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THE ROLE OF COMPANY SIZE AS A MODERATING VARIABLE IN THE RELATIONSHIP BETWEEN TAX AVOIDANCE, POLITICAL CONNECTIONS AND CORPORATE GOVERNANCE

PERAN UKURAN PERUSAHAAN SEBAGAI VARIABEL MODERATING DALAM HUBUNGAN ANTARA PENGHINDARAN PAJAK, HUBUNGAN POLITIK DAN TATA KELOLA PERUSAHAAN

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ABSTRACT

With business size acting as a moderating variable, the goal of this study is to gather empirical data regarding the impact of political and corporate links on tax evasion. The manufacturing firms in the consumer products sector that were listed on the Indonesia Stock Exchange between 2017 and 2021 were the subject of this study. Purposive sampling is used to determine the sample. A total of 100 data samples from 20 firms over a 5-year period made up the study's sample size. the approach of data analysis that makes use of moderated regression analysis and multiple linear regression analysis. The findings demonstrate that institutional ownership and political ties have an impact on tax evasion, but independent commissioners and the audit committee have no impact. According to the results of the moderation test, business size can influence institutional ownership and independent commissioners but not audit committees or political links in terms of tax evasion.
Keywords: *Corporate Governance, Institutional Ownership, Independent Commissioner, Audit Committee, Political Connection, Tax Avoidance, Company Size.*

ABSTRAK

Dengan ukuran bisnis sebagai variabel moderasi, tujuan dari penelitian ini adalah untuk mengumpulkan data empiris mengenai dampak hubungan politik dan korporasi terhadap penggelapan pajak. Perusahaan manufaktur di sektor produk konsumen yang terdaftar di Bursa Efek Indonesia antara tahun 2017 dan 2021 menjadi subjek penelitian ini. Purposive sampling digunakan untuk menentukan sampel. Sebanyak 100 sampel data dari 20 perusahaan selama periode 5 tahun membentuk ukuran sampel penelitian. pendekatan analisis data yang menggunakan analisis regresi moderat dan analisis regresi linier berganda. Temuan menunjukkan bahwa kepemilikan institusional dan ikatan politik berdampak pada penghindaran pajak, tetapi komisaris independen dan komite audit tidak memiliki dampak. Menurut hasil uji moderasi, ukuran bisnis dapat mempengaruhi kepemilikan institusional dan komisaris independen tetapi tidak dapat mempengaruhi komite audit atau hubungan politik dalam hal penggelapan pajak.
Kata Kunci: Tata Kelola Perusahaan, Kepemilikan Institusional, Komisaris Independen, Komite Audit, Koneksi Politik, Penghindaran Pajak, Ukuran Perusahaan.

INTRODUCTION

Taxes are compulsory contributions made to the state against personal or corporate, coercive in nature based on the Act with no direct reward and used for state purposes for the welfare of the people. Indonesia's largest source of revenue now comes from the taxation sector. The revenue consists of income tax, value-added tax, land and building tax, land and building acquisition tax, excise tax, and other taxes (Financial Note and State Budget, 2014).

Tax revenue is a source of state revenue that plays an important role for the benefit of the growth and development of the country, all taxpayers both personal and corporate are expected to carry out their obligations in accordance with the regulations. Disobedient taxpayers can cause state finances to be disrupted so that the government seeks to increase tax revenue by making improvements and improvements to tax laws to suit the needs of taxpayers (Lestari & Putri, 2017).

The tax target set by the state almost always increases every year but the target cannot be achieved. Based on APBN information on the Ministry of Finance website, in 2014-2018 the effectiveness of tax revenue increased, but the realization of revenue never reached the target. Table 1.1 presents information on the effectiveness of tax revenue.

Tabel 1. Effectiveness of Tax Revenue in Indonesia

Year	Goals (Million)	Realization (Triliun)	Effectiveness of Tax Revenue
2014	1,246	1,147	92,1%
2015	1,294	1,055	81,5%
2016	1,355	1,105	81,5%
2017	1,273	1,147	90,1%
2018	1,424	1,315	92,3%

Source: kemenkeu.go.id/APBN

Based on the table above, it can be concluded that the effectiveness of tax revenue in Indonesia in 2014-2018 is increasing. However, the revenue target from 2014 to 2018 was never achieved. The realization, received from the tax sector in 2014 amounted to 92.1%, in 2015 amounted to 81.5%, in 2016 amounted to 81.5%, in 2017 amounted to 90.1%, in 2018 92.3%. The tax revenue is not in line with the predetermined target can be caused by various factors, one of which is due to the act of managing the tax burden by the company (Lestari & Putri, 2017). In accounting, taxes are part of the cost and deduction of company profits. The amount of tax deposited into the state treasury refers to the company's profit. Taxes for companies are a burden that will affect the lack of net income, the tax imposed is still too large to pay so that taxpayers make every effort to pay as little tax as possible to be deposited into the state treasury by doing tax planning (Kifni in Prayogo & Darsono, 2015).

Tax planning is the capacity possessed by taxpayers (WP) to arrange financial activties, so that the burden borne by the company can be minimized and the profit is as expected, and there is no violation of the regulations governing it. In planning taxes, taxpayers try to get tax savings (tax saving) through tax avoidance procedures systematically in accordance with the provisions of the Tax Law (Irianto, et al, 2017). Thus, tax avoidance is the reason why the state loses tens to hundreds of billions of rupiah every year in state revenue from the tax sector (Kifni, 2011 in Prayogo & Darsono, 2015).

From the data of the International Monetary Fund or International Monetary Fund in 2016, Indonesia ranks 11th largest of 30 countries that avoid

corporate taxes. In 2015, as much as 49% of tax revenue came from Income Tax (PPh), 51% of which was contributed by Corporate Taxpayers. Based on the significance and ease of tax collection, Corporate Income Tax then received top priority for securing state revenue through thematic tax audits to anticipate existing leaks (Directorate General of Taxes Strategy Plan, 2015).

According to data from the Directorate General of Taxes, by 2015, the number of taxpayers collected in the administrative system was 30.04 million, of which 2.472 million were corporate taxpayers. However, according to data from the Central Bureau of Statistics, in 2013 the business entities that had operated were around 3.441 million. This means that not all Corporate Taxpayers are registered and have a Taxpayer Identification Number (NPWP) (Ferdiawan & Firmansyah, 2017). Another thing related to the level of tax compliance (compliance rate) shows only 27% or around 676 thousand Corporate Taxpayers who submit tax returns (SPT) (Directorate General of Taxes, 2016).

Up to 2,000 multinational or international corporations were discovered, and the Directorate General of Taxes (DGT) outlined their plans to evade paying taxes. Companies typically owe money under Article 29 (underpayments) and Article 25 (installments) of the corporate income tax code. 2,000 international enterprises often employ transfer pricing mechanism, according to Mekar Satria Utama, Director of Public Relations Services and Counseling (P2 Humas) of the DGT. In the context of taxation, the goal of transfer pricing is to move revenue from one business in a group that is subject to a higher tax rate to another firm in the group that is subject to a lower tax rate in order to lessen the overall tax burden of the company group (Setiawan, 2014).

One of the tax avoidance cases in Indonesia is the Google case. Google is entangled in taxation problems in Indonesia. Google's business transactions that occur in the country have no effect on increasing state revenues because Google Indonesia has not become a Permanent Establishment (BUT), so far Google has only made a representative office in Indonesia, not a permanent office. Thus, Google has never deducted VAT or income tax. In the Asia Pacific Region, Google is headquartered in Singapore, which has the lowest tax rate in the Asean Region. Most of the revenue generated by Google in Indonesia is ordered through the Singapore headquarters, this makes Indonesia potentially lose tax revenue even though advertising business transactions in the digital world in Indonesia in 2015 alone reached 850 million US dollars or around 11.6 trillion (Cahyadi, 2019).

Entrepreneurs often want to enhance their earnings. Avoiding taxes is one strategy to boost earnings. The practice of tax avoidance allows business owners to pay little or no taxes by taking advantage of legal loopholes. The problem of tax avoidance is not just a problem of one country because the practice of tax avoidance covers several countries to get the attention of international tax authorities (Suparman, 2017).

In addition to companies being required to pay taxes, companies going public in Indonesia are also required to implement corporate governance. An organization's direction of high performance is determined by its

corporate governance structure, which also adds value for its stakeholders (Marselawati, et al, 2018). Corporate governance in a company aims to create good, effective and efficient corporate governance. Regulated by the applications that must be carried out by the company in order to continue to grow, but not violate the rules set by the government. (Pranoto & Widagdo, 2016).

Corporate governance in this study uses the proxies of institutional ownership, the proportion of independent commissioners and the audit committee. Institutional ownership is ownership of company shares owned by institutions. The existence of ownership of institutional investors will be able to oversee insider performance (Jensen & Meckling 1976). If it is related to tax avoidance, high institutional ownership in a company will make the intensity of supervision also higher. High supervision will certainly prevent tax avoidance by management. This is in line with the research of Marselawati, et al (2018) as well as Khan, et al (2017) which states that institutional ownership with a higher proportion in the company will lower tax avoidance. However, it is not in line with the research of Syuhada, et al (2019) which shows that institutional ownership has no significant effect on tax avoidance.

The next type of commissioner is an independent commissioner, which is defined as a member of the commissioner who is from outside the company, does not have shares in the company, either directly or indirectly, has no ties to the company, its commissioners, directors, or major shareholders, and has no direct or indirect business connections with the company's operations. The fact that a Chief Executive Officer (CEO) has more authority than the board of commissioners is one of the issues with establishing corporate governance. In contrast, the role of the board of commissioners is to monitor the effectiveness of the CEO-led board of directors. As a result, the corporation needs independent commissioners to serve as a check and balance (Wardhani, 2006 in Mulyani, et al, 2018). This is consistent with the study conducted by Wibawa et al. (2015), which found that independent commissioners significantly reduce tax evasion. It disagrees with Mulyani, et al.'s (2018) research, which demonstrates that independent commissioners have no impact on tax evasion.

Another factor is the audit committee which has a very important role, namely as a liaison for shareholders. The task of the audit committee is very important because it supervises the policies made by the company in terms of financial reporting. If the assigned audit committee is not in accordance with the regulations issued by the IDX which requires a minimum of 3 people, it results in increased management actions in minimizing profits so that tax payments become smaller (Swingly & Sukartha, 2015). In research Wibawa, et al (2015) and Mulyani, et al (2018) the audit committee has a significant effect on tax avoidance but in research Syuhada, et al (2019) the audit committee has no significant effect on tax avoidance.

Companies that have political connections tend to pay lower taxes (tax discount). Political economy literature shows that political connections are a valuable resource for a company and influence the choice of corporate strategy (Goldman, 2009 in Ferdiawan & Firmansyah, 2017). Political

connections are considered valuable because they can bring several benefits, such as preferential access to credit, protection against regulations, preferences in obtaining government assistance in financial difficulties, access to legislation, and lack of market pressure for public transparency, a high tendency to be assisted financially / corporate bail out, preferences in obtaining import licenses to the low possibility of tax audits and reduction of tax sanctions (Ferdiawan & Firmansyah, 2017).

The existence of convenience in companies that have political connections is a positive basis for obtaining certain preferences in the tax field, such as lax supervision and low probability of detection in tax audits as mentioned in the Minister of Finance Regulation (PMK) number PMK71 / PMK.03 / 2010 that one of the criteria for low-risk taxable entrepreneurs is taxpayers whose shares are owned by the central government or local government. Closely related, the lack of seriousness in detecting tax evasion and related penalties is influenced by the existence of political connections. In the research of Chen, et al (2018) it is also in line that with the existence of connections in the company, it is likely to avoid taxes. In contrast to the research results of Lestari & Putri (2017) which state that political connections have no effect on tax avoidance.

The size of a company is thought to moderate the effect of corporate governance and political connections on tax avoidance. Large companies will always be a concern so that company managers will be compliant and more transparent in presenting financial reports. Large companies will consider more risks in managing their taxes. In general, larger businesses produce more consistent earnings than smaller ones. Large businesses frequently have adequate resources for managing their taxes. Large and consistent profits as well as resources held will encourage businesses to engage in tax evasion. (Putra & Jati, 2018).

Manufacturing companies were chosen to be the sample in this study because manufacturing companies have complete business activities ranging from purchasing raw materials, processing them into finished goods to the process of selling to the market so that most of their business activity processes involve tax aspects (Dewinta, 2016 in Putra & Jati, 2018). In addition, in 2012 there were 4000 Foreign Investment companies (PMA) reporting zero tax due to losses for seven consecutive years. Generally, these companies are engaged in manufacturing and processing raw materials, so the DGT focuses on auditing (Directorate General of Taxes, 2013 in Astuti & Aryani, 2016).

Based on the conclusion of the explanation above, researchers are motivated to conduct this research because of the inconsistency of the results of previous studies and there is still a lot of tax avoidance that occurs in Indonesia. Researchers add company size as a moderating variable for the relationship between corporate governance and political connections with tax avoidance, which later this moderating variable can strengthen or weaken the relationship between corporate governance and political connections with tax avoidance.

RESEARCH METHOD

After determining the scope of the research, the researcher also determines the population and sample for the research. Polit and Hungler (1999: 37)

define population as a comprehensive range of objects and subjects that match the specifications to be studied. So the population includes all aspects that will be used for research. Meanwhile, the sample itself is a small part taken from a wider scope of population which aims to represent the population. The population in this study is manufacturing companies listed on the IDX, while for the sample, namely Manufacturing Companies in the Consumer Goods Industry Sector listed on the IDX (Indonesia Stock Exchange) in 2014-2018.

The sample selection method in this study used purposive sampling. Purposive sampling is a method of drawing samples based on certain criteria set by the researcher (Sekaran & Bougie 2010). The criteria set are as follows: (1) The company contains and publishes financial reports ending December 31, 2014-2018 period; (2) Annual financial statements are presented using the Rupiah currency. The use of currency units other than Rupiah, although convertible, can cause differences due to constantly changing exchange rates; (3) Not experiencing losses in the current year; (4) Companies that have data on Institutional Ownership, Independent Commissioners, Audit Committee, Political Connections, ETR and Total Assets.

Secondary data was employed to get the information for this study. The authors employed documentation methodologies to gather the data for this study by reviewing the annual reports of manufacturing firms in the consumer products industrial sector from 2014 to 2018. Information from the Indonesia Stock Exchange's (www.idx.co.id) official website, the websites of representative corporations, and reading research-related books in print and electronic media.

RESULT AND DISCUSSION

Hypothesis Test Results

This study tests the hypothesis using multiple linear regression models carried out by analyzing the coefficient of determination (R^2), simultaneous significance test (F test), and partial significance test (t test). Hypothesis testing for moderating variables using Moderated Regression Analysis.

Multiple Regression Analysis Results

1) **Analysis of the Coefficient of Determination (Adjusted R^2)**

The coefficient of determination (R2) is used to measure how far the regression model's ability regarding independent variables in explaining variations in the dependent variable (Ghozali, 2018).

Tabel 2. Test Results of the Coefficient of Determination (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,407[a]	0.166	0.131	3.04140

a. Predictors: (Constant), Koneksi Politik, Kepemilikan Institusional, Komisaris Independen, Komite Audit

b. Dependent Variable: Penghindaran Pajak

Source: Secondary data output processed by SPSS 25.

The corrected R square result, which is based on table 2 above, is 0.131, or 13.1% of the independent variables' capacity to explain the variation in the dependent variable. It may be argued that institutional ownership factors, independent commissioners, audit committees, and political links account for 13.1% of the tax evasion variables. Other independent variables or characteristics, such profitability (Syuhada, at al., 2019), audit quality (Mulyani, et al., 2018), leverage (Lestari & Putri, 2017), and earning management (Ferdiawan &

Firmansyah, 2017), might explain the remaining 86.9%.

2) Simultaneous Significance Test (F Test)

The simultaneous significance test, often known as the F test, seeks to ascertain whether the independent variable may influence the dependent variable concurrently or not. The significance probability value can be used to determine whether or not the independent variable has an impact on the dependent variable. If the probability value is less than 0.05, the independent variable simultaneously influences the dependent variable; if it is greater than 0.05, there is no simultaneous influence of the independent variable on the dependent variable (Ghozali, 2018: 98). The following table shows the outcomes of the F exam:

Tabel 3. Simultaneous Significance Test Results (F Test)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	174.611	4	43.653	4.719	,002[b]
	Residual	878.763	95	9.250		
	Total	1053.374	99			

a. Dependent Variable: Tax Avoidance

b. Predictors: (Constant), Political Connection, Institutional Ownership,

Source: Secondary data output processed by SPSS 25.

Based on table 3, it can be seen that the significance probability value is 0.002, which is smaller than 0.05, so it can be said that the independent variable has a simultaneous influence on the dependent variable.

Tabel 4. Partial Test Results (t Test)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	13.656	8.566		1.594	0.114
	Political Connection	-16.921	12.422	-2.606	-1.362	0.176
	Company Size	0.369	0.298	0.168	1.240	0.218
	Company Size*Political Connections	0.629	0.424	2.891	1.484	0.141

a. Dependent Variable: Tax Avoidance

Source: Secondary data output processed by SPSS 25.

Based on table 4 it can be seen

Discussion

This study examines the effect of corporate governance (institutional ownership, independent commissioners, audit committee) and political connections on tax avoidance with moderation of company size to strengthen the independent variable on the dependent.

1) The Effect of Institutional Ownership on Tax Avoidance

The first hypothesis' test findings show that institutional ownership has an impact on tax evasion. It may be claimed that the first hypothesis is supported by the findings of this investigation. The findings of this study are in line with those of studies by Marselawati et al. (2018), Khan et al. (2017), and Mulyani et al. (2018). According to Mulyani et al. (2018)'s research, tax evasion behavior will be significantly impacted by how many institutional shareholders there are in relation to the total number of shares outstanding. According to study by Marselawati (2018), a firm with a high institutional ownership level will be required to follow the owner's instructions in order to lessen its use of tax evasion strategies. This study supports the agency theory's contention that institutional ownership is crucial in reducing agency conflicts between managers and shareholders. Institutional investors are said to be capable of serving as an effective monitoring tool for every managerial move. Due to their involvement in strategic decision-making, institutional investors do not readily accept the idea of earnings manipulation. The findings of this study, however, go against Syuhada, et al.'s (2019) research, which claims that institutional ownership has no bearing on tax avoidance. Instead, institutional

ownership should be able to play a significant role in overseeing, disciplining, and influencing managers in order to force management to abstain from selfish behavior.

Based on the results of the first hypothesis, it can be concluded that the higher the institutional ownership of the company, it will minimize the occurrence of tax avoidance practices. High institutional ownership means that institutional owners have a greater role in controlling company management so that they comply with applicable tax regulations and will not easily commit violating practices.

2) **The Effect of the Proportion of Independent Commissioners on Tax Avoidance**

The second hypothesis' (H2) findings from the hypothesis test demonstrate that tax evasion is unaffected by independent commissioners. The second hypothesis cannot be claimed to be supported by the findings of this investigation. This study's findings are in line with studies by Syuhada et al (2019), Mulyani at al (2018), and Marselawati et al (2018), which demonstrate that independent commissioners have little impact on tax evasion. According to Syuhada et al. (2019), the independent board of commissioners serves solely as a supervisor and advisor to the board of directors and is not permitted to take part in decision-making related to corporate operations.

However, the results of this study contradict the results of research by Wibawa, et al (2016) which state that the proportion of independent commissioners has an effect on tax avoidance, but this study also suspects that the placement of an independent board of commissioners is only to fulfill regulations and fulfill affiliate interests, so it does not pay much attention to the competence of the independent board of commissioners personnel.

According to study by Mulyani et al. (2018), tax avoidance techniques are unaffected by the fraction of independent commissioners who are owned by an institution, whether it is high or low. If affiliated parties dominate and also control a less responsive board of commissioners so that tax avoidance practices occur, the supervisory function does not function because not all members of the independent board of commissioners can demonstrate their independence. Additionally, the ability of independent commissioners to monitor the information disclosure process will be limited.

Independent commissioners who have the duty to oversee the policies and activities carried out by the board of directors as well as management but do not show their independence, it contradicts the perspective of compliance theory which means that the independent commissioner does not have instrinsic motivation when not sticking to his independence so that tax avoidance practices carried out by company management occur.

Based on the findings of the second hypothesis, it can be deduced that the percentage of independent commissioners cannot stop tax avoidance because they are not involved in decisions regarding tax obligations and have not been maximized to perform the supervisory function, giving company managers a chance to engage in earnings manipulation activities that will benefit the company in terms of taxation.

3) **The Effect of Audit Committee on Tax Avoidance**

The third hypothesis' (H3) findings from the hypothesis test demonstrate that tax evasion is unaffected by the audit committee. The third hypothesis cannot be claimed to be supported by the findings of this investigation. The findings of this study are in line with studies by Swingly and Sukartha (2015), Sunarsih and Handayani (2018), Syuhada, et al. (2019), and others that demonstrate that the audit committee has no influence on tax evasion. Sunarsih and Handayani (2018) claim that the audit committee is unable to enhance managerial oversight. This is conceivable because the board of commissioners has still placed restrictions on the audit committee's jurisdiction, preventing it from providing its full potential in terms of monitoring tax evasion tactics.

The findings of this study, however, are at odds with research by Wibawa, et al. (2016), which asserts that tax avoidance practices within a company can be influenced by the audit committee, whose role it is to ensure that financial reports are accurate, internal controls are properly implemented, audits are carried out, and audit findings are followed up on. When the audit committee's jurisdiction is restricted by the board of commissioners owing to conflicting interests, an agency dilemma arises. One of them is the conflict of interest that arises between the board of commissioners and the audit committee because the board of commissioners has a goal for the company's benefit, such as the audit committee's inability to ensure financial reports because the board of commissioners has restricted its activities, allowing tax avoidance practices to occur.

The third hypothesis' findings support the conclusion that the audit committee is powerless to stop tax evasion strategies. This is possible because the board of commissioners is in charge of creating the structure and choosing the members of the audit committee; if the board of commissioners abuses its power, it will have an impact on the audit committee's limited work in monitoring tax avoidance practices.

4) **The Effect of Political Connection on Tax Avoidance**

The fourth hypothesis' (H4) results from the hypothesis test demonstrate that political ties have an impact on tax evasion. It may be claimed that the first hypothesis is supported by the findings of this investigation. The findings of this study are in agreement with studies by Ferdiawan & Firmansyah (2017), Sudibyo & Jianfu (2016), and Kim & Zhang (2016). According to Sudibyo & Jianfu's (2016) research, political ties have a significant impact on the cash taxes that businesses pay, therefore businesses with political connections often pay less in taxes than businesses without political connections.

However, Lestari & Putri's (2017) research, which claims that political ties have little impact on tax evasion, runs counter to the findings of this study. The proximity of a corporation to the government will force the company to be more cautious when establishing policies or choices. Political ties have little influence since companies whose shares are largely held by the government are recognized as low-risk taxpayers in deviant conduct.

With the occurrence of minimal disclosure due to political favoritism in a company will cause problems in agency theory. Management may deliberately utilize political connections to reduce

the amount of tax payments. The goal is that management wants to maximize shareholder wealth and achieve company targets. The method used by the company's management is not known by shareholders, which is actually not expected because it is high risk if it is known and exposed to the public. Political connections that will help the company to benefit, so that the annual report will be reflected favorably. In relation to signal theory, it is likely that the signal or response from the public or external parties will be positive towards the company.

Based on the results of the fourth hypothesis, it can be concluded that political connections have an influence on tax avoidance practices. With the political connections that the company has with the government, it will cause a decrease in the possibility of fraud detection during tax audits so that tax avoidance practices will occur. The company also has better access to legislation which will be able to minimize the sanctions given if the tax avoidance practices carried out are revealed.

5) **Company size in moderating the effect of institutional ownership on tax avoidance**

The strengthening or weakening relationship can be seen from the increase or decrease in the adjusted R square value between before and after the MRA test. Based on tables 4.11 and 4.12, it can be seen that there is an increase in the adjusted R square value between before and after the MRA test. Before the MRA test, the adjusted R square value was 0.015 or 1.5%. After the MRA test, the adjusted R square value is 0.134 or 13.4%.

This demonstrates that the inclusion of factors relating to firm size and the interplay between institutional ownership and company size might intensify the link between institutional ownership and tax evasion. Consequently, it is known that one of the variables evaluated, namely firm size, has a significant value of less than 0.05 of 0.002 (0.002 0.05), based on the results of the t statistical test in table 4.13. This demonstrates that the research's findings support the fifth hypothesis (H5), according to which the size of the corporation has a moderating influence on the link between institutional ownership and tax evasion. By adding the share ownership by institutional investors to the total number of outstanding shares, institutional ownership is the proportion of shares held by institutions. Institutional ownership has a number of benefits, including the following: (1) Has expertise in information analysis. (2) Have a great desire to tighten up on the oversight of firm activities (Sandy and Lukviarman, 2015). The presence of institutional investors is thought to be able to monitor every managerial move. This is because to the strategic decision-making that institutional investors engage in, which prevents them from readily accepting earnings manipulation (Mulyani, et al, 2018).

Tax avoidance practices in the company are influenced by good corporate governance factors, which in this study are proxied by one of them with the institutional ownership variable. The greater the ownership by the institution, the greater the voting power and the urge to optimize company value. Institutional ownership is considered capable of being an effective monitoring mechanism in the actions that will be taken by the company, so as to minimize the occurrence of tax avoidance practices.

Company size, according to Putra

and Jati (2018), is a scale that may categorize businesses as large or small based on total assets. A large-scale business will be better equipped to provide consistent earnings than a small-scale one. Additionally, large-scale businesses often have appropriate resources to handle their tax burden, in contrast to small-scale businesses, which typically have insufficient resources.

The fifth hypothesis' findings support the idea that increasing firm size might enhance the link between institutional ownership and tax evasion. This can indicate that the presence of high institutional investors in large-scale companies is better able to monitor the actions that will be taken by company management. Large-scale companies have more adequate resources and have a big responsibility to the public so that large-scale companies will not allow their image to be damaged due to an act that violates, namely tax avoidance.

6) **Company size in moderating the effect of independent commissioners on tax avoidance**

The strengthening or weakening relationship can be seen from the increase or decrease in the adjusted R square value between before and after the MRA test. Based on tables 4.14 and 4.15, it can be seen that there is an increase in the adjusted R square value between before and after the MRA test. Before the MRA test, the adjusted R square value was -0.010 or -1%. After the MRA test, the adjusted R square value is 0.144 or 14.4%.

This shows that the presence of company size variables and the interaction between independent commissioners and company size will be able to strengthen the relationship between independent commissioners and tax avoidance. Then, based on the results of the t statistical test in table 4.16, it is known that one of the variables tested, namely company size, has a significance value of less than 0.05 of 0.005 (0.005 <0.05). This shows that the research results accept the sixth hypothesis (H6) that there is a moderating effect of company size to strengthen the relationship between independent commissioners and tax avoidance.

The term "independent commissioners" refers to commissioners who are external to the firm, do not directly or indirectly own shares in the company, and have no connection to the company, its directors, commissioners, or key shareholders. The board of commissioners is tasked with monitoring the decisions made and the actions taken by the board of directors and management for the company's management. At least 30% of the board of commissioners' members are independent commissioners, in terms of both percentage and number. (Syuhada, et al, 2019).

Good corporate governance aspects, which in this study are represented by one of them with the independent commissioner variable, have an impact on tax evasion activities in the organization. Due to their duty to protect shareholders' interests, independent commissioners work to ensure corporate tax compliance and can stop tax evasion schemes (Harto & Puspita, 2014; Diantari & Ulupui, 2016). According to agency theory, independent commissioners are better able to perform their duty of monitoring management decisions the more there are in a corporation.

In the results of this study in the second hypothesis states that the proportion of independent commissioners has no effect on tax avoidance. However, researchers also

want to see if the moderating variable, namely company size, will affect or not the interaction between the proportion of independent commissioners and tax avoidance.

Based on the results of the sixth hypothesis, it can be concluded that company size is able to strengthen the relationship between independent commissioners and tax avoidance. This can prove that with a large-scale company, the proportion of independent commissioners affects the actions that will be taken by company management. In large-scale companies, they will usually have more independent commissioners, so that supervision will be tighter on shareholders who can order company management to manipulate profits, so independent commissioners are able to prevent tax avoidance practices.

7) **Company size in moderating the effect of the audit committee on tax avoidance**

The strengthening or weakening relationship can be seen from the increase or decrease in the adjusted R square value between before and after the MRA test. Based on tables 4.17 and 4.18, it can be seen that there is an increase in the adjusted R square value between before and after the MRA test. Before the MRA test, the adjusted R square value was -0.009 or -0.9%. After the MRA test, the adjusted R square value is 0.142 or 14.2%. This shows that there is a strengthening effect due to company size. However, based on the results of the t statistical test in table 4.19, it is known that all the variables studied have a significance value of more than 0.05. This shows that the research results reject the seventh hypothesis (H7). So, it can be stated that company size is not a variable that can moderate the relationship between the audit committee and tax avoidance.

The audit committee, established by the board of commissioners, is tasked with overseeing the company's external audit. It also serves as the auditor's primary point of contact with the company and makes sure that the financial statements are presented fairly and in accordance with generally accepted accounting principles. The audit committee is responsible for overseeing the preparation of the company's financial statements in order to reduce the likelihood of fraud, such as tax evasion techniques.

Good corporate governance aspects, which in this study are represented by one of them with the audit committee variable, have an impact on tax evasion activities in the organization. Financial policy control will be conducted out with the audit committee to prevent management activities that result in tax evasion. The third hypothesis in the study's findings claims that the audit committee has no impact on tax evasion. Researchers seek to know if the interaction between the audit committee and tax evasion will be affected or not by the moderating variable, which is firm size.

The seventh hypothesis' findings support the assertion that firm size cannot influence (strengthen or weaken) the link between the audit committee and tax evasion. This could happen as the audit committee's ability to influence the board of commissioners and the company's size to prevent tax avoidance is constrained by those factors.

8) **Company size in moderating the effect of political connections on tax avoidance**

The strengthening or weakening relationship can be seen from the increase or decrease in the adjusted R square value between before and after

the MRA test. Based on tables 4.20 and 4.21, it can be seen that there is an increase in the adjusted R square value between before and after the MRA test. Before the MRA test, the adjusted R square value was 0.031 or 3.1%. After the MRA test, the adjusted R square value is 0.192 or 19.2%. This shows that there is a strengthening effect due to company size. However, based on the results of the t statistical test in table 4.22, it is known that all the variables studied have a significance value of more than 0.05. This shows that the research results reject the eighth hypothesis (H8). Thus, it can be stated that company size is not a variable that can moderate the relationship between political connections and tax avoidance.

The political connections established by the company will make the company obtain various benefits. Advantages that can be obtained more easily. Low tax audits are also one of the advantages of doing tax planning so that financial reports are not transparent (Lestari & Putri, 2017). Companies consider taxation an obstacle to their agenda so they try to reduce it by using political connections to influence tax payments (Ferdiawan & Firmansyah, 2017).

In order to lower their costs, businesses always strive to handle taxes effectively. On the other side, the government is in charge of maximizing state income via taxation; according to Sudibyo and Jianfu's (2016) research, politically linked businesses pay less in taxes than businesses without such ties. A conclusion that can be drawn from the findings of the eighth hypothesis is that firm size is unable to attenuate the association between political ties and tax evasion. The fourth theory, however, contends that political ties have an impact on tax evasion. This demonstrates that political ties do not matter whether a firm is huge or little when it comes to tax avoidance; hence, company size has no bearing on the interplay between political connections and tax avoidance.

CONCLUSION

In this study, manufacturing firms in the consumer goods industry sector listed on the Indonesia Stock Exchange (BEI) between 2014 and 2018 are examined to see how corporate governance (institutional ownership, independent commissioners, audit committee), political connections, and company size affect tax evasion. The following conclusions may be drawn from test findings utilizing multiple linear analysis techniques and moderated regression analysis (MRA) using IBM SPSS software version 20. Institutional ownership has an impact on tax evasion; Political ties impact tax evasion, the Audit Committee has no bearing on it, and Independent Commissioners have no bearing on it.

The author realizes that this research is far from perfect and there are still many limitations in the author's knowledge and experience both theoretically and practically. Therefore, here are some suggestions for future researchers to produce better research Further researchers are advised to add or replace independent variables as well as moderation that can affect tax avoidance, such as transfer pricing, leverage, profitability, and so on.

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