JURNAL AKSI (Akuntansi dan Sistem Informasi). 2023. 8 (1): 58-67

JURNAL AKSI

Akuntansi dan Sistem Informasi

http://aksi.pnm.ac.id

Tax Avoidance: The Effect of Political Connection and Institutional Ownership

Breverdy Putrananda Manihuruk [1], Santi Novita [2]

[1] *Students of Master Accountancy Program, Faculty of Economics and Busines, Airlangga University*
[2] *Accounting Department, Faculty of Economics and Busines, Airlangga University*

ARTICLE INFO

Keywords:
Political connection, institutional ownership, tax avoidance.

Article History:
Received: 27-09-2022
Accepted: 10-01-2023

Corresponding author:
Breverdy Putrananda Manihuruk

E-mail:
breverdy.putrananda.manihuruk-2016@feb.unair.ac.id

ABSTRACT

This study aims to test the effect of institutional ownership and political connection on tax avoidance. This study comprises 836 observations of firms in the non-financial industries from 2015-2018 listed on the Indonesia Stock Exchange. Multiple linear regression analysis with STATA 14 software is used. The result shows that political connections can be a tool to reduce tax avoidance, while institutional ownership effect tax avoidance only in the non-mining industry. The mining industry need wider pressure to mitigate the non-compliance on tax. The research may provide a deep insight the role of political connection especially for fiscal authority. It is a strengthen factor in the relation of the ownership and tax compliance. Furthermore, the character of industry doesn't indicate that the certain industry has a higher potential to do incompliance.

INTRODUCTION

Tax avoidance is an interesting issue related to the emergence of several tax cases committed by companies and the expectation of fiscal authority to increase tax revenue. Although relatively recent, tax avoidance and tax aggressiveness have diversified and vast topic Martinez (2017). The success of tax collection is relied on the law enforcement by tax authority. The government certainly expects to carry out these tax obligations as much as possible. However, for taxpayers, the payment of tax is a burden for the company which results in the lower welfare of shareholders, and the profits earned cannot be maximum. The higher the profit, the higher the tax to be paid.

Tax avoidance is an effort of legal tax avoidance to minimize the tax burden by taking advantage of weaknesses in taxation provisions. It does not violate tax regulations. According to Zain (2008) tax avoidance is an example of tax planning that can be carried out through the process of managing earnings to reduce the imposition of undesirable taxes. Sometimes, a country can suffer losses if the company does tax avoidance because it reduces revenue, but the government cannot impose sanctions because there are no rules that have been violated legally. Prebble and Prebble (2009) stated that tax avoidance is the act of taking advantage of exploiting existing legal weaknesses to reduce taxes owed. Wang (2011) states that tax avoidance is a tool for reducing transfer of tax to the state.

Generally, the previous research state that institutional ownership which is included in good corporate governance as an effective tool in reducing tax avoidance (Ji et al., 2015). However, some

p-ISSN: 2528-6145, e-ISSN: 2541-3198 Accredited Third Grade by Ministry of Research, Technology and Higher Education of The Republic of Indonesia, Decree No: 148/E/KPT/2020

Cite this as: Manihuruk, B., and Novita, S. (2023). Tax Avoidance: The Effect of Political Connection and Institutional Ownership. JURNAL AKSI (Akuntansi dan Sistem Informasi), 8 (1), 58-67. http://doi.org/10.32486/aksi.v8i1.425

research result state differently. New evidence relating to the increasing of institutional ownership is associate with an increase in tax avoidance (Khan et al., 2017). Institutional ownership is company shares owned by the government, investment companies, insurance companies, banks, trust funds, foreign institutions, and other institutions. In another sense, institutional ownership is shares owned by institutional investors. Institutional ownership functions as oversight of management in a company, therefore, institutional ownership can encourage a more optimal increase in supervision.

One thing to be concerned about is the existence of company relationships with politicians or experience in politics can be a significant challenge for tax compliance enforcement (Lin et al., 2018). Political connections and institutional ownership have two different views. Good corporate governance is important in a company to maintain the company's accountability. Furthermore, good corporate governance is important for a firms especially to meet stakeholder expectations. In this study, it will combine one of the component of good corporate governance, namely institutional ownership. It expected to mitigate the tax avoidance and existence of political connections that might be strengthen tax avoidance practice. In this study, those factor will be linked to the tax avoidance which is legal but less ethical. Institutional ownership which is included in good corporate governance has an important role in monitoring, disciplining, and influencing managers. The greater the institutional ownership of a company, the greater the pressure on the company to avoid tax non-compliance.

This study uses a sample of all industrial sectors except for the financial sector listed on the Indonesia Stock Exchange during the 2015-2018 period. It aims to provide a comprehensive picture of various industries in Indonesia. Further description about the industry characteristic that might affect the behavior of the firms in doing tax avoidance will be provided. In this study the difference effect of mining and non-mining companies will be explored due to current issues of tax avoidance relate to some tax avoidance case involve the firm in mining industry in Indonesia. The importance to analysis the characteristic of mining and non-mining is support by Ball and Brown (1980) who report that the firm characteristic of mining companies to be considerably riskier compared to non-mining companies. The different characteristics between both industries also support by research of Roberts and Zurawski (2016) and Li and Islam (2019).

This paper are organized as follow: in the second part of this research is a literature review which includes the formulation of a hypothesis. The third part is the research method, the fourth is the results and discussion, and followed by conclusions.

MATERIALS AND METHODS

The practice of tax avoidance in the view of agency theory is influenced by the conflict of interest between the principal and the agent that arises when each party tries to maintain or achieve the level of prosperity as the company wants. Firms that do tax avoidance certainly go through the policies taken by the leaders of those firms. In general, the leader has two characteristics, namely, risk-taker and risk-averse. MacCrimmon and Wehrung (1990) explain that risk-takers are executives who are more courageous in making business decisions and have a strong incentive to have higher income, position, welfare, and authority. Hanlon and Heitzman (2010) state that definition of tax avoidance cannot be accepted universally. Different countries have different meaning (Hasseldine and Morris, 2013).

Institutional ownership has an important meaning in monitoring management because institutional ownership will encourage a more optimal increase in supervision. Together with the relation of the connection with the government institution, it is expected the monitoring function can be maximize. According to the Indonesian Dictionary (KBBI), the political connection is a relationship that can facilitate all matters or activities. Politically connected companies are companies that in certain ways have political ties or seek closeness to politicians or the government. With this political connection, it is hoped that both parties will get the same benefits.

1. Institutional Ownership and Tax Avoidance

Institutional ownership has a very important role in supervising or monitoring management. Previous study testing the effect institutional ownership and tax avoidance provide inconsistent

result. Bird and Karolyi (2017) state that the greater the institutional ownership lead to increase in tax avoidance. Khan et al. (2017) who conduct the research in US using Russel index state that Increase in institutional ownership have positive effects on tax avoidance. But, with the same environment this result is different (Khurana et al., 2018). The strand of literature generally posit that firms which has strong governance will mitigate the aggressiveness of action that will ruin the firms' reputation (Alzoubi, 2016). However, the tax avoidance action will provide higher benefit for firm in terms of profit. But if it is too aggressive, it may lead to outweigh those benefit. Alkurdi and Mardini (2020) and Moore (2012) states that institutional ownership has negative effect on tax avoidance. In emerging market, Ying et al. (2017) state that institutional ownership has negative effect on tax avoidance for Chinese listed firms. Khurana et al. (2018) state that institutional investor pay higher concern on long term consequences of tax avoidance. Base on the theory and empirical evidence in emerging market, particularly, the hypothesis of this study is:

H1: Institutional ownership have negative effects on tax avoidance.

2. Political Connection and Tax Avoidance

Political connection in a unique environment such us emerging market countries, will give a different side compare with those developed market. The firms having a connection is generally given special treatment or privilege by government especially for unique environment, such as Indonesia. Firms is defined as having political connection when a top executive was a member of government board or associate with a top level of government official (Faccio, 2006). Lin et al. (2018) state that political connection can be a challenge to the effectiveness of tax enforcement. As Jiang et al. (2010) who conduct study in China, and Abdul Wahab et al. (2011) in Malaysia, state that different country have different circumstance. The criteria for political connection is that company owners are politicians affiliated with political parties or company owners are government officials. Chaney et al. (2011) explained that politically connected companies have many advantages, namely that they benefit from their political relations. Companies can be said to have links with political connections, when the top ranks of the company are currently or have had positions as head of state or head of government, ministers or equivalent positions, provincial heads, directors of State-Owned Enterprises, heads and executives of political parties, or have family ties to officials. This study, in assessing the presence or absence of political connections in a company, uses a proxy for the presence or absence of direct government ownership of the company. Hijriani et al. (2017) who conduct the researched of state-owned companies listed on the Indonesia Stock Exchange 2011-2013, found that political connections have a negative effect on tax avoidance with the proxy GAAP Effective Tax Rate (ETR) and current ETR. The similar results through research conducted by Wahab et al. (2011) which states that political connections have a negative effect on tax avoidance.. Base on this empirical research, the hypothesis of this study is:

H2: Political connection has negative effect on tax avoidance.

The research approach used is a quantitative approach using non-financial firms listed on the Indonesia Stock Exchange 2015-2018. The type of data used is unbalanced panel data collected from OSIRIS data provider. This study uses multiple linear regression analysis. The test used is the individual parameter significance test (t statistical test), and the coefficient of determination (r^2) test. The regression model used to test the hypothesis is as follows:

$$TA = \alpha + \beta_1 INST + \beta_2 PCON + \beta_3 ROA + \beta_4 LEV + \beta_5 SIZE + \delta Indummy + e \qquad (1)$$

Notation:

TA	: Tax Avoidance
$\beta_1 - \beta_5$	: Coefficient of regression direction
PCON	: Political Connection
INST	: Institutional Ownership

ROA : Return on Assets
LEV : Leverage
FSIZE : Company Size
Indummy : Industry dummy/code

The dependent variable in this study is tax avoidance. Tax avoidance is an effort to minimize the tax burden that is often carried out by companies because it is still within the framework of the prevailing tax regulations. Tax avoidance in this study was measured using the Effective Tax Rate ratio (Jihene and Moez, 2019, Hanlon and Heitzman, 2010, Chen et al., 2010, Khan et al., 2017). ETR is the ratio between total tax expense and profit before tax. The total tax expense represents the current tax expense and deferred tax. ETR can use any form of tax deduction through tax shelters and legal loopholes (Dyreng et al., 2017). Furthermore, ETR can detect tax avoidance that comes from the impact of temporary differences (Hanlon and Heitzman, 2010). ETR is assessed based on financial information generated by the company. This calculation does not only come from income tax but other tax burdens that can be borne by the company. ETR is the inverse function of tax avoidance. However, the ETR value in this study is multiplied by -1 as Khan et al. (2017) so that when the ETR value is low, the company is less involved in tax avoidance practices. The political connection can be seen through whether the company has parties that are close to the government. It can be describes that the government has a connection to the company's organizational structure, whether it is a commissioner or a board of directors (Fisman, 2001). The political connection is measured by a dummy variable, dummy 1 for firms whose board of directors and/or board of commissioners are currently or used to be active in government positions or have served in government, and 0 if they do not have political connections (Cheng et al., 2017, Kim and Zhang, 2016). Institutional ownership is measured by comparing the shares owned by the institution with the number of shares outstanding (Desai and Dharmapala, 2009, Khan et al., 2017). The control variables in this study are ROA, leverage, and company size. The control variables used in this study refer to research conducted by Noor and Sabli (2012). Return on Assets is a ratio that serves to measure the company's ability to generate profits from the company's investment activities. Return on Assets can also describe how a company can manage its assets to generate income. The ROA calculation in this study which is calculated by dividing net profit after tax by total assets. Leverage is a comparison between total liabilities and total company assets which shows the number of assets owned by a business entity that is funded using debt. Company size is a measurement grouped based on the size of the company and can describe the company's operational activities and revenue earned by the company. It is measured by Ln total asset

RESULTS AND DISCUSSION

The total data of non-financial companies listed on the IDX for the 2015-2018 period is 1644 data. Of the total, 836 company data met the sample criteria. The remaining data is not used consist of 465 financial reports that show losses, 159 financial reports that do not provide complete data information, and 184 companies that have ETR values of more than 1 (one) during 2015-2018.This information is provided in Table 1. as below.

Table 1. Research Samples

Sample Criteria	Amount
Non-financial companies listed on the IDX in 2015-2018 and not excluded from the list during that period	1644
Companies that suffered losses in 2015-2018	(465)
Companies that do not have complete data	(159)
Companies that have an ETR value of more than 1 year 2015-2018	(184)
Total Sample used in this research	836

Table 2 describe descriptive statistic of each variable. Variable TA is tax avoidance show that the average of the tax payment compare to earnings before interest and tax is 0.25 shows the normal average of tax rate. The negative sign is used to make the interpretation of the degree of ETR as proxy of tax avoidance in line with the interpretation of the degree of tax avoidance. For variable INSTOWN show that the ownership of institutional is 0.66 in average. It indicates that a big part of the firms has quiet high portion of institutional ownership. Political connection (PCON) show that the result below 0.5 that indicate the number of company do not have political connection is higher than the firms have political connection.

Tabel 2. Descriptive Statistic

Variabel	N	Mean	Std. Dev.	Min	Max
TA	836	-0,248	0,140	-0,941	-0,000
INSTOWN	836	0,655	0,206	0	0,999
PCON	836	0.435	0.496	0	1
ROA	836	0,077	0,089	0,0005	0,745
LEV	836	0,444	0,196	0,0002	0,998
FIRMSIZE	836	28,958	1,585	23,557	33,473

The results of multiple linear regression to test the effect of the political connections and institutional ownership to tax avoidance presented in the Table 3.

Tabel 3. Multiple Regression Analysis Result

Variables	(1) All industry	(2) Mining	(3) Non-mining
PCON	-0.02*	-0.064*	-.0178*
	(0.009)	(0.035)	(0.010)
INSTOWN	-0.03	0.078	-.052**
	(0.022)	(0.078)	(0.241)
ROA	0.22***	0.278*	.180***
	(0.053)	(0.148)	(0.058)
LEV	-0.04	0.161*	.057**
	(0.024)	(0.084)	(0,026)
SIZE	0.00	0.006	.003
	(0.003)	(0.011)	(0.003)
Constant	-0.29*	-0.627*	-.627***
	(0.10)	(0.359)	(0.097)
Observations	836	80	756
R-squared	0.09	0.106	0.03
Industry effect	Yes		

t statistics in parentheses
* $p < 0.1$, ** $p < 0.05$, *** $p < 0.01$

Table 3. shows the result of the multiple regression analysis the effect of political connection and institutional ownership on tax avoidance. Table 3. column 1, is the test of observation for all industry except financial firms. The result shows that political connection has a negative effect on tax avoidance, as well as column 2 for mining and column 3 for non-mining industry. It means that the characteristic of industry has the same effect in the term of political connection. Institutional ownership shows the different result for mining and non-mining industry. In the mining industry, p-value show insignificance. In contrary, for the non-mining industry the coefficient is negative and significant. It shows that the higher the degree of institutional ownership, the lower the degree of tax avoidance.

The Effect of Political Connections on Tax Avoidance

The political connection in this study has a negative effect on tax avoidance. This means that even though there are political connections, companies can still work well and contribute to the country through tax payments according to the amount to be paid. Companies are not trying to take advantage of their political connections to reduce the tax burden. The negative sign indicate that the greater the political relationship the company has, the lower opportunity the firms to do tax avoidance. This research is in line with research conducted by Iswari et al. (2019) who found that political connections have a negative effect on tax avoidance. Companies can benefit from being close to the government, but companies must also think about the long-term impact this will have. The long-term impact of a bad corporate image will decline public trust and the company will suffer losses.

The results of this study has different sign from some researches (Ferdiawan and Firmansyah, 2017, Khlif and Amara, 2019, Adhikari et al., 2006, Ajili and Khlif, 2020, Zhao et al., 2020, Shen et al., 2019) and do not support Kim and Zhang (2016) that states political connections can be used to help reduce the possibility of tax audits or reduce tax sanctions by leveraging connections with the government. Furthermore it explain that the connected firms has lower cost of tax enforcement and lower pressure to have more public transparency. The result also has an opposite side of Lin et al. (2018) who state that connected firm with government can be a significant challenge for the effectiveness of tax enforcement. The results of the study are also different from research conducted by Abdul Wahab et al. (2011) in the Indonesian context during the observation period because there could be characters of political behavior that are different from other countries.

The power of tax office to investigate the compliance of the firms have a role of government monitoring (Xu et al., 2011). Thus, the enforcement will motivate the manager to comply with tax law. The offensive and detrimental issue to society will easily attract public attention. Antonetti and Anesa (2017) state that consumer will react negatively to tax avoidance rather than to reward conservative tax strategies. In addition, Barford and Holt (2013) state that tax avoidance can attract unfavorable attention from public or society in the case of tax shaming phenomenon.

The political connection variable which have a negative effect because the tax regulation regulates transactions with parties who have a special relationship, namely article 18 paragraph 3 of Law No. 36 of 2008 concerning Income Tax. The closeness that is owned by the company makes the company more careful in making any decisions to keep getting appreciation from the government as a compliant taxpayer. This also encourages companies to always follow various regulations issued by the government. Taking advantage of the proximity to political parties does provide several benefits for the company, but the company must think more about the long-term impact it will have. The bad company image will have a long-term impact so that public trust will decrease and cause losses. Companies will prioritize long-term benefits than profits that can only be enjoyed for a moment for the sake of business continuity.

Political connection can be both beneficial or adversely affect management decision based on or depend on legal, cultural, and characteristic in particular circumstance (Amara and Khlif, 2020). In addition, Francis et al. (2016) state that in general the result support that political connection are associated with more tax avoidance, but it highlight that the specific factor determine tax avoidance behavior.

The Effect of Institutional Ownership on Tax Avoidance

The results of this study shows that in general institutional ownership does not have effect on tax avoidance for mining industry. The results of this study are supported by previous research (Ying et al., 2017, Khurana et al., 2018) who indicate that there is bigger role of institutional to monitor the behavior of the companies. This research is also in line with research conducted by Merslythalia and Lasmana (2017). This research is not in line with research conducted by Maharani and Baroroh (2019) and Tiara Riza Falistiani and Trisni (2017) who found that institutional ownership does no effect on tax avoidance. The size of the proportion of institutional ownership does not make tax avoidance practices carried out by companies avoidable. This could happen because institutional ownership entrusts the supervision and management of the company to the board of commissioners. After all, it is their job so

that institutional ownership is still there, but tax avoidance occurs. Institutional ownership should be able to play an important role in supervising managers so that it can force management to avoid selfish behaviors.

Similar results are also obtained from research conducted by Lanis and Richardson (2011) and Lanis and Richardson (2013). Annisa and Kurniasih (2012) conduct research on manufacturing in Indonesia argue that institutional ownership has no significant effect on tax avoidance. Jensen and Meckling (1976) state that institutional ownership has an important role in minimizing agency conflicts that occur between shareholders and managers. Shleifer and Vishny (1986) add that institutional investors with large shareholdings and voting rights can force managers to focus on firm performance and avoid opportunities to prioritize their interests. The results of this study are different from Jamei (2017) who state that there is no effect of institutional ownership to tax avoidance. It also different from research conducted by Khurana et al. (2018) which concluded that the increasing number of institutional ownership will increase tax avoidance. In this research, higher institutional ownership structure indicates that there is pressure from the institution on the company management not to carry out an aggressive tax policy. The company has a responsibility to shareholders, so the institutional owner who is also responsible to the public ensures that the company's management makes decisions that do not harm the long-term survival of the company.

Institutional ownership is held as a GCG mechanism as an oversight organ. With supervision, aggressive tax avoidance practices that can threaten the company's survival can be minimized. When reconnected with agency theory, an institution that has invested in a company will certainly want the best for the company so that the investment will benefit from its investment.

Armstrong et al. (2019) state that companies in the same industry has a role in the strategy of tax avoidance. When it is examined separately, institutional ownership has no effect to tax avoidance in mining industry. In the mining industry, the ownership structure is not an effective tool to reduce tax avoidance practice. It might be due to inefficient monitoring and operation (Huang and Wright, 2015). Furthermore, in mining industry, it has to be more wider pressure to be effective such as environmental pressure (Bleischwitz, 2014). Tax avoidance has negative effect for non-mining industries. In non-mining industry, the higher the level of institutional ownership, the lower the tax avoidance actions taken by the company. It consistent with Peyer and Vermaelen (2016) that state when the higher share will directly affected by the tax change

CONCLUSIONS AND SUGGESTION

Based on the result of the study, it have two main conclusions. The first, political connections have a negative effect on tax avoidance both for mining and non-mining companies. Firm try not to take advantage of their political connections to reduce the tax burden. Despite having political connections, companies can still do well and contribute to the country through appropriate tax payments. The long term perspective of the effect of the firm's strengthen the motive to comply with the tax regulation. The second conclusion, institutional ownership has a negative effect on tax avoidance only in the non-mining industry. This means that the greater the institutional ownership, the less tax avoidance efforts are carried out. The existence of supervision from the institution of aggressive tax avoidance practices that can threaten the company's survival can be minimized. In the mining companies, it needs huge wider pressure that might be more effective than institutional ownership.

REFERENCES

Abdul Wahab, E. A., Zain, M. and James, K. 2011. Political connections, corporate governance and audit fees in Malaysia. *Managerial Auditing Journal, 26*(5), 393-418. https://doi.org/10.1108/02686901111129562

Adhikari, A., Derashid, C. and Zhang, H. 2006. Public policy, political connections, and effective tax rates: Longitudinal evidence from Malaysia. *Journal of Accounting and Public Policy, 25*(5), 574-595. https://doi.org/10.1016/j.jaccpubpol.2006.07.001

Ajili, H. and Khlif, H. 2020. Political connections, joint audit and tax avoidance: evidence from Islamic banking industry. *Journal of Financial Crime*. https://doi.org/10.1108/JFC-01-2019-0015

Alkurdi, A. and Mardini, G. H. 2020. The impact of ownership structure and the board of directors' composition on tax avoidance strategies: empirical evidence from Jordan. *Journal of Financial Reporting & Accounting (Emerald Group Publishing Limited), 18*(4), 795-812. https://doi.org/10.1108/JFRA-01-2020-0001

Alzoubi, E. S. S. 2016. Ownership structure and earnings management: evidence from Jordan. *International Journal of Accounting & Information Management, 24*(2), 135-161. https://doi.org/10.1108/IJAIM-06-2015-0031

Amara, I. and Khlif, H. 2020. A review of the influence of political connections on management's decision in non-US settings. *Journal of Financial Reporting and Accounting, 18* (4), 687-705. https://doi.org/10.1108/JFRA-03-2020-0075

Antonetti, P. and Anesa, M. 2017. Consumer reactions to corporate tax strategies: The role of political ideology. *Journal of Business Research, 74*, 1-10. https://doi.org/10.1016/j.jbusres.2016.12.011

Armstrong, C. S., Glaeser, S. and Kepler, J. D. 2019. Strategic reactions in corporate tax planning. *Journal of Accounting and Economics, 68*(1), 101232

Ball, R. and Brown, P. 1980. Risk and return from equity investments in the Australian mining industry: January 1958—February 1979. *Australian Journal of Management, 5*(1-2), 45-66

Bird, A. and Karolyi, S. A. 2017. Governance and Taxes: Evidence from Regression Discontinuity. *Accounting Review, 92*(1), 29-50. 10.2308/accr-51520

Bleischwitz, R. 2014. Transparency in the Extractive Industries: Time to Ask for More. *Global Environmental Politics, 14*(4), 1-9. https://doi.org/10.1162/GLEP_e_00254

Chaney, P. K., Faccio, M. and Parsley, D. 2011. The quality of accounting information in politically connected firms. *Journal of Accounting and Economics, 51*(1-2), 58-76. https://doi.org/10.1016/j.jacceco.2010.07.003

Chen, S., Chen, X., Cheng, Q. and Shevlin, T. 2010. Are family firms more tax aggressive than non-family firms? *Journal of Financial Economics, 95*(1), 41-61. https://doi.org/10.1016/j.jfineco.2009.02.003

Cheng, Z., Wang, F., Keung, C. and Bai, Y. 2017. Will corporate political connection influence the environmental information disclosure level? Based on the panel data of A-shares from listed companies in shanghai stock market. *Journal of Business Ethics, 143*(1), 209-221

Desai, M. A. and Dharmapala, D. 2009. Earnings management, corporate tax shelters, and book-tax alignment. *National Tax Journal, 62*(1), 169-186. https://www.jstor.org/stable/41790634

Dyreng, S. D., Hanlon, M., Maydew, E. L. and Thornock, J. R. 2017. Changes in corporate effective tax rates over the past 25 years. *Journal of Financial Economics, 124*(3), 441-463. https://doi.org/10.1016/j.jfineco.2017.04.001

Faccio, M. 2006. Politically connected firms. *American economic review, 96*(1), 369-386. 10.1257/000282806776157704

Ferdiawan, Y. and Firmansyah, A. 2017. Pengaruh Political Connection, Foreign Activity, Dan, Real Earnings Management Terhadap Tax Avoidance. *Jurnal Riset Akuntansi Dan Keuangan, 5*(3), 1601-1624. 10.17509/jrak.v5i3.9223

Fisman, R. 2001. Estimating the value of political connections. *American economic review, 91*(4), 1095-1102. 10.1257/aer.91.4.1095

Francis, B. B., Hasan, I., Sun, X. and Wu, Q. 2016. CEO political preference and corporate tax sheltering. *Journal of Corporate Finance, 38*, 37-53. https://doi.org/10.1016/j.jcorpfin.2016.03.003

Hanlon, M. and Heitzman, S. 2010. A review of tax research. *Journal of Accounting and Economics, 50*(2-3), 127-178. https://doi.org/10.1016/j.jacceco.2010.09.002

Hasseldine, J. and Morris, G. 2013. Corporate social responsibility and tax avoidance: A comment and reflection. *Accounting Forum, 37*(1), 1-14. https://doi.org/10.1016/j.accfor.2012.05.001

Hijriani, A. N., Latifah, S. W. and Setyawan, S. 2017. Pengaruh Koneksi Politik, Dewan Komisaris dan Karakteristik Perusahaan terhadap Penghindaran Pajak (Perusahaan BUMN Yang Terdaftar di Bursa Efek Indonesia). *Jurnal Reviu Akuntansi dan Keuangan, 4*(1)

Huang, W. and Wright, B. 2015. Analyst earnings forecast under complex corporate ownership in China. *Journal of International Financial Markets, Institutions and Money, 35*, 69-84. https://doi.org/10.1016/j.intfin.2015.01.003

Iswari, P., Sudaryono, E. A. and Widarjo, W. 2019. Political connection and tax aggressiveness: A study on the state-owned enterprises registered in Indonesia stock exchange. *Journal of International Studies, 12*(1)

Jamei, R. 2017. Tax Avoidance and Corporate Governance Mechanisms: Evidence from Tehran Stock Exchange. *International Journal of Economics and Financial Issues, 7*(4)

Ji, X. D., Ahmed, K. and Lu, W. 2015. The impact of corporate governance and ownership structure reforms on earnings quality in China. *International Journal of Accounting & Information Management, 23*(2), 169-198. https://doi.org/10.1108/IJAIM-05-2014-0035

Jiang, G., Lee, C. M. and Yue, H. 2010. Tunneling through intercorporate loans: The China experience. *Journal of Financial Economics, 98*(1), 1-20. https://doi.org/10.1016/j.jfineco.2010.05.002

Jihene, F. and Moez, D. 2019. The Moderating Effect of Audit Quality on CEO Compensation and Tax Avoidance: Evidence from Tunisian Context. *International Journal of Economics and Financial Issues, 9*(1), 131. https://doi.org/10.32479/ijefi.7355

Khan, M., Srinivasan, S. and Tan, L. 2017. Institutional ownership and corporate tax avoidance: New evidence. *The accounting review, 92*(2), 101-122. https://doi.org/10.2308/accr-51529

Khlif, H. and Amara, I. 2019. Political connections, corruption and tax evasion: a cross-country investigation. *Journal of Financial Crime, 26*(2), 401-411. https://doi.org/10.1108/JFC-01-2018-0004

Khurana, I. K., Moser, W. J. and Raman, K. 2018. Tax avoidance, managerial ability, and investment efficiency. *Abacus, 54*(4), 547-575. https://doi.org/10.1111/abac.12142

Kim, C. and Zhang, L. 2016. Corporate political connections and tax aggressiveness. *Contemporary Accounting Research, 33*(1), 78-114. https://doi.org/10.1111/1911-3846.12150

Lanis, R. and Richardson, G. 2011. The effect of board of director composition on corporate tax aggressiveness. *Journal of Accounting and Public Policy, 30*(1), 50-70. https://doi.org/10.1016/j.jaccpubpol.2010.09.003

Lanis, R. and Richardson, G. 2013. Corporate social responsibility and tax aggressiveness: a test of legitimacy theory. *Accounting, Auditing & Accountability Journal*. https://doi.org/10.1016/j.jaccpubpol.2010.09.003

Li, L. and Islam, S. Z. 2019. Firm and industry specific determinants of capital structure: Evidence from the Australian market. *International Review of Economics & Finance, 59*, 425-437

Lin, K. Z., Mills, L. F., Zhang, F. and Li, Y. 2018. Do political connections weaken tax enforcement effectiveness? *Contemporary Accounting Research, 35*(4), 1941-1972. https://doi.org/10.1111/1911-3846.12360

Maccrimmon, K. R. and Wehrung, D. A. 1990. Characteristics of risk taking executives. *Management science, 36*(4), 422-435. https://doi.org/10.1287/mnsc.36.4.422

Maharani, F. S. and Baroroh, N. 2019. The Effects of Leverage, Executive Characters, and Institutional Ownership to Tax Avoidance With Political Connection as Moderation. *AAJ: Accounting Analysis Journal, 8*(2), 81-87. https://doi.org/10.15294/aaj.v8i2.30039

Martinez, A. L. 2017. Tax aggressiveness: a literature survey. *Revista de Educação e Pesquisa em Contabilidade, 11*, 104-121. https://doi.org/10.17524/repec.v11i0.1724

Merslythalia, R. and Lasmana, M. S. 2017. Pengaruh Kompetensi Eksekutif, Ukuran Perusahaan, Komisaris Independen, dan Kepemilikan Institusional terhadap Tax Avoidance. *Jurnal Ilmiah Akuntansi dan Bisnis, 11*(2), 117-124. https://doi.org/10.24843/JIAB.2016.v11.i02.p07

Moore, J. A. 2012. Empirical evidence on the impact of external monitoring on book–tax differences. *Advances in Accounting, 28*(2), 254-269. https://doi.org/10.1016/j.adiac.2012.06.002

Noor, R. M. and Sabli, M. Tax Planning and Corporate Governance. International Conference on Business and Economic Research (3rd ICBER) Proceeding, 2012.

Peyer, U. and Vermaelen, T. 2016. Political affiliation and dividend tax avoidance: Evidence from the 2013 fiscal cliff. *Journal of Empirical Finance, 35*, 136-149. https://doi.org/10.1016/j.jempfin.2015.10.009

Prebble, Z. and Prebble, J. 2009. The morality of tax avoidance. *Creighton L. Rev., 43*, 693

Roberts, I. and Zurawski, A. 2016. 12. changing patterns of corporate leverage in China: evidence from listed companies. *China's New Sources of Economic Growth*, 271

Shen, Y., Gao, D., Bu, D., Yan, L. and Chen, P. 2019. CEO hometown ties and tax avoidance-evidence from China's listed firms. *Accounting & Finance, 58*(5), 1549-1580. https://doi.org/10.1111/acfi.12442

Tiara Riza Falistiani, P. and Trisni, S. 2017. Factors Affecting Tax Avoidance on Manufacturing Companies Listed on IDX. *AAJ: Accounting Analysis Journal, 6*(3), 407-419. https://doi.org/10.15294/aaj.v6i3.18198

Wahab, E. a. A., Zain, M. M. and James, K. 2011. Political connections, corporate governance and audit fees in Malaysia. *Managerial Auditing Journal, 26*(5), 393-418. https://doi.org/10.1108/02686901111129562

Wang, X. Tax avoidance, corporate transparency, and firm value. American Accounting Association Annual Meeting-Tax Concurrent Sessions, 2011.

Xu, W., Zeng, Y. and Zhang, J. 2011. Tax enforcement as a corporate governance mechanism: empirical evidence from China. *Corporate Governance: An International Review, 19*(1), 25-40. https://doi.org/10.1111/j.1467-8683.2010.00831.x

Ying, T., Wright, B. and Huang, W. 2017. Ownership structure and tax aggressiveness of Chinese listed companies. *International Journal of Accounting & Information Management, 25*(3), 313-332. https://doi.org/10.1108/IJAIM-07-2016-0070

Zain, M. 2008. *Manajemen perpajakan,* Jakarta, Salemba Empat.

Zhao, C. X., Meng, L., Taylor, G. and Richardson, G. 2020. Let's get connected: The effect of directors connected to a tax office on corporate tax avoidance in China. *Journal of Accounting and Public Policy*. https://doi.org/10.1016/j.jaccpubpol.2020.106817