Politik dan Capital Intensity Terhadap Agresivitas Pajak. *Jurnal ASET (Akuntansi Riset)*, *11*(1), 41–54. https://doi.org/10.17509/jaset.v11i1.15772

Lin, W. L. (2020). Giving too much and paying too little? The effect of corporate social responsibility on corporate lobbying efficacy: Evidence of tax aggressiveness. *Corporate Social Responsibility and Environmental Management*, *28*(2), 908–924. https://doi.org/10.1002/csr.2098

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. https://doi.org/10.37932/ja.v9i2.95

Munawaroh, M. A., & Ramdany. (2019). Peran CSR, Ukuran Perusahaan, Karakter Eksekutif dan Koneksi Politik Terhadap Potensi Tax Avoidance. *Jurnal Akuntansi*, *8*(2), 109–121. http://ejournal.stiemj.ac.id/index.php/akuntansi

Nurrahmi, A. D., & Rahayu, S. (2020). Pengaruh Strategi Bisnis, Transfer Pricing, dan Koneksi Politik Terhadap Tax Avoidance. *JAE (Jurnal Akuntansi & Ekonomi)*, *5*(2), 48–57. https://doi.org/10.29407/jae.v5i2.14162

Oktavia. (2020). Independent Corporate Governance Organs Activities and Tax Avoidance Activities: Evidence from Indonesia. *Jurnal Akuntansi*, *24*(2), 280. https://doi.org/10.24912/ja.v24i2.697

Otoritas Jasa Keuangan. (2015). *Peraturan Otoritas Jasa Keuangan Nomor 55 /Pojk.04/2015 Tentang Pembentukan Dan Pedoman Pelaksanaan Kerja Komite Audit*. 1–29. http://www.ojk.go.id/id/kanal/iknb/regulasi/lembaga-keuangan-mikro/peraturan-ojk/Documents/SAL-POJK PERIZINAN FINAL F.pdf

Prapitasari, A., & Safrida, Li. (2019). The effect of profitability and leverage on tax avoidance (Empirical study on mining and agriculture companies listed on the Indonesia stock exchange period 2013-2017). *Accounting Research Journals of Sutaatmadja (ACCRUALS)*, *3*(2), 247–258. https://doi.org/10.35310/accruals.v3i2.56

Prawati, L. D., Pinta, J., & Hutagalung, U. (2020). the Effect of Capital Intensity, Executive Characteristics, and Sales Growth on Tax Avoidance. *Journal of Applied Finance & Accounting*, *7*(1), 1–8. https://doi.org/10.21512/jafa.v7i2.6378

Purwanti, S. M., & Sugiyarti, L. (2017). Pengaruh Intensitas Aset Tetap, Pertumbuhan

Penjualan Dan Koneksi Politik Terhadap Tax Avoidance (Studi Kasus Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia Tahun 2012–2016). *Jurnal Riset Akuntansi Dan Keuangan*, *5*(3), 1625–1642. https://doi.org/10.17509/jrak.v5i3.9225

Purwanto, A. (2021). *Ekonomi Dunia di Masa Pandemi Covid-19: dari Dampak hingga Proyeksi Pertumbuhan 2021-2022*. Kompaspedia. https://kompaspedia.kompas.id/baca/paparan-topik/ekonomi-dunia-di-masa-pandemi-covid-19-dari-dampak-hingga-proyeksi-pertumbuhan-2021-2022

Rahmadi, D. (2020). *INFOGRAFIS: Dampak Pandemi Covid-19 Terhadap Perusahaan*. Merdeka.Com. https://www.merdeka.com/peristiwa/infografis-dampak-pandemi-covid-19-terhadap-perusahaan.html

Romero, J. A. (2019). Corporate lobbying and political contributions and their effects on tax avoidance. *Journal of Public Affairs*, *19*(2), 1–8. https://doi.org/10.1002/pa.1923

Saputra, H. (2019). Analisa Kepatuhan Pajak Dengan Pendekatan Teori Perilaku Terencana (Theory of Planned Behavior) (Terhadap Wajib Pajak Orang Pribadi Di Provinsi Dki Jakarta). *Jurnal Muara Ilmu Ekonomi Dan Bisnis*, *3*(1), 47. https://doi.org/10.24912/jmieb.v3i1.2320

Saragih, A. H., Raya, M. N., & Hendrawan, A. (2021). The Moderating Role of Firm Size on the Association between Managerial Ability and Tax Avoidance. *Jurnal ASET (Akuntansi Riset)*, *13*(1), 39–49. https://doi.org/10.17509/jaset.v13i1.30783

Sari, K., & Somoprawiro, R. M. (2020). Pengaruh Corporate Governance, Koneksi Politik dan Profitabilitas Terhadap Potensi Tax Avoidance. *Jurnal Akuntansi*, *9*(1), 90–103. http://ejournal.stiemj.ac.id/index.php/akuntansi

Septiadi, I., Robiansyah, A., & Suranta, E. (2017). Pengaruh Manajemen Laba, Corporate Governance, Dan Corporate Social Responsibility Terhadap Tax Avoidance. *Journal of Applied Managerial Accounting*, *1*(2), 114–133. https://doi.org/10.30871/jama.v1i2.502

Sianturi, Y., Malau, M., & Hutapea, G. (2021). Pengaruh pengungkapan tanggung jawab sosial, rasio intensitas modal dan rasio intensitas persediaan terhadap penghindaran pajak 1. *Jurnal Informasi, Perpajakan, Akuntansi, Dan Keuangan Publik*, *16*(2), 265–282. https://doi.org/10.25105/jipak.v16i2.9317

Sudibyo, Y. A., & Jianfu, S. (2016). Political connections, state owned enterprises and tax avoidance: An evidence from Indonesia. *Corporate Ownership and Control*, *13*(3), 279–283. https://doi.org/10.22495/cocv13i3c2p2

Sugeng, Prasetyo, E., & Zaman, B. (2020). Does capital intensity , inventory intensity , firm size , firm risk , and political connections affect tax aggressiveness ? *JEMA: Jurnal Ilmiah Bidang Akuntansi Dan Manajemen*, *17*(1), 78–87. https://doi.org/10.31106/jema.v17i1.3609

Utari, N. K. Y., & Supadmi, N. L. (2017). Pengaruh Corporate Governance, Profitabilitas dan Koneksi Politik Pada Tax Avoidance. *E-Jurnal Akuntansi Universitas Udayana*, *18*(3),

2202–2230. https://doi.org/10.24843/EJA.2021.v31.i09

Widarjo, W., Sudaryono, E. A., Sutopo, B., Syafiqurrahman, M., & Juliati, J. (2021). The Moderating Role of Corporate Governance on the Relationship between Political Connections and Tax Avoidance. *Jurnal Dinamika Akuntansi*, *13*(1), 60–69. https://doi.org/10.15294/jda.v13i1.26359

Wiguna, I. P. P., & Jati, I. K. (2017). Pengaruh Corporate Social Responsibility, Preferensi Risiko Eksekutif, Dan Capital Intensity Pada Penghindaran Pajak. *E-Jurnal Akuntansi Universitas Undayana*, *21*(1), 418–446. https://ojs.unud.ac.id/index.php/Akuntansi/article/view/33248

Yuliawati, & Sutrisno, P. (2021). Faktor Mempengaruhi Penghindaran Pajak. *Jurnal Informasi, Perpajakan, Akuntansi, Dan Keuangan Publik*, *73*(Aicar 2018), 238–243. https://doi.org/10.25105/jipak.v16i2.9125