International Journal of Psychosocial Rehabilitation, Vol. 24, Issue 01, 2020
ISSN: 1475-7192

Political Connection and Tax Avoidance: Evidence from Indonesia

Susanti, Edi Pranyoto*, Rico Elhando Badri and
Anandha Sartika Putri

Abstract--- *The purpose of this study was to determine the positive influence of political connections, the negative influence of managerial ownership, the negative influence of institutional ownership, the negative influence of the board of commissioners, the negative influence of the audit committee, and the negative effect of audit quality on corporate tax avoidance. The method used to test the model is to use panel data regression. The results of the study are political connections show a significant positive coefficient on tax avoidance, while managerial ownership, institutional ownership, and independent commissioners do not have a significant positive effect on tax avoidance, but audit committee and audit quality are not significantly negative related to tax avoidance. This means that political connections cause companies to do tax avoidance and corporate governance does not necessarily reduce tax avoidance.*

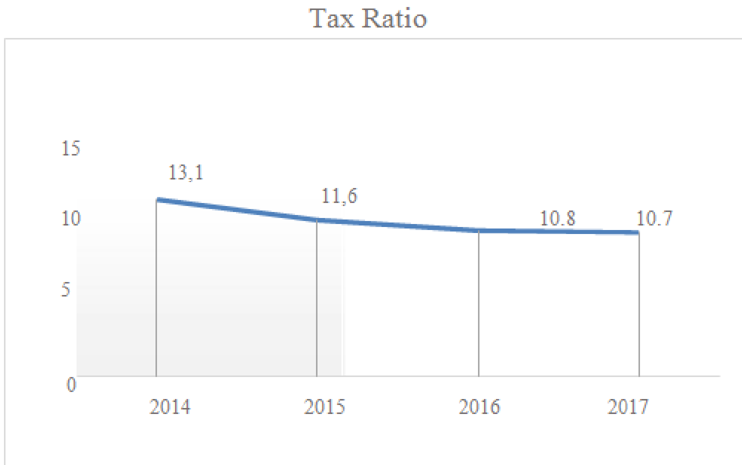
Keywords--- *Political Connection, Tax Avoidance.*

I. INTRODUCTION

The tax ratio in Indonesia is classified as a low ratio where until the end of 2018 Indonesia's tax ratio is still below the World Bank's standard ratio of 15%, in 2017 the tax ratio in Indonesia is only around 10.78% of the Gross Domestic Product (GDP) and in 2018 increased to 14.3% but this figure does not meet the ratio standards set by the World Bank. The tax ratio is a picture of a government in collecting tax revenue or absorbing back GDP from the public or business entity in the form of taxes, the greater the tax ratio of a country, the better the performance of the country's tax collection. Thus it can be said that tax collection in Indonesia is not optimal. (Ekonomi.Kompas.com, 2018).

Susanti, Department of Management, IIB Darmajaya, Jl.Z.A. Pagar Alam No. 93, Lampung, Indonesia. E-mail: susanti@darmajaya.ac.id
Edi Pranyoto, Department of Management, IIB Darmajaya, Jl.Z.A. Pagar Alam No. 93, Lampung, Indonesia.*
E-mail: edipranyoto@darmajaya.ac.id
Rico Elhando Badri, Department of Management, IIB Darmajaya, Jl.Z.A. Pagar Alam No. 93, Lampung, Indonesia.
E-mail: ricoelhando@darmajaya.ac.id
Anandha Sartika Putri, Department of Management, IIB Darmajaya, Jl.Z.A. Pagar Alam No. 93, Lampung, Indonesia.
E-mail: anandhasartika@darmajaya.ac.id

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020



Source: Pajak.go.id (2018)

Figure 1.1: Tax Ratio Chart (Comparison of tax revenue to GDP)

Several things become a problem in tax collection in Indonesia, namely organizational problems, human resources, revenue, data processing, and IT systems, in addition to these things there is still a lack of awareness of taxation and there are various violations and tax evasion committed by taxpayers. As some cases of tax avoidance that occurred in Indonesia which will reduce state income include PT. RNI which occurred in 2014, with the mode of corporate owners in Singapore who seemed to provide loans to PT. RNI and is considered a corporate debt so that the interest paid is considered as dividends by the owner because the capital is included as a debt then it will reduce the tax burden. In the financial statements of PT. RNI in 2014 recorded a debt of Rp. 20.4 billion while the company's turnover is only Rp. 2.178 billion, plus an annual report that recorded a company loss of Rp. 26.12 billion, this is considered illogical by the Directorate General of Taxes (DGT) and examined because it was suspected that the company was practicing tax avoidance (bisniskeuangan.kompas.com,2016).

Tax avoidance conducted by PT. Inovisi Infracom Tbk (INVS) which is engaged in the infrastructure and telecommunications sector, since February 13, 2015, INVS shares received a suspension from the Stock Exchange Authority, the main cause was the delay in fulfilling its obligations as an issuer such as submitting financial statements and paying fines. The delay in the submission of this report was due to the company's financial performance which was not going well, based on the 2014 financial statements submitted in 2017, INVS operating revenues fell from Rp. 1.66 Trillion in 2013 to Rp. 13.55 billion, building rent Rp. 1.51 billion, and employment placement services Rp.329.91 million. On the other hand INVS current year loss of Rp. 1.79 trillion, while in 2013 INVS still earned a profit of Rp. 328.27 billion, this caused the majority shareholders of INVS not to pay tax obligations of Rp. 32.13 billion in 2011 and Rp. 447.11 billion in 2014, as a result of the incident, IDX established a decree with letter number No.Peng-DEL-00002 / BEI.PP2 // 09-2017 regarding the force delisting of INVS shares from the IDX development board which took effect on October 23, 2017, the condition what makes INVS terminated is that of business continuity which is legally and financially and legally negative and secondly, INVS shares are not traded for 24 months (Bisnis.com, 2017).

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

There are differences in interests in taxation between the government as a tax collector and the company as a taxpayer, in this case, the government wants a large tax revenue as a means to finance the implementation of the state, but on the other hand, the company also tries to pay taxes to a minimum because by paying taxes it will reduce profit earned by the company. This difference in interests often results in companies' efforts to minimize the tax burden both legally and illegally by utilizing taxation loopholes.

Resistance to taxes can be divided into two, namely passive resistance and active resistance. Passive resistance is an obstacle that makes tax collection difficult and has a close relationship with the economic structure, while active resistance is an effort and good deeds are directly shown to the government (tax authorities) with the aim of tax avoidance (Tax avoidance). High or low tax of a company is influenced by the revenue reflected from the profit generated, the greater the profit generated by the company, the greater the expenditure on taxes (Waluyo, 2017).

Tax avoidance is the desire of companies to minimize the tax burden with tax planning activities to maximize the value of the company. Although not all actions violate regulations, the more efforts made or the greater tax savings by companies, the company is considered to do tax avoidance (Yoehana & Harto, 2013).

Strategies that are often used by companies to avoid taxes (Pohan, 2016), namely; (a) Tax avoidance. Is a tax avoidance strategy and technique that is done legally man funds for taxpayers because it does not conflict with taxation provisions by utilizing weaknesses (gray area) contained in taxation laws and regulations (b) Tax Evasion (embezzlement or tax smuggling) is a strategy and tax avoidance techniques carried out illegally and insecure for taxpayers who conflict with taxation provisions because this method is contrary to the corridors of taxation laws and regulations (c) Tax saving, is an act of tax savings carried out by taxpayers legally and safely and not in conflict with the provisions of taxation, in other words, tax saving is a tax-saving activity carried out by not buying taxable products. According to (Chen, Chen, Cheng, & Shevlin, 2010) the term tax avoidance can also be said as the term tax avoidance tax avoidance. Tax avoidance measurement can use Cash Effective Tax Rate (CETR) based on research that has been done (Wardani & Khoiriyah, 2018). According to (Dyreng, Hanlon, & Maydew, 2010), CETR is considered good to be used as an indicator of corporate tax avoidance because CETR is not affected by changes in estimates such as allowance for valuation or tax protection, besides that CETR also reflects all tax avoidance activities that reduce tax payments to taxation authority because CETR is projected from the comparison of cash paid for taxes with corporate profits before tax. In addition to using CETR as an indicator, measurement of tax avoidance can use GAAP ETR wherein the calculation of income tax expense divided by profit before tax, (Hanlon & Heitzman, 2010) GAAP ETR approach can describe the tax avoidance resulting from the impact of temporary differences and provide a comprehensive picture of changes in tax expense because they represent current and deferred taxes.

According to (Purwanto, 2011) companies that have political connections are companies that in certain ways have political ties or seek closeness with political actors or the government. Political connections occur mostly in developing countries including Indonesia. In general, political connections place figures who have close relations with the government to occupy important positions in the company both as commissioners and directors. Things like this have happened from the era of President Soeharto's administration to President Joko Widodo's administration,

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

by placing figures who have political connections with state-owned companies while still considering the expertise and potential of related figures. The purpose of this is so that SOEs can contribute positively to the country, one of which is the tax contribution to the state. In addition to state-owned companies, there are also many private companies connected with politics, including owners, commissioners, and board of directors who indirectly have a close relationship with the government through political connections to protect their businesses.

The impact of political connections on tax avoidance through tax aggressiveness is largely unknown in the academic literature. Companies that make political connections, in general, often do tax aggressiveness. This is done by the company so that it has a lower detection risk because politicians also protect companies that are connected to it so that the risk of tax avoidance can be lower. Furthermore, companies can have better information about tax regulations in the future. The perceived impact is also the low pressure from the capital market to conduct transparency and potentially reduce political costs related to tax planning activities through tax aggressiveness. Political connections also benefit companies to get access to the central government (Kim & Zhang, 2016).

Some research on tax avoidance such as research conducted by (Butje & Tjondro, 2014) states that political connections have a significant positive effect on tax avoidance so companies do tax avoidance. (Anggraeni, 2018) found that political connections did not significantly influence tax avoidance.

A good company will always prioritize business ethics and obey the applicable laws. Good Corporate Governance is a company management system designed to improve company performance, protect stakeholder interests and increase compliance with laws and ethical values and norms that apply. Based on the Minister of State Regulation Number PER -01 / MBU / 2011 Good Corporate Governance (GCG) is good corporate governance, the principles that form the basis of a process and mechanism of company management based on laws and regulations and business ethics.

Companies that have implemented Good Corporate Governance (GCG) are expected to have better company performance by generating high profits because Good Corporate Governance (GCG) can protect shareholders and stakeholders. To generate good profits, the company must be able to carry out activities appropriately and effective decisions.

The effective tax rate depends on several aspects used, such as in choosing the right accounting method or the direct influence of the company's shareholders. The implementation of Good Corporate Governance (GCG) is expected to improve the performance of companies and companies both in determining the number of tax rates for companies. The mechanism in Good Corporate Governance (GCG) consists of managerial ownership, institutional ownership, independent board of commissioners, audit committee, and audit quality. Managerial ownership is a condition where the manager owns the company's shares or in other words, the manager is a shareholder of the company (Christiawan & Tarigan, 2007).

Managerial stock ownership influences the implementation of an organization, because actually if the manager carries out his duties to meet his personal needs then it is not in line with the wishes of the shareholders. Ownership of shares owned by management will make management more careful in determining the direction and decision making. Especially in implementing Tax Avoidance, because with the implementation of Tax Avoidance the

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

possibility to get a negative reputation will be even greater. With the ownership of shares by the management, it will be able to make the management discourage them from putting their interests first so that there is no aggressive behavior in taxation obligations in the company (Atari, Nasir, & Ilham, 2016). But on the other hand, managers can also do tax avoidance (tax avoidance) this is done so that the profits obtained by the company becomes even greater, this can increase shareholder satisfaction.

Research conducted by (Pohan, 2016), proves that if managerial ownership has a significant influence on Tax Avoidance actions, where the greater the portion of managerial shares, then the selfish management behavior will be smaller. Research conducted by states that managerial ownership negatively influences tax avoidance. This is because, with the ownership of shares by managers in a company, it will make managers more aggressive in avoiding taxes.

The mechanism of Good Corporate Governance (GCG) hereinafter is institutional ownership, institutional ownership is ownership of company shares either by the government, financial institutions, legal entity institutions, foreign institutions and other institutions (Ngadiman and Puspitasari (Ngadiman & Puspitasari, 2017). will increase oversight of management, because it is independent, and comes from outside the institution so that it will reduce tax avoidance practices. Large companies also have a great opportunity to avoid tax by utilizing the gaps in complex transactions and resources that can afford to take advantage of these loopholes and practice tax avoidance.

Research conducted (Setianti, 2019) states that institutional ownership influences tax avoidance with a positive relationship. This means that the amount of institutional ownership aimed at monitoring, disciplining and influencing managers will have an impact on improving tax avoidance practices. Different results were stated by (Putri, 2018) stating that institutional ownership did not influence tax avoidance.

The corporate governance mechanism that must be owned by the next company is an independent commissioner, whose function is to carry out supervision, support good corporate management and make financial statements more objective (Wijayanti & Merkusiwati, 2017). With the existence of independent commissioners, it is expected that the company's performance will be more optimal. The existence of an independent commissioner in a company can minimize the practice of tax avoidance because it is associated with its duty to oversee management. Which will have an impact on managers who tend to reduce excessive tax avoidance practices.

Independent commissioners do not have a strong influence in determining tax avoidance policies. This statement was stated in research conducted by Dewi & Jati, 2014). This is due to the limited information that is owned by an independent commissioner than the management or internal company. The lack of knowledge of a company's business background will certainly have an impact on the performance of independent commissioners, which fails to formulate an effective corporate strategy including tax-related strategies. This contradicts research conducted by (Saputra, 2017) which states that independent commissioners do not influence tax avoidance.

The mechanism that is in the good corporate governance next is the Audit Committee, where the Audit Committee is a committee that has at least three members, has the task of overseeing corporate governance and overseeing external audits of the company's financial statements. The audit committee has accounting or financial

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

expertise to influence the decisions to be taken by the company, thus helping to control managers to act in the interests of shareholders. Tax avoidance requires expertise in accounting, taxation and legal regulation.

Audit committee members with accounting or financial expertise understand better the gaps in tax regulations and how to avoid risks, so they can provide useful advice for avoiding taxes and generating greater profits for shareholders (Puspita & Harto, 2014). However, this opinion is contrary to research conducted by (Rulmadani, 2018) The results of his research prove that the audit committee does not affect corporate tax avoidance.

Audit quality is all that can occur when the auditor conducts an audit of the company's financial statements and finds indications of violations and errors that occur, by reporting them in the audited financial statements (Dewi & Jati, 2014). Also, audit quality is one of the important factors that can influence tax avoidance efforts. This is because audit quality is the main indicator seen in selecting auditors. That is, the main consideration in the selection of auditors depends on the auditor services provided to the client. KAP affiliated with Big Four is considered to have a better reputation than non-Big Four KAP because Big Four KAP is more experienced in conducting audit assignments, has large resources, to be able to mitigate the efforts made by companies such as earnings management and even expected by auditors able to improve the accuracy and accuracy of tax calculations performed by company management.

The results of previous studies found that audit quality can influence tax avoidance efforts (Handayani, 2018; Sari, Kalbuana, & Jumadi, 2016). Companies tend to avoid tax reporting that is too high, therefore, to ensure the quality of the information concerning taxation, auditors are required to audit company financial statements to ensure information reliability (Sari, Kalbuana, & Jumadi, 2016).

This research can contribute theoretically to tax avoidance literature. This research is expected to contribute to the baseline tax avoidance model by using company-specific characteristics that are broader than the tax avoidance determinant model.

The purpose of this research is to determine the determinants of tax avoidance. The remainder of this paper is organized as follows. Section 2 highlights our data, samples, and methodology. Section 3 presents our empirical results as well as descriptive statistics. Section 4 concludes.

II. LITERATURE REVIEW

2.1 Agency Theory

Agency theory describes the relationship between shareholders as principals and management as agents. Management is a party that is contracted by shareholders to work in the interests of shareholders. Therefore management is responsible for all of its work to shareholders. An agency relationship is a condition where one or more people (principals) govern other people (agents) to perform a service on behalf of the principal and give responsibility to the agent in making the best decision for the principal. If both parties have the same goal to maximize the value of the company, then it is believed the agent will act in a manner that is by the principal's interests. Agency theory is a perspective that clearly defines a problem that arises due to the separation between ownership and control of the company, which is a matter of interest in the company. Management (agent) in carrying out the company's operations must prioritize the interests of the owner by increasing the prosperity of shareholders, but in reality, management often has different interests from the interests of shareholders, causing conflicts of interest between management and shareholders. This conflict is commonly known as an agency problem. Problems that occur between management and capital owners result in costs.

The relationship between agency theory with this research explains that there are differences in interests that arise between company owners and company management including government companies that have been listed on the IDX. Conflicts of interest arising from agency theory will affect tax aggressiveness. On the one hand, management has the view that management must get high profits by producing the lowest tax burden, on the other hand, the government (tax authorities) who also doubles as a tax regulation maker hopes for maximum revenue from the tax sector. The difference in perspective will certainly cause conflict between the government as the owner of the company and the company's management.

2.2 Tax Aggressiveness

Taxes are a source of state revenue which plays a major role as a source of funds in the administration of the state, be it infrastructure, human resource development, and others. Obedience and honesty of taxpayers are very necessary especially in the system if a country uses a self-assessment system as used in Indonesia, self-assessment is tax collection by giving trust to each taxpayer (WP) to calculate, pay, and report the total tax that should be paid based on statutory regulations.

Compliance and non-compliance are factors that must be considered in taxation, where compliance is defined as a state of taxpayers fulfilling all obligations and carrying out their tax rights, the higher the cost of compliance with taxes, the lower the tax compliance and vice versa. Tax compliance can be measured and compared with the size of Tax avoidance (tax avoidance). Strategies that are often used by companies to avoid taxes (Pohan, 2016), namely; (a) Tax avoidance. Is a strategy and technique of tax avoidance that is done legally man funds for taxpayers because it does not conflict with taxation provisions by utilizing weaknesses (gray area) contained in taxation laws and regulations (b) Tax Evasion (embezzlement or tax smuggling) is a strategy and tax avoidance techniques carried out illegally and insecure for taxpayers who conflict with taxation provisions because this method is contrary to the corridors of taxation laws and regulations (c) Tax saving, is an act of tax savings carried out by taxpayers legally and safely and not in conflict with the provisions of taxation, in other words, tax saving is tax saving activities carried out by not buying products that are taxed.

Tax avoidance or resistance to tax is an obstacle that occurs in tax collection that causes a reduction in state cash receipts, resistance to tax avoidance is divided into two namely passive resistance and active resistance. Tax avoidance is an attempt to minimize the tax burden by not violating applicable laws. Tax Avoidance is an effort to streamline the tax burden by avoiding taxation by directing it to transactions that are not taxable (Pohan, 2016). (Sulistiono & Amin, 2019) concluded that tax avoidance is any activity that impedes tax collection to result in a reduction in state revenue. In line with tax avoidance is resistance carried out in various ways that can still be legally justified, by exploiting the loopholes and weaknesses of the applicable legislation. The use of the word tax aggressiveness can also be said as the term tax avoidance (tax avoidance).

Companies that have political connections have a variety of purposes and goals. One of the benefits to be gained is to obtain easier loans, and also a low tax audit, this is because companies under the supervision of government operations will be good. In addition to a low tax audit the ease of obtaining a loan will be utilized by the company this is due to the more debt a company has, the smaller the deferred tax burden.

(Kim & Zhang, 2016) stated the positive impact of companies having a political connection that is getting special treatment from the government in matters of taxation such as avoiding tax audits. Companies are not afraid to do tax planning because of low tax audits. The political relations that a company has can reduce or even eliminate the negative consequences. On the other hand political connections negatively affect tax aggressiveness. Executives at BUMN, both the board of commissioners and the board of directors, are determined and evaluated by the government. Although there are several considerations in evaluating, one of the considerations is the contribution of taxes to the state (Zhang in Pranoto, and Widagdo), directors of SOEs will tend to pay large taxes that contribute to the government so that directors can be promoted to larger companies as well as reinforcing its political legitimacy.

Managerial shareholding influences the implementation of an organization, because actually if the manager carries out his duties to meet his personal needs then it is not following the wishes of the shareholders. Ownership of shares owned by management will make management more careful in determining the direction and decision making. Especially in implementing Tax Avoidance, because with the implementation of Tax Avoidance the possibility to get a negative reputation will be even greater. With the ownership of shares by the management, it will be able to make the management discourage his intention to prioritize the personal interests of his party so that there is no aggressive behavior in taxation obligations in the company (Atari et al., 2016).

Research conducted by (Pohan, 2016), proves that if managerial ownership has a significant influence on Tax Avoidance actions, where the greater portion of managerial shares, then selfish management behavior will be reduced. Another study conducted by Hartoto (2018) states that managerial ownership hurts tax avoidance. This is because, with the ownership of shares by managers in a company, it will make managers more aggressive in avoiding taxes.

Institutional ownership is ownership of company shares by the government, financial institutions, legal entity institutions, foreign institutions and other institutions Ngadiman and Puspitasari (2014). Institutional ownership will increase oversight of management, because it is independent, and comes from outside the institution will reduce tax avoidance practices. Large companies also have a great opportunity to avoid tax, by exploiting the gaps of complex transactions and resources that can take advantage of these loopholes and practice tax avoidance. Research conducted (Zahirah, 2017) states that institutional ownership influences tax avoidance with a positive relationship. This means that the amount of institutional ownership aimed at monitoring, disciplining and influencing managers will have an impact on improving tax avoidance practices.

Independent commissioners, whose function is to carry out supervision, support good corporate management and make financial statements more objective (Wijayanti & Merkusiwati, 2017). With the existence of independent commissioners, it is expected that the company's performance will be more optimal. The existence of an

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

independent commissioner in a company can minimize the practice of tax avoidance because it is associated with its duty to oversee management. So managers tend to reduce the practice of excessive tax avoidance.

The audit committee is a committee consisting of at least three people. The duties and functions of the audit committee are to oversee corporate governance and oversee external audits of the company's financial statements. The audit committee is formed by the board of commissioners so that the audit committee is responsible to the board of commissioners. The audit committee is also described as a monitoring mechanism that can improve the audit function for the company's external reporting.

Audit committee members with accounting or financial expertise understand better the gaps in tax regulations and how to avoid detection risks, so they can provide useful advice for avoiding taxes and generating greater profits for shareholders (Puspita & Harto, 2014).

Audit quality is any possibility that can occur when the auditor audits the client's financial statements and finds violations or errors that occur, and reports them in audited financial statements (Dewi & Jati, 2014). Audit quality is one factor in the practice of tax avoidance, this is because audit quality is the main measurement tool used in selecting auditors. KAP affiliated with the Big Four is considered to be of higher quality than non-Big Four KAPs because they are more experienced in conducting audit assignments, have large resources to be able to mitigate earnings management practices even though the auditor can improve the accuracy and accuracy of tax calculations performed by company management.

Jaya, Arafat, & Kartika (2014), and (Winata, 2014) state that audit quality does not affect tax avoidance for several reasons, including tax avoidance actions carried out more determined by moral-ethical tax ethics owned by the company management and them do not consider the results of audits of the company's financial statements as the main consideration before deciding to avoid tax, the higher moral tax ethics, the lower the intention of taxpayers to avoid tax. Another reason is that reputable KAPs can commit fraud by asking audited companies to provide more benefits and welfare to KAPs such as the Enron case in December 2001 to 2002, therefore public confidence is low with the Enron case so The public is not easy to restore confidence in the Big Four KAP, so even though the company is audited by The Big Four and KAP Non The Big Four, there will still be fraud.

III. METHOD

3.1 Data and Sample

For research on Infrastructure, Utilities and Transportation companies listed on the Indonesia Stock Exchange by separating between politically connected and non-politically connected companies, where each company will have the same opportunity to become a research sample with a purposive sampling method. The sample criteria used in this study are, the company has all the related variable data for the period 2014-2018. Variable data related to research interests that were collected were not included in the category of outlier data bcased on the results of outlier detection sourced from raw data and outlier detection by the rules of ESD (Extreme Studentized Deviation). ESD rules are the most popular outlier detectors which state that any data outside the standard deviation of the average value is an outlier. The most common t value is 2.

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

3.2 Methodology and Variable Explanations

The econometric goal in this study is to estimate the coefficient β by using the basic model Yi, t = a0 + ß1Xi, t + ei. The coefficient ß is estimated using panel data regression analysis. Table 1 presents a statistical testing model.

$$\mathbf{Cetr_{i,t}} = \alpha + \beta_1 \mathbf{K}\boldsymbol{K}_{\mathbf{i,t}} + \beta_2\ \mathbf{KM_{i,t}} + \beta_3 \mathbf{KI_{i,t}} + \beta_4 \mathbf{DKI_{i,t}} + \beta_5 \mathbf{KA_{i,t}} + \beta_6 \mathbf{KA_{i,t}}$$

where i, and t refer to the company that has a political connection.

Overall, determining the operational definitions of the variables used in this study are as follows:

Table 1: Variable Definitions for Estimating Tax Avoidance

Variable Name	Symbols and Formulas
Tax Avoidance	$CETR = \frac{Payment\ of\ Taxes}{Earning\ Before\ Tax}$
Political Connection	KK = 1, If the company is connected politically. KK = 0, If the company is not connected politically
Managerial ownership	$MO = \frac{The\ Number\ of\ Stock\ Owned\ by\ Manager}{Total\ of\ Stock}$
Institutional Ownership	$IO = \frac{The\ Number\ of\ Stock\ Owned\ by\ Institutional}{Total\ of\ Stock}$
Independent Commissioner	$KI = \frac{The\ Number\ of\ Independent\ Commissioner}{The\ Number\ of\ Board\ Director}$
Audit Committee	KA = Number of Audit Committees
Audit Quality	KA = 1, If the company is audited by Bigfour Public Accounting Firm. KA = 0, If the company is audited by Non-Bigfour Public Accounting Firm

IV. Results And Discussion

4.1 Descriptive Analysis

This study looked at the characteristics of the issuer for 5 years. The number of listed companies was 60. The research variables used to estimate tax avoidance are prepared by integrating the variables used in previous research. A description of the research variables to estimate tax avoidance is presented in table 2 below.

Table 2: Description of Overall Study Sample Variables for Estimating Tax Avoidance

Variable	**Minn**	**Max**	**Mean**	**Stad. Deviasi**
Tax Avoidance	0,005	0,393	0,169	0,103
Political Conection	0,000	1,000	0,416	0,498
Managerial ownership	0,000	0,477	0,110	0,176
Institutional Ownership	0,371	0,989	0,722	0,212
Independent Commissioner	0.000	0,666	0,371	0.147
Audit Committee	3,000	7,000	3,291	0,944
Audit Quality	0,000	1,000	0,333	0,476

This table presents statistical description information (Mean, median, maximum, minimum, and standard deviation) of research variables from 1536 company years (observation). These variables are: Tax Avoidance =

payment of tax / Profit before tax, Political Connection = dami variable is 1 if the company is Politically Connected, 0 if not. Managerial Ownership = total management shares / total outstanding shares. Institutional Ownership = Total Institutional Shares / Total Outstanding Shares, Independent Commissioners = Number of Independent Commissioners / Total Board of Commissioners, Audit Committee = Number of Audit Committees, Audit Quality = dami variable is 1 if the company is audited by KAP Bigfour, 0 if not.

Table 2 shows Tax Avoidance which has a minimum value of 0.005745 and a maximum value of 0.393. The average value of CETR (Tax Avoidance) is 0.169. While the standard deviation of 0.103 means that the size of the data spread of the Tax Avoidance variable is 0.103 of the 48 samples used. The smaller the CETR value, it can be said that the higher the company in tax avoidance and vice versa, if the CETR value is greater the lower the tax avoidance. CETR values range between more than zero (0) and less than one (1) Hanlon and Heitzman (2010), so it can be concluded from the calculation of the average value of Tax Avoidance measured using CETR, it can be said that the average Infrastructure, Utilities, and Transportation avoid this tax because the average value approaches 0, which means the smaller the CETR value, it can be said that the company is increasingly aggressive towards taxes.

Political Connections has a minimum value of 0,000 and a maximum value of 1,000. The average value of political connections is 0.416 while the standard deviation of 0.498 means that the size of the data distribution of the political connections variable is 0.498 of the sample used. The greater the number of political connections owned by the company, the greater the possibility of companies doing tax avoidance practices, because that means more and more gaps that can be utilized by companies in doing tax planning. From the results of the calculation of the average value above, it can be concluded that the Infrastructure, Utilities, and Transportation companies are making political connections, this is because the average value is approaching the maximum value compared to the minimum value.

Managerial Ownership has a minimum value of 0,000 and a maximum value of 0.477. The average value of managerial ownership is 0.110 while the standard deviation of 0.176 means that the size of the distribution of data from managerial ownership variables is 0.176 from the sample used. The greater the value of managerial ownership, the more aggressive the manager will be in carrying out tax management. From the results of the above calculations, it can be concluded that managers in the Infrastructure, Utilities and Transportation companies own company shares.

Institutional ownership has a minimum value of 0.371 and a maximum value of 0.989. The average value of institutional ownership is 0.722 while the standard deviation of 0.212 means that the size of the data distribution of institutional ownership variables is 0.212 from the sample used. From the calculation of the average value above, it can be concluded that the company's shares are mostly owned by institutions, both government and companies, this is because the average value of institutional ownership is closer to the maximum value than the minimum value.

The Independent Board of Commissioners has a minimum value of 0,000 and a maximum value of 0.666. The average value of the independent board of commissioners is 0.371 while the standard deviation of 0.147 means that the size of the data distribution of the independent commissioner variable is 0.147 from the sample used. From the results of the calculation of the average value above, it can be concluded that the Infrastructure, Utilities and Transportation company has more than one board member.

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

The Audit Committee has a minimum value of 3,000 and a maximum value of 7,000 The average value of the audit committee is 3,291 while the standard deviation of 0.944 means that the size of the data distribution of the audit committee variable is 0.944 of the sample used. From the results of the calculation of the average value above, it can be concluded that most companies have several audit committees with more than a minimum number, this will have an impact on performance because there will be many perceptions in decision making.

Audit quality has a minimum value of 0,000 and a maximum value of 1,000 The average value of audit quality is 0.333, while the standard deviation is 0.476. means that the size of the data distribution of the audit quality variable is 0.476 of the sample used. From the results of the calculation of the average value above, it can be concluded that most of the companies have used KAP services that have been recognized as the quality, so it is unlikely that the company will carry out tax avoidance.

4.2. Baseline Regressions

This study uses a regression estimation approach to predict Tax Avoidance in 2014-2018. Regression estimation uses panel data that observes issuers throughout the study period. The estimation results of the panel regression model are presented in table 3.

Table 3: Summary of Regression Model Estimation Results

Dependent Variable: Tax Avoidance				
Estimator	Model I		Model 2	
	Coef	t-Stat	Coef	t-Stat
C	0,123	1,038	0,637	4,664
Political Conection	0,151	2,398**	0,089	1,822*
Managerial ownership	0,032	0,170	-0,072	-0,499
Institutional Ownership	0,030	0,236	0,073	0,762
Independent Commissioner	0,153	1,177	0,065	0,659
Audit Committee	-0,024	-1,196	-0,072	-4,034***
Audit Quality	-0,061	-1,304	-0,067	-1,907*
Size	-	-	0,002	-4,957***
R-squared	0,471		0,713	

This table presents regression estimates of political connections to tax avoidance from 300 companies a year. The research variables are: Tax Avoidance = tax payment / Profit before tax, Political Connection = dami variable is 1 if the company is Politically Connected, 0 if not. Managerial Ownership = total management shares / total outstanding shares. Institutional Ownership = Total Institutional Shares / Total Outstanding Shares, Independent Commissioners = Number of Independent Commissioners / Total Board of Commissioners, Audit Committee = Number of Audit Committees, Audit Quality = dami variable is 1 if the company is audited by KAP Bigfour, 0 if not .. Value t -statistic heteroscedasticity robust white (1980) is presented in the column after the coefficient, *** = significant at the 1% level, ** = significant at the 5% level, and * = significant at the 10% level.

Regression results show that political connections significantly influence tax avoidance. Variable political connections that affect tax avoidance by the hypothesis that was built before. The results of this study are in line with research (Butje and Tjondro, 2014 (Butje & Tjondro, 2014), (Wicaksono, 2017), (Utari & Supadmi, 2017), and (Ferdiawan & Firmansyah, 2017)) which states that political connections influence against tax avoidance.

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

Political connections made by companies, both SOEs and BUMS, are to lobby with the government to avoid tax audits, filing tax deductions and other actions classified as tax evasion or tax avoidance. Political connections made will have a good or positive influence on tax avoidance called the Political Favoritesism Effect, this is stated in a study conducted by Wicaksono (2017).

Also, political connections can be used as a tool to get capital assistance and benefits from various sides of funding, this is stated in research conducted by (Butje & Tjondro, 2014). Although tax avoidance is legal according to the law, it will cause state losses that impact on state revenue from the tax sector. BUMN companies are suspected of not being able to carry out tax avoidance and are considered to be low-risk taxpayers based on Minister of Finance Regulation (PMK) No. 71 / PMK.03 / 2010 is a party that practices tax avoidance. Behavior carried out by individuals because they have the intention or desire to carry out certain behaviors and human nature that cannot be eliminated to benefit from the weaknesses of the regulations apply to anyone, not even BUMNs can be explained by the theory of reasoned action (Utari & Supadmi, 2017). Ferdiawan and Firmansyah (2017) (Ferdiawan & Firmansyah, 2017) also stated that companies use their political connections to reduce tax payments both through lobbying activities and the use of more flexible supervision. This is utilized by companies to increasingly avoid taxes by utilizing foreign activities to reduce taxes through profit shifting and profit holding schemes.

The results of this study are consistent with the theory that companies with political connections will use their proximity to politicians and state apparatuses to benefit from the market and avoid the possibility of being punished by expropriation and poor management. Therefore, companies with political connections will tend to be more involved in expropriation activities and have a poor level of management (Arouri, Muttakin, Hossain, & Al Farooque, 2014).

Based on table 3 it can be seen that the managerial ownership variable has no significant effect on tax avoidance. Managerial ownership variables that do not affect tax avoidance do not fit the previously established hypothesis. The results of this study are in line with research (Kartana & Wulandari, 2018), and Zahirah (2017), which state that managerial ownership has no significant effect on tax avoidance.

An effective corporate governance mechanism in overcoming agency problems. This is due to the mechanism of corporate governance or governance carried out as a form of compliance with regulations to meet the stipulated provisions and to improve oversight and control mechanisms so that materials do not engage in deviant behavior (Kartana & Wulandari, 2018) Managerial ownership has no effect on tax avoidance, which means the number of shares owned managerially does not affect the decision making on tax avoidance (Zahirah, 2017).

The results of this study are following the theory which states that with the ownership of shares by the management, it will be able to make the management discourage him from putting his interests first so that there is no aggressive behavior in taxation obligations in the company (Atari, 2016). Because the management maintains the image of the company so that it still looks good so that it will increase the number of investors who will invest their funds in the company.

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

Institutional ownership also has no significant effect on tax avoidance. The results of this study are in line with research (Praditasari & Setiawan, 2017), (Kartana & Wulandari, 2018), and (Rulmadani, 2018), which states that managerial ownership has no significant effect on tax avoidance.

The greater the ownership of the company's shares by the institution will lead to high supervision of managers, to reduce the opportunity for tax avoidance that was stated by (Praditasari & Setiawan, 2017). An effective corporate governance mechanism in overcoming agency problems. This is due to the mechanism of corporate governance or governance carried out as a form of adherence to regulations to meet the stipulated provisions and improve the mechanism of supervision and control to managers so that management does not engage in deviant behavior (Kartana & Wulandari, 2018).

Institutional ownership does not affect tax avoidance. This could happen because, in addition to supervising management, institutional owners have the right to ensure that management makes decisions that will benefit the shareholders. So that the concentration of share ownership by the institution has not been able to provide maximum control over management actions to reduce the tax burden that must be paid.

Institutional ownership cannot affect tax avoidance because institutional owners also have incentives to ensure that management makes decisions that can benefit institutional shareholders. Because the concentration of ownership structure has not been able to provide good control over management actions on tax avoidance. Institutional ownership will not affect corporate tax avoidance, this means that the size of the proportion of institutional ownership does not make the practice of tax avoidance carried out by the company can be avoided (Rulmadani, 2018).

The results of this study are consistent with the theory stated by (Ngadiman & Puspitasari, 2017) that institutional ownership will increase the supervision of management, because it is independent, and comes from outside the institution will reduce the practice of tax avoidance.

The independent board of commissioners has no significant effect on tax avoidance. The independent board of commissioner variable that does not affect the tax avoidance is not following the previously established hypothesis. The results of this study are in line with research (Praditasari & Setiawan, 2017), (Utari & Supadmi, 2017), (Kartana & Wulandari, 2018), which states that the independent board of commissioners has no significant effect on tax avoidance.

Independent commissioners do not affect tax avoidance. This means that the independent board of commissioners does not have full power in the supervision and decision making of the company. Regulations requiring an independent commissioner within the company require the company to appoint new people from outside the company who are deemed to meet the criteria of an independent board of commissioners or to overhaul the existing board of commissioners to be replaced by an independent board of commissioners, to increase supervision and protection, especially for minority shareholders. However, in practice, the existence of an independent board of commissioners in this company still does not have the full power to participate in policymaking. The existence of an independent board of commissioners is only a form of mere formality.

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

Independent commissioners do not affect tax avoidance. This can occur because the formation of an independent commissioner in the company has not noticed the complexity of the company so that it can make the performance of the independent commissioner less effective in overseeing company policy so that the independent commissioner cannot hinder the company's tax avoidance actions (Praditasari & Setiawan, 2017).

While other opinions also state that the independent commissioner does not carry out the oversight function of the tax burden to be paid. Optimally towards company management, so that management can still do tax avoidance activities to suppress the practice of corporate tax avoidance by management (Febriati, 2017). The role of the independent commissioner in the corporate governance mechanism is indicated not to carry out a sufficiently good oversight function on the company's behavior, especially in making corporate tax decisions (Utari & Supadmi, 2017).

The results of this study are in line with the theory that independent commissioners, whose function is to carry out supervision, support good corporate management and make financial statements more objective to avoid tax avoidance (Wijayanti & Merkusiwati, 2017).

Audit committee variables have no significant effect on tax avoidance. The results of this study are in line with research by Praditasari and Setiawan (2017), Febriati (2017), Kartana and Wulandari (2018), Rulmadani (2018) and Saputra (2018) which state that the audit committee board does not have a significant effect on tax avoidance.

The audit committee is negatively related to tax avoidance. This can occur because the audit committee in the company is required to know accounting or finance so that it can hinder management opportunistic actions in carrying out tax avoidance (Praditasari & Setiawan, 2017. The audit committee does not affect the tax avoidance of the company due to the role of the audit committee in supervising aims to make the company submit financial information in a transparent and trustworthy manner, this role will not affect the actions taken by management to reduce the tax burden that must be paid because after all management has full authority over its actions (Febriati, 2017).

The audit committee has an important role or task within the company. The role of the audit committee is to examine and supervise all activities during the financial reporting process and internal control within the company. However, if the audit committee is in a long period in a particular company will have an impact on the independence of the audit committee itself. The longer the audit committee works in a company, of course, its independence will be doubted, one of which is its independence related to corporate tax reporting (Saputra, 2018). This is in line with research conducted by (Rulmadani, 2018). The results of his research prove that the audit committee does not affect corporate tax avoidance. This indicates that the role of the audit committee is not effective in making decisions regarding corporate tax policy in Indonesia. Even though there are more audit committees in a company, it will not prevent the company from tax evasion because the audit committee is not effective in making decisions regarding corporate tax policy in Indonesia. This is also caused by decisions regarding tax policies made by company owners or top management in the company, not by the audit committee.

The audit committee has an important role or task within the company. The role of the audit committee is to examine and supervise all activities during the financial reporting process and internal control within the company. However, if the audit committee is in a long period in a particular company will have an impact on the independence of the audit committee itself. The longer the audit committee works in a company, of course, its independence will be doubted, one of which is its independence related to corporate tax reporting (Saputra, 2018). This is in line with

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

research conducted by (Rulmadani, 2018). The results of his research prove that the audit committee does not affect corporate tax avoidance. This indicates that the role of the audit committee is not effective in making decisions regarding corporate tax policy in Indonesia. Even though there are more audit committees in a company, it will not prevent the company from tax evasion because the audit committee is not effective in making decisions regarding corporate tax policy in Indonesia. This is also caused by decisions regarding tax policies made by company owners or top management in the company, not by the audit committee.

Audit quality does not affect tax avoidance for several reasons, including tax avoidance measures which are determined more by moral-ethical ethics owned by the company management and they do not consider the audit results of the company's financial statements as the main consideration before deciding to avoid tax, the higher moral ethics, the lower the intention of taxpayers to avoid tax.

4.3. Further Investigation

Based on table 3 model II political connection variables significantly influence tax avoidance. In the independent commissioner aspect, it hurts tax avoidance. This shows that despite political connections, independent commissioners can still work well and contribute to the state through large tax payments. They are not trying to take advantage of the political connections they have to reduce the tax burden on their companies. The political connection does not affect tax avoidance. This is related to the size of the political connection of a company that will not influence a company to avoid tax (Fadila, 2017). The political connection of a company will increase the supervision of the company to maintain a good image in society and investors.

Managerial ownership has no significant effect on tax avoidance. The results of this study are in line with research (Kartana & Wulandari, 2018), and (Zahirah, 2017), which state that managerial ownership has no significant effect on tax avoidance.

An effective corporate governance mechanism in overcoming agency problems. This is due to the mechanism of corporate governance or governance is carried out as a form of adherence to regulations to meet the stipulated provisions and improve oversight and control mechanisms so that managers do not engage in deviant behavior (Kartana & Wulandari, 2018).

The results of this study are following the theory which states that with the ownership of shares by the management, it will be able to make the management discourage them from giving priority to the personal interests of their party so that there is no aggressive behavior in taxation obligations in the company (Atari et al., 2016). Because the management maintains the image of the company so that it still looks good so that it will increase the number of investors who will invest their funds in the company.

Institutional ownership has no significant effect on tax avoidance. Institutional ownership variables that do not affect tax avoidance do not fit the previously established hypothesis. The results of this study are in line with research by Praditasari and Setiawan (Praditasari & Setiawan, 2017), (Kartana & Wulandari, 2018), Febriati (2017), and (Rulmadani, 2018), which states that managerial ownership has no significant effect on tax avoidance.

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

The greater the ownership of the company's shares by the institution will lead to the high supervision of managers so that it can reduce the chances of tax avoidance that was stated by (Praditasari & Setiawan, 2017). An effective corporate governance mechanism in overcoming agency problems. This is due to the mechanism of corporate governance or governance carried out as a form of adherence to regulations to meet the stipulated provisions and improve the mechanism of supervision and control to managers so that management does not engage in deviant behavior (Kartana & Wulandari, 2018).

Institutional ownership does not affect tax avoidance. This could happen because, in addition to supervising management, institutional owners have the right to ensure that management makes decisions that will benefit the shareholders. So that the concentration of share ownership by the institution has not been able to provide maximum control over management actions to reduce the tax burden that must be paid (February 2017 (Anggraeni, 2018)).

Institutional ownership cannot affect tax avoidance because institutional owners also have incentives to ensure that management makes decisions that can benefit institutional shareholders. Because the concentration of ownership structure has not been able to provide good control over management actions on tax avoidance. Institutional ownership will not affect corporate tax avoidance, this means that the size of the proportion of institutional ownership does not make the practice of tax avoidance carried out by the company can be avoided (Rulmadani, 2018). The results of this study are consistent with the theory stated by (Ngadiman & Puspitasari, 2017) that institutional ownership will increase the supervision of management, because it is independent, and comes from outside the institution will reduce the practice of tax avoidance.

The independent commissioner variable has no significant effect on tax avoidance. The results of this study are in line with research (Layli, 2017), (Praditasari & Setiawan, 2017), (Febriati, 2017), (Utari & Supadmi, 2017), (Kartana & Wulandari, 2018), which states that the independent board of commissioners does not affect significantly to tax avoidance.

Independent commissioners do not affect tax avoidance. This means that the independent board of commissioners does not have full power in the supervision and decision making of the company. Regulations requiring an independent commissioner within the company require the company to appoint new people from outside the company who are deemed to meet the criteria of an independent board of commissioners or to overhaul the existing board of commissioners to be replaced by an independent board of commissioners, to increase supervision and protection, especially for minority shareholders. However, in practice, the existence of an independent board of commissioners in this company still does not have the full power to participate in policymaking. The existence of an independent board of commissioners is only a form of mere formality (Layli, 2017).

While other opinions also state that the independent commissioner does not carry out the oversight function of the tax burden to be paid. Optimally towards company management, so that management can still do tax avoidance activities to suppress the practice of corporate tax avoidance by management (Febriati, 2017). The role of the independent commissioner in the corporate governance mechanism is indicated not to carry out a sufficiently good oversight function on the company's behavior, especially in making corporate tax decisions (Utari & Supadmi, 2017).

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

The results of this study are in line with the theory that independent commissioners, whose function is to carry out supervision, support good corporate management and make financial statements more objective to avoid tax avoidance (Wijayanti & Merkusiwati, 2017).

Audit committee variables significantly influence tax avoidance. The results of this study are in line with research (Utari & Supadmi, 2017), and (Abdillah, 2016) which states that the audit committee influences tax avoidance.

The audit committee influences tax avoidance, the audit committee is the number of independent commissioners in a company which is an important factor, but on the responsibility of the board of commissioners, researchers wished if the board of commissioners abuse authority, then the minimum composition or the increasing number of audit committee personnel will also increasingly worsening tax avoidance. This is because the audit committee is one of the supports that can directly provide supervision and bridge the management reports to the owner (Utari & Supadmi, 2017).

An audit committee is formed to help the board of commissioners whose function is to provide views on matters of financial policy, accounting and internal control that may only be taken into consideration and cannot influence corporate behavior. Decision making remains in the hands of management itself including tax decision making.

These management actions can be explained in the Theory of Reasoned Action (TRA). TRA explained that the company's behavior towards taxation decision making is based on the intention and desire of management to take actions that are considered beneficial. Thus, the decision taken by management is not influenced by the audit committee's view of the problems faced by the company (Abdillah, 2016).

The audit quality variable does not affect tax avoidance. The results of this study are in line with research (Fatimah et al., 2017), (Khairunisa et al., 2017), (Kartana & Wulandari, 2018), (Jaya, Arafat, & Kartika, 2014), and (Winata, 2014) which states that audit quality has no significant effect on tax avoidance.

The negative influence of audit quality on tax avoidance can also be translated that qualified auditors do not want the management of their client companies to take tax avoidance actions that can reduce state revenues, if later discovered by the tax authorities then the auditor will also accept risks, especially reputation risk because even if done legally but it still gets less attention from the tax authority because it is considered to have a negative connotation (Khairunisa et.al, 2017).

Audit quality does not affect tax avoidance for several reasons, including tax avoidance measures which are determined more by moral-ethical ethics owned by the company management and they do not consider the audit results of the company's financial statements as the main consideration before deciding to avoid tax, the higher moral ethics, the lower the intention of taxpayers to avoid tax.

Company size has a significant effect on tax avoidance. When the control variable is added in the analysis model, there is a change in the political connection variable and the audit committee where the sig value of the political connection before the control variable is added $<\alpha$ (0.022 <0.05), which means political connections affect the tax avoidance, while when the control variable is added sig value of political connection> α (0.078> 0.05) which means political connection does

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

not affect tax avoidance. From this description, it can be concluded that the influence of political connection variables on tax avoidance is also influenced by the size of a company.

V. CONCLUSIONS

This study was designed to examine the effect of political connections on tax avoidance. The results of this study prove that the political connection variable shows a positive and significant coefficient on tax avoidance. Companies with a high level of political connection tend to avoid tax. This is done by companies to lobby with the government to avoid tax audits, filing tax deductions and other actions classified as tax evasion or tax avoidance. Political connections made will have a good or positive influence on tax avoidance, called the Political Favoritism Effect. Besides political connections can be used as a tool to get capital assistance. The behavior carried out by individuals because they have the intention or desire to carry out certain behaviors and human nature that cannot be eliminated to benefit from the weaknesses of the rules apply to anyone, not to mention politically connected companies. Companies with high political connections will use their proximity to politicians and state apparatus to benefit from the market and avoid the possibility of being punished by expropriation and poor management. Therefore, companies with political connections will tend to be more involved in expropriation activities and have a poor level of management.

Good Corporate Governance cannot play a greater role in controlling tax avoidance in politically connected companies. When this research ignores the existence of company size, Good Corporate Governance cannot play a significant role, but when considering the size of the company, the Audit Committee and company size can significantly reduce tax avoidance.

The weakness of this study is that this research does not control the aspect of company size, but only calculates the size of the company based on total assets, does not separate small and large companies, so that tax avoidance behavior of each company can be known.

Related to the weaknesses of this research, the next research must differentiate companies based on company size so that tax avoidance can be seen between large and small companies. For further research, it can add other variables that can be used such as sales growth, cash conversion cycle, and investment opportunities.

REFERENCES

[1] Anggraeni, R. (2018). Pengaruh Koneksi Politik Terhadap Tax Aggressiveness (Studi Empiris: Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2014-2017). *Jurnal Akuntansi, 6*(3).

[2] Arouri, H., Muttakin, M. B., Hossain, M., & Al Farooque, O. (2014). On the relation between internal corporate governance and bank risk-taking: evidence from Gulf Cooperative Council countries. *Academy of Taiwan business management review, 10*(1), 91-100.

[3] Atari, J., Nasir, A., & Ilham, E. (2016). Pengaruh Kepemilikan Manajerial, Kepemilikan Institusional, dan Kebijakan Hutang terhadap Tax Aggressive (Studi Empiris pada Perusahaan Transportasi yang Terdaftar di Bursa Efek Indonesia Periode 2011-2013). *Jurnal Online Mahasiswa Fakultas Ekonomi Universitas Riau, 3*(1), 1137-1149.

[4] Butje, S., & Tjondro, E. (2014a). Pengaruh Karakter Eksekutif dan Koneksi Politik Terhadap Tax Avoidance. *Tax & Accounting Review, 4*(2).

[5] Butje, S., & Tjondro, E. (2014b). Pengaruh Karakter Eksekutif dan Koneksi Politik Terhadap Tax

Avoidance. *Tax & Accounting Review, 4*(2).

[6] Chen, S., Chen, X., Cheng, Q., & Shevlin, T. (2010). Are family firms more tax aggressive than non-family firms? *Journal of Financial Economics, 95*(1), 41-61.

[7] Chen, X., Hu, N., Wang, X., & Tang, X. (2014). Tax avoidance and firm value: evidence from China. *Nankai Business Review International, 5*(1), 25-42.

[8] Christiawan, Y. J., & Tarigan, J. (2007). Kepemilikan Manajerial: Kebijakan Hutang, Kinerja dan Nilai Perusahaan. *Jurnal Akuntansi dan Keuangan, 9*(1), 1-8.

[9] Dewi, N. N. K., & Jati, I. K. (2014). Pengaruh karakter eksekutif, karakteristik perusahaan, dan dimensi tata kelola perusahaan yang baik pada tax avoidance di bursa efek Indonesia. *E-Jurnal Akuntansi*, 249-260.

[10] Dyreng, S. D., Hanlon, M., & Maydew, E. L. (2010). The effects of executives on corporate tax avoidance. *The Accounting Review, 85*(4), 1163-1189.

[11] Fatimah, H., Anwar, H.K., Nordiansyah, M., & Tambun, S. P. (2017). *Pengaruh Intensitas Modal, Kompensasi Eksekutif Dan Kualitas Audit Terhadap Tindakan Penghindaran Pajak Pada Perusahaan Manufaktur Yang Terdaftar Di Bursa Efek Indonesia.* Paper presented at the Proceeding of National Conference on Asbis.

[12] Ferdiawan, Y., & Firmansyah, A. (2017). Pengaruh Political Connection, Foreign Activity, Dan, Real Earnings Management Terhadap Tax Avoidance. *Jurnal Riset Akuntansi dan Keuangan, 5*(3), 1601-1624.

[13] Handayani, R. (2018). Pengaruh Return on Assets (ROA), Leverage dan Ukuran Perusahaan Terhadap Tax Avoidance Pada Perusahaan Perbankan yang Listing di BEI Periode Tahun 2012-2015. *Jurnal Akuntansi Maranatha, 10*(1).

[14] Hanlon, M., & Heitzman, S. (2010a). A review of tax research. *Journal of Accounting and Economics, 50*(2-3), 127-178.

[15] Hartoto, R. I. (2018). Pengaruh Financial Distress, Corporate Governance dan Konservatisme Akuntansi Terhadap Tax Avoidance (Studi Empiris pada perusahaan perbankan yang listing di BEI tahun 2015-2017).

[16] Kartana, I. W., & Wulandari, N. G. A. S. (2018). Pengaruh Karakter Eksekutif, Karakteristik Perusahaan Dan Corporate Governance Terhadap Tax Avoidance. *KRISNA: Kumpulan Riset Akuntansi, 10*(1), 1-13.

[17] Khairunisa, K., Hapsari, W., & Aminah, W. (2017). Kualitas Audit, Corporate Social Responsibility dan Ukuran Perusahaan Terhadap Tax Avoid-ance. *Jurnal Riset Akuntansi Kontemporer (JRAK) Vol, 9*(1).

[18] Kim, C., & Zhang, L. (2016c). Corporate political connections and tax aggressiveness. *Contemporary Accounting Research, 33*(1), 78-114.

[19] Laily, N. (2017). Pengaruh Kepemilikan Institusional, Proporsi Dewan Komisaris, Leverage, Ukuran Perusahaan Dan Return On Asset Terhadap Penghindaran Pajak Pada Perusahaan Manufaktur. *STIE PERBANAS SURABAYA.*

[20] Ngadiman, N., & Puspitasari, C. (2017). Pengaruh Leverage, Kepemilikan Institusional, Dan Ukuran Perusahaan Terhadap Penghindaran Pajak (Tax Avoidance) Pada Perusahaan Sektor Manufaktur Yang Terdaftar Di Bursa Efek Indonesia 2010-2012. *Jurnal Akuntansi, 18*(3), 408-421.

[21] Pohan, C. A. (2016). Manajemen Perpajakan Strategi Perencanaan Pajak dan Bisnis Edisi Revisi. *Jakarta: PT Gramedia Jakarta*.

[22] Praditasari, A., & Setiawan, P. E. (2017a). Pengaruh Good Corporate Governance, Ukuran Perusahaan, Leverage Dan Profitabilitas Pada Tax Avoidance. *E-Jurnal Akuntansi*, 1229-1258.

[23] Pranoto, B. A., & Widagdo, A. K. (2016). Pengaruh Koneksi Politik dan Corporate Governance terhadap Tax Aggressiveness.

[24] Puspita, D., & Febrianti, M. (2017). Faktor-faktor yang memengaruhi penghindaran pajak pada perusahaan manufaktur di bursa efek Indonesia. *Jurnal Bisnis dan Akuntansi, 19*(1), 38-46.

[25] Puspita, S. R., & Harto, P. (2014a). Pengaruh Tata Kelola Perusahaan terhadap Penghindaran Pajak. *Diponegoro Journal of Accounting, 3*(2), 1077-1089.

[26] Putri, D. R. A. (2018). *Pengaruh Kualitas Audit Dan Komite Audit Terhadap Perilaku Penghindaran Pajak (Tax Avoidance) Pada Perusahaan Manufaktur Terdaftar Di Bursa Efek Indonesia.* University of Muhammadiyah Malang,

[27] Rulmadani, R. (2018a). Pengaruh Corporate Governance, Intensitas Modal, dan Diversifikasi Gender Terhadap Tax Avoidance (Studi Empiris pada Perusahaan Pertambangan Periode 2014-2016).

[28] Saputra, A. (2017). Pengaruh ukuran perusahaan dan leverage Terhadap penghindaran pajak (studi empiris pada perusahaan properti yang terdaftar di Bursa efek indonesia tahun 2011-2015).

[29] Sari, N., Kalbuana, N., & Jumadi, A. (2016). Pengaruh Konservatisme Akuntansi, Kualitas Audit, Ukuran Perusahaan Terhadap Penghindaran Pajak (Studi Empiris pada Perusahaan Perdagangan Eceran yang Terdaftar di Bursa Efek Indonesia Tahun 2011-2015).

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020

[30] Setianti, P. (2019). Pengaruh Profitabilitas, Leverage, Umur Perusahaan, Intensitas Modal Dan Kepemilikan Manajerial Terhadap Penghindaran Pajak. *STIE Perbanas Surabaya.*

[31] Sulistiono, E., & Amin, M. N. (2019). Pengaruh Profitabilitas, Leverage, Dan Kualitas Audit Terhadap Tax Avoidance Dengan Ukuran Perusahaan Sebagai Variabel Moderating. *Jurnal informasi, perpajakan, akuntansi dan keuangan publik, 13*(1), 67-82.

[32] Utari, N. K. Y., & Supadmi, N. L. (2017a). Pengaruh Corporate Governance, Profitabilitas Dan Koneksi Politik Pada Tax Avoidance. *E-Jurnal Akuntansi*, 2202-2230.

[33] Waluyo, W. (2017). The Effect of Good Corporate Governance on Tax Avoidance: Empirical Study of The Indonesian Banking Company. *The Accounting Journal of Binaniaga, 2*(02), 1-10.

[34] Wardani, D. K., & Khoiriyah, D. (2018). Pengaruh Strategi Bisnis dan Karakteristik Perusahaan terhadap Penghindaran Pajak. *Akuntansi Dewantara, 2*(1), 25-36.

[35] Wicaksono, A. P. N. (2017). Koneksi Politik dan Aggresivitas Pajak: Fenomena di Indonesia. *Akuntabilitas, 10*(1), 167-180.

[36] Wijayanti, Y. C., & Merkusiwati, N. K. L. A. (2017a). Pengaruh Proporsi Komisaris Independen, Kepemilikan Institusional, Leverage, Dan Ukuran Perusahaan Pada Penghindaran Pajak. *E-Jurnal Akuntansi*, 699-728.

[37] Wijayanti, Y. C., & Merkusiwati, N. K. L. A. (2017b). Pengaruh Proporsi Komisaris Independen, Kepemilikan Institusional, Leverage, Dan Ukuran Perusahaan Pada Penghindaran Pajak. *E-Jurnal Akuntansi*, 699-728.

[38] Winata, F. (2014). Pengaruh Corporate Governance terhadap Tax Avoidance pada Perusahaan yang Terdaftar di Bursa Efek Indonesia Tahun 2013. *Tax & Accounting Review, 4*(1), 162.

[39] Yoehana, M., & Harto, P. (2013). *Analisis Pengaruh Corporate Social Responsibility Terhadap Agresivitas Pajak (Studi Empiris pada Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Tahun 2010-2011).* Fakultas Ekonomika dan Bisnis,

[40] Yolanda, S. (2019). *Pengaruh Ukuran Perusahaan, Intensitas Aset Tetap Dan Kepemilikan Institusional Pada Agresivitas Pajak Dengan Corporate Governance Sebagai Variabel Pemoderasi Studi Empiris Pada Perusahaan Manufaktur Sektor Makanan dan Minuman Yang Terdaftar di BEI Tahun 2014–2018.* Universitas Islam Negeri Sultan Syarif Kasim Riau.

DOI: 10.37200/IJPR/V24I1/PR200216
Received: 18 Nov 2019 | Revised: 22 Dec 2019 | Accepted: 07 Jan 2020