



The effect of executive compensation and board of directors' attributes on tax avoidance (Empirical study of manufacturing companies listed on Indonesia stock exchange in 2017 – 2021)

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Abstract

This study aims to examine the effect of executive compensation and board directors' attributes on tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange in 2017-2021. This study uses a dependent variable (tax avoidance), independent variables (executive compensation and board of directors attributes), and a control variable (leverage).

This study adopts a purposive sampling technique in sample selection that produces 205 research samples from a total of 195 companies for 5 consecutive years (2017-2021) in manufacturing industry sector companies listed on the Indonesia Stock Exchange obtained through Bloomberg data. The research hypothesis in this study uses multiple regression analysis methods. The random effect or generalized least square model is applied in this research model to overcome the problems of autocorrelation and heteroscedasticity.

The findings of this study show that executive compensation has a significant positive effect on tax avoidance strategies. Meanwhile, the personal characteristics of the board of directors that are connoted as attributes of the board of directors do not significantly affect tax avoidance strategies.

Keywords: Tax avoidance, executive compensation, attributes of the board directors, accounting expertise of the board directors, tenure of the board directors

Introduction

Taxes are particular concern to the government, given their significant contribution to state revenues (BPS, 2022)^[4]. As the most significant revenue source, the government strives to optimize tax collection from total recorded revenues. However, government efforts will be contrary to companies and individuals who tend to focus on activities that can minimize the tax burden (Desai & Dharmapala, 2006)^[11]. From 2017 to 2021, tax revenue had an upward trend despite a slump in 2019. This figure proves that taxpayers' awareness of their responsibilities can still not optimize the tax revenue potential. Non-optimal tax compliance impacts Indonesia's tax ratio, which is still in the range of low numbers when referring to the information of the Organization of Economic Co-operation and Development (OECD) and the World Bank (CNN Indonesia). In 2021, the World Bank stated that the average taxation ratio of developing countries was 27.8%. Indonesia only had 10.24% in 2018 and lower in 2020 at 8.33%. The experts' statements are also reinforced by several cases in Indonesia and refer to the trend of tax avoidance in the world, which does not rule out the possibility that tax avoidance behavior in this era can be repeated. In 2016, PT. RNI is indicated to carry out tax avoidance practices by reporting its turnover to be consistently below 4.8 billion per year to get the advantage of facilities from Government Regulation No. 23 of 2018.

Global Witness stated in 2019^[28] that PT Adaro Energy Tbk, labeled as one of the largest coal companies in the world, seeks to carry out tax avoidance practices through transfer pricing by transferring profits earned domestically to partner companies in countries with lower tax rates regulations. This behavior impacts decreasing the state revenue by Rp 1.75 trillion (Witness, 2019)^[28]. Referring to the tax report published by the State of Tax Justice,

Indonesia had an annual tax loss in 2020 of \$4.86 billion or equivalent to IDR 68.7 trillion at an exchange rate of IDR 14,149 per US dollar due to corporate and individual tax avoidance activities. Reporting from CNN, the Tax Justice Network conducted a study on tax avoidance activities which showed that these counter-government activities could have an economic loss impact of up to 427 billion US dollars or equivalent to Rp 6,046 trillion per year.

Tax aggressiveness can be a tool for companies to minimize the tax burden through tax avoidance or tax evasion activities that lead companies to large profits and higher risks (Boussaidi & Hamed-Sidhom, 2021). Tax avoidance is an activity that is legalized from a legal perspective. Still, it is contra for the government because it tends to reduce the amount of state tax revenue, which leads to hampering equality in public welfare and shows the company's attitude towards indiscipline (Santosa & Kurniawan, 2016)^[25]. Tax avoidance tends to reduce the corporate tax expense as shown in pre-tax income. Tax avoidance strategies can enrich shareholders through tax-saving activities that increase the company's cash flow (Desai & Dharmapala, 2006)^[11]. Tax avoidance is often used as an alternative for companies to double their financial resources to encourage business growth and long-term sustainability (Cook, Moser and Omer, 2017, Campa *et al.*, 2022)^[5].

The level of tax avoidance can be influenced by modern corporate systems with separated ownership and supervision (Slemrod, 2004)^[26]. Agency problems often arise in this system due to conflicts of interest between shareholders as principals and the board of directors as agents. The decision to implement the tax avoidance strategy is the responsibility of the board of directors who play a crucial role as a decision maker at the top level (Dyrenge *et al.*, 2010)^[12]. Chyz & White (2014)^[10] believe that president directors

must have a significant role in decision-making, including tax strategies, even though they are not directly involved. This role cannot be separated from the involvement of chief financial officer, who is the main person in charge of the company's financial and taxation aspects (M. C. Chen *et al.*, 2020) ^[8]. The interaction between them occurs when the president director has set the tone at the top to implement tax avoidance strategies and the CFO will act as executor (Hsieh *et al.*, 2018) ^[16]. The strategic decisions of the board of directors are often linked to the level of compensation. The compensation stated in the contract between the board of directors and the owner can be formed as shareholding or cash (salary and bonus). Cash compensation will encourage managers' enthusiasm to engage in tax avoidance activities by considering small external risks (Huang *et al.*, 2018a) ^[17]. According to Kim *et al.* (2011) ^[23], tax avoidance strategies can lead the board of directors as agents to act inconsistent with shareholder's interest by manipulating profits, diverting company resources, or keeping terrible news. This behavior will lead to information asymmetry actions that impact the bias of shareholders' business decisions or adverse selection. Referring to the upper echelon theory, the board of directors as the leading actor is the most decisive that can reflect the organization's products as a strategy and company performance. The managerial background such as age, socioeconomic background, educational background, gender, tenure, and other characteristics could directly influence the strategies and decision of the firm. The board of directors' characteristics could influence their risk appetite to invest in high-risk decisions considering the benefits that will be obtained. Referring to POJK No. 33/POJK.04/2014, requires a board of directors to have expertise in following company needs. Accounting expertise is one of the essential competencies considering the accounting background has significant potential to influence the ability of the board of directors to regulate the amount of tax owed by the company and present financial analysis reports for tax purposes (M. C. Chen *et al.*, 2020) ^[8]. The tenure of the board of directors also being the highlight for researchers related to the board of directors' characteristics, considering that boards of directors with high tenure tend to have more competent expertise in forming tax efficiency strategies (Halioui *et al.*, 2016) ^[14].

Unfortunately, there are differences in results on the same research concept from several previous studies. Therefore, this study intends to fill the gaps in several previous studies and respond to various tax avoidance issues in Indonesia by focusing on a sample of manufacturing companies operating in Indonesia and listed on the Indonesia Stock Exchange (IDX) in 2017-2021. Manufacturing companies are used as research subjects because of their significant role in tax revenue from 2017-2021. Referring to information provided by the finance ministry in 2020, the manufacturing sector became the most significant contributor to state tax revenue, reaching IDR 38.8 trillion, equivalent to 25.9% of the total tax revenue collected by the government. In addition, the manufacturing industry sector has many issuers so that it can represent samples in other industries. This industrial sector also has aspects of Final Income Tax that are insignificant which will reduce the bias of the calculations (April *et al.*, 2017).

Theoretical framework and hypothesis formulation

Theoretically, agency theory explains that naturally, humans are born greedy, have limited rationality, and tend to avoid

risks. Stakeholders tend to have good portfolio diversification, and they are pro to investments that increase their wealth (Jensen & Meckling, 1976) ^[22]. However, this condition is inversely proportional to the board of directors who are in a position to diversify the portfolio by considering the amount of human capital invested in the company (Campbell *et al.*, 2020) ^[6], thus leading to the tendency of the board of directors not to invest in the amount of risk desired by stakeholders and leading to agency problems (K.-P. Chen & Chu, 2005) ^[7]. The tax burden is like reducing the benefits of the contractual relationship between shareholders and the board of directors (Bauer *et al.*, 2018). Therefore, principals want agents to invest in strategies to increase their wealth through tax avoidance activities. However, the risk-averse board of directors tends to avoid strategies that lead companies to a high risk and bad reputation as an impact of the failure in implementing tax avoidance strategies. Conflict of interest can be reduced by agency costs that consist of monitoring costs, bonding costs, and residual losses for conflict of decisions between agents and principals. The upper echelon theory explains the concept of managerial background, in which organizational outcomes in strategy and company performance reflect the cognitive base and values of the top board of directors. The cognitive basis can be observed when the board of directors is involved in formulating a strategic plan involving three components: 1) Knowledge or assumptions of future events, 2) Knowledge of alternative options, and 3) Knowledge of the consequences inherent in alternative options.

In this study, there is a dependent variable, tax avoidance. Independent variables include executive compensation, accounting expertise of the board of directors, and tenure of the president director. Control variable used in this study to reduce bias in the model.

There are three relationships between variables in this study. Executive compensation has a positive effect on tax avoidance (H1), the accounting expertise of the board of directors has a positive effect on tax avoidance (H2), and the tenure of the president director has a positive effect on tax avoidance (H3). Leverage as a control variable reduces bias in the research model.

Executive Compensation and Tax Avoidance

Based on agency theory, compensation is a tool to align goals between agents and principals to reduce conflicts of interest between each party. Agency theory illustrates that principals tend to have good portfolio diversification, so they are pro to decisions or investments that can provide high returns in cash inflows, such as tax efficiency through tax avoidance. However, the board of directors as agents see this kind of risky decision could threaten their position, so they tend to refrain from investing in high-risk decisions. On the other hand, the board of directors can act opportunistically when tax avoidance strategies are implemented in the company. Therefore, compensation is needed to motivate the board of directors to engage in corporate tax avoidance decisions while staying within the limits of applicable laws and paying attention to the principal's interests.

Previous studies have studied the relationship between executive compensation on corporate tax avoidance activities (Halioui *et al.*, 2016) ^[14]; (Huang *et al.*, 2018b) ^[18]; (Arora & Gill, 2022) ^[2]. The third study concluded that

compensation affects corporate tax avoidance negatively. Meanwhile, Rego, Sonja, and Wilson (2009) [24] found a positive correlation between executive compensation and tax avoidance rates characterized by a negative relationship between executive compensation with CETR levels. This result is supported by Wang & Yao's (2021) [27] research on state-owned holding and non-state-owned holding companies in China, resulting in different conclusions. In non-state-owned holding companies, Wang & Yao (2021) [27] found that the level of monetary and equity compensation given to the board of directors is positively correlated, which can motivate the board of directors to engage in high-risk decisions and tend to invest in tax avoidance decisions. State-owned companies give different results of compensation based on both monetary and equity has no impact on private companies' tax avoidance level. The results of this research are supported by the results of research (Armstrong *et al.*, 2012) [11], which suggests that executive incentives do not affect the level of corporate tax avoidance measured by the Cash Effective Tax Rate (CETR) proxy. Based on the arguments, it is formulated that executive compensation positively influences tax avoidance activities. Thus, the author developed the hypothesis in this study as follows:

H1: Executive compensation has a positive effect on the tax avoidance

Board of Directors Accounting Expertise and Tax Avoidance

Upper echelon theory has explained that the managerial background will influence the board of directors mindset and behavior in making financial decisions (Hambrick & Mason, 1984) [15]. The accounting expertise of the board of directors will encourage them to engage further in tax avoidance activities because an advanced understanding of tax planning is better when compared to boards of directors without accounting experience (M. C. Chen *et al.*, 2020) [8]. Research conducted by Chen (2020) [8] illustrates that the accounting expertise of the board of directors is negatively related to the company's ETR level, which shows that accounting expertise is positively correlated with tax avoidance activities. Jbir *et al.* (2021) [20] revealed in their research on French companies that accounting expertise has a negative effect on corporate tax avoidance. Boards of directors with accounting expertise tend to focus more on better investment opportunities to generate more capital than

by utilizing tax avoidance activities. Meanwhile, the results of Astutik & Venusita (2020) [3] show that accounting education background is negatively correlated with corporate tax avoidance behavior. Another argument is also presented by Dyreng *et al.* (2010) [12] that the educational background and age of the board of directors differ from the factors that can influence the board of directors' involvement in the decision to invest in tax avoidance activities. Therefore, the authors conclude that the accounting experience of the board of directors is positively correlated with tax avoidance. The hypothesis is:

H2: Board of directors with accounting expertise has a positive effect on the tax avoidance

President Director's Tenure and Tax Avoidance

Tenure of the president director shows the number of years the president director has been at the top of the company's leadership. Halioui *et al.*, (2016) [14] found an insignificant positive effect among the tenure of the board of directors on tax aggressiveness activities. The research of Jbir *et al.* (2021) [20] concluded that the tenure of the board of directors is positively correlated with tax avoidance insignificantly. This argument is supported by research from James (2020) [19] in Jbir (2021) [20], who believes that the higher the period of the board of directors occupying their positions, the lower the GAAP ETR. This result indicates that tax avoidance activities are positively affected by the length of tenure of the board of directors. This argument is supported by the upper echelon theory, which explains that the board of directors who occupy their positions for a long time become more confident and challenged in making final financial decisions (Astutik & Venusita, 2020) [3]. Astutik and Venusita also found that the tenure of the board of directors is positively correlated with the level of corporate tax avoidance. Based on the arguments above, in this research the tenure of the president director has a positive effect on corporate tax avoidance activities. The hypothesis is:

H3: Tenure of president director has a positive effect on the tax avoidance

Research methods

This chapter will describe research variables, sample selection and population, types and sources of data, and analytical methods.

Research Variables

Table 1: Research Variables and The Measurement

	Variable	Acronym	Measurement
Dependent Variable	Tax Avoidance	CETR	Current ETR = (Current Tax Expense)/(Pre-Tax Income)
Independent Variables	Executive Compensation	COMP	Ln (Total Executive Compensation)
	Board of Directors Accounting Expertise	KA	Accounting expertise = (Board of directors with accounting expertise)/(Total board of directors) x 100%
	Tenure of President Director	TD	Number of years as a president director
Control Variables	Leverage	LEV	Leverage = (total debt)/(total assets of the company)

Table 1 shows the research variables and how they are measured in this study; tax avoidance is described by the current effective tax rate, which divides the current tax burden with pre-tax income. The independent variable in executive compensation is proxied by the natural logarithm of the total compensation. The accounting expertise variable is proxied by the number of boards of directors with accounting expertise among the entire board of directors. The tenure of the president director is measured by the

number of years as the president director. The control variable reduces model bias due to other variables described by the leverage, measured by dividing the total debt with the company's assets.

Sample and Population

This study uses manufacturing sector companies listed on the Indonesia Stock Exchange (IDX) from 2017 – 2021. The purposive sampling technique is applied to obtain the best

samples in research with the following criteria: 1) Manufacturing sector companies that are not in a suspend/delisting condition and have listed in the 2017-2021 period and have published complete and consistent financial data within the research period, 2) Manufacturing sector companies that disclose financial data based on rupiah currency, 3) Manufacturing sector companies that provide complete data on variables in the annual report in 2017-2021, 4) Manufacturing sector companies that show the results of the Effective Tax Rate in the range of 0-1 or has no losses in the research period.

Analytical Methods

The analytical method used in this study is multiple linear regression analysis and panel data using Stata17. Chow test, Hausman test, and Lagrange multiplier test are some techniques required to select the best research model among the common effect model, fixed effect model, and random effect model. From this test, concluded that the random effect model is best studies the relationship between research variables. This study also carried out The classical assumption test before testing the hypothesis. The classic assumption test measures the normality, autocorrelation, multicollinearity, and heteroscedasticity tests. At the same time, to test the hypothesis using the F-Test, T-Test, and Coefficient Determination Test. The following equation was developed to study the relationship between executive compensation and the board of directors' attributes on tax avoidance.

$$CETR_{it} = \alpha_0 + \alpha_1 KOMP_{it} + \alpha_2 KA_{it} + \alpha_3 TD_{it} + \alpha_4 LEV_{it} + \epsilon_{it}$$

The panel regression equation model above is described as follows:

1. $CETR_{it}$ = Tax avoidance, measured by CETR
2. $KOMP_{it}$ = Executive compensation, measured by ln of total executive compensation
3. KA_{it} = Accounting expertise of the board of directors, measured by dividing the total board of directors with accounting expertise by the total composition of the board of directors
4. TD_{it} = Tenure of the president director, measured by the number of years as the president director
5. LEV_{it} = Leverage, measured by dividing total debts by total assets
6. α = Coefficients
7. ϵ_{it} = error term

Empirical Results

In this section, the research object will be described, as well as the results and discussion of the hypothesis test.

Description of the Research Object

This study consists 195 manufacturing companies listed on the Indonesian Stock Exchange (IDX) until 2021 and 148 manufacturing companies were eliminated. After the elimination process, 47 manufacturing companies were obtained, which could be used in the study.

Results and Discussion

The first test applied is descriptive statistics analysis that summarizes the average, minimum, and maximum values and standard deviation (presented in Table 2). Then, the classical assumption test consisting of multicollinearity test,

normality test, heteroscedasticity test, and autocorrelation are applied in research. However, this research has an autocorrelation problem that can be overcome with a random effect or GLS panel regression model. Hypothesis testing using F-Test, T-Test, and Coefficient Determination Test is applied to prove the effect between H1, H2, and H3 with the results in Table 3.

Table 2: Descriptive Statistics Analysis

Variable	N	Mean	Std. deviation	Minimum	Maximum
CETR	205	0,2430393	0,0684204	0,0285496	0,6242296
KOMP	205	23,81044	1,172195	21,38735	26,36871
TD	205	13,23903	12,51025	1	45
KA	205	0,3293549	0,1517523	0	0,6666667
LEV	205	0,3236902	0,18817	0,004	0,7927

Based on these results, tax avoidance measured by CETR has an average value of 24%. This average is between a minimum value of 2.8% and a maximum value of 62%. The maximum compensation value is 26.37 or Rp 283 billion and the minimum value is 21.29 or Rp 10 billion. The tenure of the president director shows that the most extended leading period is 45 years and the shortest period is 1 year, caused by the rotation of the president director. The accounting expertise of the board of directors presents number 0 as the minimum value, which indicates that none of the board of directors has accounting expertise. The maximum value of 66,67% indicates that more than 50% of the board of directors have accounting expertise. The maximum leverage value shows that the company has a high debt to fund the assets, causing interest expenses and CETR to increase.

Table 3: Hypothesis Test

Effects on Tax Avoidance			
Variable	Coefficient	Z	P > Z
KOMP	-0.0086292	-2.33	0,020
TD	-0.0005499	-1,57	0,115
KA	-0.0472967	-1,71	0,087
LEV	0.0658857	3,02	0,003
_Cons	0.4461695	5,07	0

Note: R² = 9.28%, R² within = 6.19%, R² between = 13.5%

Table 4: Summarizes of Result

Variable	Result
KOMP	Significant negative on CETR
KA	Not significant
TD	Not significant
LEV	Significant positive on CETR

Executive Compensation and Tax Avoidance

Table 4 shows the t-test results that every increase of one percent (1%) of compensation obtained by the board of directors will increase corporate tax avoidance behavior by 0.86%. Compared to 2017, the average compensation is increased, offset by a decrease in the average ETR rate in 2020 and 2021. In 2020, the average amount of executive compensation was IDR 40,326,729,450 and in 2021, the average amount of compensation was IDR 41,405,665,718. The ETR level decreased in 2020 and 2021 to 23%. These results indicate that the higher compensation earned by executives, the higher level of tax avoidance, which is connoted with a lower ETR value.

The results of this research align with the application of agency theory, which explains that in modern companies, conflicts of interest tend to occur between principals and agents. Conflict of interest occurs when stakeholders want tax planning implemented that produces tax efficiency and provides greater returns through tax avoidance activities. Agents as the main person in charge of the company, tend to consider the risks and possible violations of tax law that the company will face if they invest in tax avoidance activities. The opportunist nature of management to utilize tax avoidance strategies could lead to information asymmetry behavior. Agency theory states that compensation can be an alternative to align the goals between principals and agents to reduce conflicts of interest. High compensation can encourage agents' performance to align with the principal's goals to create goal congruence and reduce agency costs. High compensation can encourage executives to invest in riskier tax planning decisions with an appropriate portion.

This research also contributes to the results that align with a study conducted by Wang & Yao (2021) [27], which states that higher executive compensation plays a vital role in motivating directors to engage in tax avoidance activities in non-holding companies. This research is also supported by the results of research by Rego, Sonja; Wilson (2009) [24], Armstrong *et al.* (2012) [1], and Chin *et al.* (2020) [9], who show a positive relationship between executive compensation and tax avoidance activities when compensation acts as a reward for management performance is at a high amount, it will tend to produce lower ETR levels.

Accounting Expertise and Tax Avoidance

The second hypothesis is oriented to examine the effect of the accounting expertise of the board of directors on tax avoidance activities. The results of partial testing in this study show that the accounting expertise of the board of directors does not affect the level of tax avoidance in manufacturing companies. In the t-test table above, a negative coefficient value of -0.0472967 and a significance value on the accounting expertise variable of the board of directors > 0.05 is 0.087, so this variable can be interpreted as having no significant relationship with CETR.

The relationship between accounting expertise variables and tax avoidance decisions by the board of directors in this study does not reflect the explanation in the upper echelon theory. Business decisions such as tax avoidance made by the board of directors can be influenced by the personal characteristics of the board of directors, such as accounting expertise. The study results show that the board of directors' accounting expertise will not affect the board of directors' involvement in tax avoidance activities. The board of directors without accounting expertise can make tax avoidance strategies by involving third parties such as tax consultant services from internal and external parties. Assistance from tax consultant services can encourage companies to be involved in tax efficiency strategies considering that tax consultant services offer consultation to streamline the company's tax burden by using legal alternatives. Board of directors with high experience in the business tend to have an advanced understanding of financial aspects even though their abilities and experience are not obtained through formal ways such as education or professional career paths, so they are not included in their biographies.

The results of this research support the argument of Dyreng *et al.* (2010) [12], who believe that the personal nature of the board of directors does not affect the level of corporate tax avoidance. Factors that influence corporate tax avoidance are the characteristics of the company itself as well as executive compensation. This research is inconsistent with the results of a study from M. C. Chen *et al.* (2020) [8] show that the accounting expertise of a chief financial officer is positively correlated with the level of tax avoidance. Jbir (2021) [21], in his research, found that the accounting expertise of the board of directors has a significant negative effect on tax avoidance activities.

Tenure of the President Director and Tax Avoidance

The third hypothesis is oriented to investigate the effect of the president director's tenure on tax avoidance activities. Partial testing in this study shows that the tenure of the president director does not affect the level of tax avoidance carried out by manufacturing companies. In the t-test table above, a negative coefficient value of -0.0005499 and a significance value on the president director's tenure variable of > 0.05 is 0.115, so this variable is interpreted as having no significant relationship with CETR. Implement an inverse function, considering that tax avoidance is connoted with a low ETR rate. Suppose the direction of the relationship to CETR indicates a negative relationship. In that case, the relationship to tax avoidance is positive, which means that the longer a board of directors' tenure, the greater the chances of the board of directors engaging in tax avoidance activities.

In this study, there was no significant relationship between the tenure of the president director and the level of tax avoidance. This investigation's results differ from the upper echelon theory, which explains that the board of directors' characteristics, such as the president director's tenure, will reflect their business decisions. This result indicates that both long-term and early-term boards of directors tend to engage or not engage in tax avoidance activities. The ability of the president director to formulate the tax strategies cannot be considered only from the number of tenures in the manufacturing company but also look at the tenure of president directors in different companies with the same position or occupying other strategic positions that reflect their high experiences and knowledge to make effective business decisions. This relationship also can be explained by considering the number of president directors who still have tenure at the beginning period due to the rotation period that is causing them to strengthen their position and try to reduce the level of failure risk in tax policy that can threaten their position (Goldman *et al.*, 2017) [13]. Rather than engaging in tax avoidance strategies to increase profits, the board of directors tends to make more innovative investments to make a good impression on stakeholders. This study aligns with the studies by Halioui *et al.* (2016) [14], Goldman *et al.* (2017) [13], and Jbir *et al.* (2021) [21], which found that the tenure of the president director does not have a significant effect on tax avoidance decisions.

Control Variables

Leverage has a significant negative effect on tax avoidance. When a company has a high level of leverage, it indicates that the company has a high level of debt. Hence, the level of tax avoidance becomes low because the company's interest expense increases.

Conclusions and limitations

Several conclusions were obtained based on the test results in investigating the effect of executive compensation and the board of directors' attributes on tax avoidance.

Executive compensation has a significant positive effect on tax avoidance activities. This relationship can be explained by the fact that when executives receive higher compensation levels, they are more likely to engage in tax avoidance activities and high-risk business decisions as a commitment to stakeholders who want tax efficiency and optimal returns.

The board of directors' accounting expertise does not affect the board of directors' involvement in tax avoidance activities. The board of directors without accounting expertise can also be involved in tax avoidance strategies by involving other parties with accounting and taxation expertise, such as tax consultant services.

The tenure of the president director does not affect the board of directors to engage in tax avoidance activities. The experience and expertise of the president director are not only determined by the tenure of the president director in one company but also considering the experience in previous companies. Short periods of the president director's tenure are caused by the rotation period that leads them to strengthen their position rather than be involved in tax avoidance decisions.

During the research process, researchers encountered several limitations that can be an improvement for further research. The lack of disclosure of the company's annual report and research variables reduces the sample. In 2021, the classification of industrial sectors on the Indonesia Stock Exchange changed. This study is still based on the classification of industries before the change in classification. The independent variable used in this research has limitations in explaining the dependent variable due to random and unpredictable data.

Several research suggestions refer to the limitations above, including:

1. The development of this research is expected to be able to adopt and compare several other measurement proxies to measure the level of tax avoidance, such as using the cash effective tax rate and GAAP tax rate.
2. This research only focuses on one industrial sector, further research is expected to expand the sample to include several other industrial sectors.
3. Future research can adopt the latest industrial sector classification on the Indonesia Stock Exchange to provide updates following the latest industry classification.
4. The following research can apply other variables to expand the variables on the board of directors' attributes, such as the ability of the board of directors, foreign board of directors, or concurrent positions of the board of directors.

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