



## Analysis of the impact of good corporate governance and profitability on tax avoidance

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### Abstract

For the state, taxes are a crucial instrument in the revenue structure. However, from the perspective of business entities, taxes are often viewed as a cost that affects profitability, thereby triggering tax avoidance efforts. This research empirically investigates the influence of Good Corporate Governance and profitability levels on such practices in the Indonesian market context. This analysis is built on the foundation of agency theory, which examines how the differing interests between agents (managers) and principals (owners) influence aggressive and risky tax policies for the organization.

This research applies a quantitative approach by utilizing panel data regression analysis techniques. The focus of the examination lies on the independent variables in the form of Good Corporate Governance mechanisms, proxied thru the structure of managerial and institutional ownership, the board of directors, the board of commissioners, as well as the audit committee, and the profitability variable measured using the Return on Assets ratio. The research object includes companies in the food and beverage subsector listed on the Indonesia Stock Exchange. Based on the results of the assumption tests thru the Chow test and the Hausman test, this study establishes the fixed effect model as the most representative estimation model for analyzing the data.

The findings of this study indicate that simultaneously, all the independent variables tested have an impact on the phenomenon of tax avoidance. Partially, managerial ownership, institutional ownership, the board of directors, the board of commissioners, the audit committee, and profitability have been proven to have a significantly positive influence on tax avoidance practices. These findings indicate that strong governance and high profit levels encourage companies to engage in more efficient tax planning to legally enhance company value and internal cash flow.

**Keywords:** Managerial Ownership, Institutional Ownership, Board of Directors, Board of Commissioners, Audit Committee, Return on Assets, Tax Avoidance

### Introduction

Taxes are a crucial fiscal instrument for a country to finance development and public services. However, for corporations, taxes are often considered a burden that can reduce net profit and dividends for shareholders. The contradiction of interests between the government that wants to maximize revenue and companies that want to minimize tax costs gives birth to the phenomenon of tax avoidance or tax avoidance. Globally, this practice is a serious concern through the OECD's base erosion and profit shifting initiatives to prevent the diversion of profits to low-tax areas.

In Indonesia, the effectiveness of tax collection is reflected in the tax ratio that is still fluctuating. Based on data from the directorate general of taxes, although tax revenue targets have often been achieved in recent years, major challenges remain at the level of formal and material compliance of companies. The downward trend of the Effective Tax Rate in strategic sectors shows the systematic use of legal loopholes. This phenomenon is strengthened by post-pandemic global economic pressures that require companies to be efficient with cash flow, so tax planning is an option that is often taken.

The main problem arises from the existence of information asymmetry between management as managers (agents) and shareholders as owners (principals), as explained in agency theory. Managers may engage in very aggressive tax avoidance in order to obtain compensation based on profit performance, but on the other hand this action poses legal and reputational risks to the company. In companies listed

on the Indonesia Stock Exchange, especially in the food and beverage sector, tax policies are greatly influenced by how governance is internalized in strategic decision-making. Ghorbel & Boujelben (2025) <sup>[3]</sup> added that the Good Corporate Governance mechanism acts as a mediator to ensure that the company's actions remain ethical and do not harm stakeholders in the long run.

The main challenge today is the inconsistency of the role of internal oversight in mitigating tax aggressiveness. Companies are often stuck in a dilemma between increasing profitability or maintaining ethics in doing business. High profitability theoretically provides room for companies to pay larger taxes, but in practice, large profits are often followed by more complex tax planning to maximize profit retention for investors. This raises the question of whether the current governance mechanism is strong enough to oversee sustainable tax policies.

Several previous studies have tried to dissect the driving factors for tax avoidance. Jensen and Meckling (1976) <sup>[5]</sup> remain the main foundation in looking at how agency structures can influence tax decisions. In a more modern study, Olayiwola and Okoro (2021) <sup>[6]</sup> found that good governance can suppress tax avoidance, while Iazzi *et al.* (2022) <sup>[4]</sup> highlighted the influence of board characteristics on tax policy. In Indonesia, the results of studies on the impact of profitability on tax avoidance still show mixed results, with some studies stating a significant positive effect, while others finding irrelevant relationships depending on the size of the company.

Saragih (2024) <sup>[7]</sup> empirically shows that superior corporate governance plays an important role in activating the impact of internal information quality. Without strong GCG, quality financial information will not be optimal in generating tax savings. This shows that GCG is not only a supervisory tool, but also a driver of operational efficiency in the tax aspect.

There is a significant research gap related to the consistency of the results of the influence of Good Corporate Governance. The limitations of previous research lie in the focus that is often only on one GCG proxy, so that it is not able to describe the synergy between managerial and institutional ownership, the board of commissioners, the board of directors and the audit committee as a whole. In addition, many previous studies have not considered the dynamics of recent tax regulation changes in Indonesia, such as the implementation of the Law on Harmonization of Tax Regulations, which directly affects the behavior of corporate taxpayers in tax planning.

This research aims to improve these limitations by comprehensively integrating various components of GCG and profitability. Through the use of the latest data from the period 2020 to 2023, this study provides a fresher picture of company behavior amid post-pandemic regulatory changes. The use of more specific proxies such as managerial and institutional ownership percentages, board of directors, board of commissioners, audit and profitability committees is expected to provide a more accurate answer to the inconsistency of results in previous studies.

The urgency of this research is based on the urgent need to create a transparent tax ecosystem in Indonesia. A deep understanding of how profitability and governance structures affect tax avoidance is crucial for governments in formulating policies that can close the tax avoidance gap without shutting down the investment climate. For companies, this study is an internal evaluation of whether their GCG mechanism has been effective in protecting companies from tax risks in the future.

The need for further research on this theme is also driven by the fact that tax planning practices continue to evolve along with the digitalization of the economy. By analyzing empirical data from food and beverage companies, this research makes a new contribution to the development of tax accounting and financial management. Finally, the results of this study are expected to be a scientific reference for practitioners and academics in understanding the complexity of the relationship between profits, governance, and corporate social responsibility in the form of tax contributions to the state.

### Theoretical Framework and Hypothesis Formulation Agency Theory

Popularized by Jensen and Meckling (1976) <sup>[5]</sup>, it describes the contractual relationship between the principal (owner) and the agent (manager), in which a conflict of interest arises in tax planning. This conflict occurs because agents tend to act opportunistically for personal gain, such as getting bonuses through reporting high net income by aggressively minimizing the tax burden. Instead, the principal wants reasonable tax compliance in order to maintain the company's long-term value and avoid the risk of heavy legal sanctions in the future.

This disparity of interests is exacerbated by the existence of information asymmetry, where managers have wider access to internal information about tax strategies than

shareholders. These information gaps are used by managers to carry out opportunistic behavior through covert tax avoidance practices. To mitigate these risks, the role of GCG as a control mechanism is very crucial through GCG components functioning as a monitoring tool to align the interests of agents to remain in line with the main objectives and regulatory corridors that apply.

In this research model, there is a close relationship between profitability and tax avoidance from the perspective of agencies. Companies with high profitability have greater resources to manage, but also face a higher tax burden, triggering managers to avoid taxes in order to maintain liquidity and profit performance. With effective GCG supervision, the level of profitability is expected not to be abused for aggressive tax avoidance, but to be managed transparently to create added value for shareholders without neglecting obligations to the state.

### Theoretical Framework

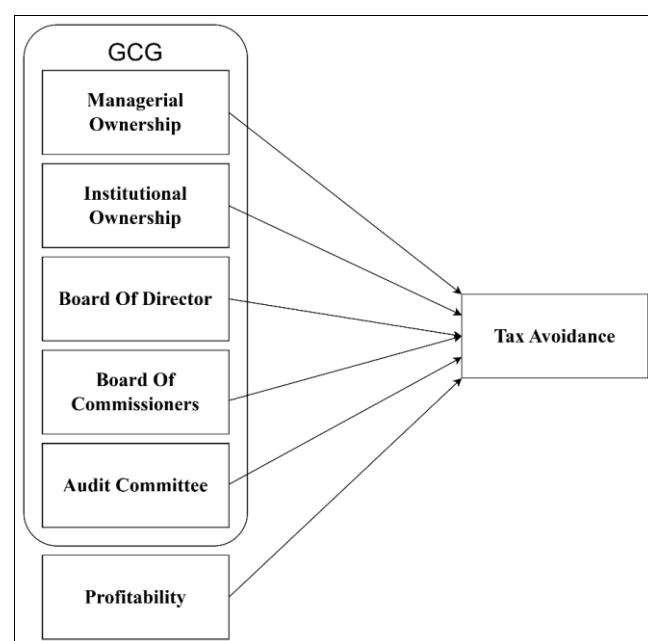


Fig 1: Theoretical Framework

### Hypothesis Development

#### The Impact of Managerial Ownership on Tax Avoidance

Tax avoidance is a manifestation of a managerial strategy to optimize the prosperity of shareholders through the reduction of tax burden legally. In the context of financial management, this practice is seen as a systematic effort to mitigate cash outflows, so that the company's liquidity is maintained to fund productive investment activities. By reducing fiscal liabilities, the company is able to strengthen its capital structure and competitiveness in the market, ultimately aiming to create added value for all stakeholders through improved operating cash flow efficiency.

Viewed from the perspective of agency theory, corporate tax policies are greatly influenced by incentive structures and ownership patterns at the management level. As stated by Olayiwola & Okoro (2021) <sup>[6]</sup>, the high level of managerial ownership serves as an effective unification mechanism between managers and company owners. When managers own a significant proportion of shares, they tend to adopt an owner mindset that focuses on maximizing long term equity value, so that every strategic decision included in the

taxation aspect is geared towards supporting the company's sustainable value growth.

This encourages managers to implement measurable tax planning, in order to increase net profit and residual value for shareholders as long as the emerging risks remain under control. This strategy shows that fiscal efficiency is not just a technical decision, but rather the result of a structural drive that places managers as agents of change in value optimization. Therefore, managerial ownership acts as a key catalyst in creating tax efficiencies that align with the findings of Tackie *et al.* (2022) <sup>[8]</sup>, where value-oriented tax policies are a top priority for managers who have ownership exposure in the entity.

**H1:** Managerial ownership has a positive effect on tax avoidance

### **The Impact of Institutional Ownership on Tax Avoidance**

Within the framework of agency theory, institutional ownership serves as an essential external oversight mechanism (Olayiwola & Okoro, 2021) <sup>[6]</sup>. Large entities, such as banking institutions and pension funds, have the resource capacity as well as the economic motivation to closely monitor managerial performance. This supervisory function has a dual purpose, mitigating opportunistic actions of managers who risk degrading the company's value, while encouraging policies that are able to optimize investment returns. In the realm of taxation, institutional investors view tax efficiency as a vital instrument in value creation, so they tend to direct management to adopt a tax planning structure that is able to maximize after-tax profits. Despite the risks inherent in aggressive tax practices, value-oriented institutional ownership will support a tax strategy that has undergone a comprehensive risk-benefit evaluation to ensure the sustainability of cash flow. This is reinforced by empirical evidence showing that institutional ownership drives higher tax avoidance activities as part of synchronizing governance with optimal taxation strategies (Iazzi *et al.*, 2022) <sup>[4]</sup>.

**H2:** Institutional ownership has a positive effect on tax avoidance

### **The Impact of the Board of Directors on Tax Avoidance**

The board of directors plays a crucial role as a strategic controller that determines the direction of corporate tax policy to balance financial efficiency with regulatory compliance. Based on the perspective of agency theory, the effectiveness of the board in carrying out its supervisory function is highly dependent on internal features such as the size and gender diversity of members. Referring to Olayiwola & Okoro (2021) <sup>[6]</sup>, effective tax planning is a strategic investment policy that forces management to optimize the maximum use of resources to mitigate cash outflows. In this context, boards with cognitive advantages from diverse perspectives are able to ensure that the tax strategy taken remains precise and aligned with the company's long-term goals.

Although large-scale boards face coordination challenges, the complex characteristics of boards often have to do with improving measurable and controlled tax planning. This suggests that strong corporate governance serves as a mechanism to transform tax planning from a mere administrative liability to an optimal value creation strategy for shareholders, as affirmed by Iazzi *et al.* (2022) <sup>[4]</sup>. In line

with that, Olayiwola & Okoro (2021) <sup>[6]</sup> emphasize the importance of the role of boards in creating a check and balance system to monitor managerial behavior so that the potential benefits of tax savings are not misused for the personal benefit of management, but are actually aimed at protecting and improving shareholder wealth.

**H3:** The characteristics of the board of directors have a positive effect on tax avoidance

### **The Impact of the Board of Commissioners on Tax Avoidance**

The board of commissioners plays a vital role as an independent control mechanism in guiding the direction and overseeing the implementation of corporate tax planning. Based on the perspective of agency theory, their main function is to ensure that any managerial action in the field of taxation remains aligned with the company's main goal, which is to increase value for capital owners. Referring to Iazzi *et al.* (2022) <sup>[4]</sup>, the effectiveness of supervision by commissioners serves as a bulwark of defense in maintaining managerial accountability. In line with the research of Olayiwola & Okoro (2021) <sup>[6]</sup>, the existence of strict oversight of this governance structure forces management to treat tax planning as a strategic and efficient investment policy, rather than just a technical instrument to avoid fiscal obligations.

Independence in the board of commissioners is significantly able to minimize the manager's room to carry out opportunistic actions through tax savings loopholes. According to Tackie *et al.* (2022) <sup>[8]</sup>, independent supervision creates an ecosystem where tax planning is carried out prudently and with low risk, but is still able to provide optimal economic added value for shareholders. With a strong check and balance mechanism, the board of commissioners acts as a catalyst that transforms tax avoidance practices into measurable profitability improvement strategies. This emphasizes that good corporate governance not only functions as a supervisor, but also as a driver of the company's overall financial performance through the efficiency of responsible tax burdens.

**H4:** The existence of the board of commissioners has a positive effect on tax avoidance

### **The Impact of the Audit Committee on Tax Avoidance**

The audit committee acts as the frontline in evaluating corporate risks, particularly in mitigating the dimensions of tax risks under the agency's theoretical framework. According to Iazzi *et al.* (2022) <sup>[4]</sup>, the existence of a committee with a strong accounting background not only serves as a barrier against tax planning that violates the rules, but also as a strategic support for the efficiency of tax planning through in-depth compliance tests. This is in line with the argument of Olayiwola & Okoro (2021) <sup>[6]</sup> who assert that tax planning is a significant investment policy that requires management to optimize resources to the maximum. Therefore, the audit committee ensures that any complex tax scheme remains value-oriented without neglecting the legality aspect.

Fundamentally, the audit committee's capacity in assessing risks and maintaining the quality of financial statements is

the main pillar in creating optimal and credible tax planning. The synergy between the committee's internal oversight and qualified external auditors allows companies to adopt bolder tax maneuvers but remain accountable in the eyes of fiscal authorities. In line with Olayiwola & Okoro (2021) <sup>[6]</sup>, a strong governance mechanism is needed to carry out the monitoring function of tax strategies to prevent management from hiding actions that are detrimental to the company. Thus, the audit committee's oversight guarantees that the efficiency of the tax burden is truly transformed into a sustainable increase in shareholder wealth.

**H5:** The quality/characteristics of the audit committee have a positive effect on tax avoidance

### The Impact of Profitability on Tax Avoidance

High profitability is the main determinant that provides strategic incentives for companies to avoid taxes in order to maximize the company's value. According to Olayiwola & Okoro (2021) <sup>[6]</sup>, tax planning that tends to be effective is seen as a crucial investment policy for companies with large profits to mitigate cash outflows. When companies record superior returns on assets, managers tend to be more proactive in utilizing efficient tax schemes to protect those revenues from high fiscal burdens. This is done so that the company can maintain the liquidity needed to fund productive activities that are able to increase the competitiveness of the corporation in the market.

Based on the perspective of agency theory, profitable companies have a greater resource capacity to execute tax planning with precision. According to Abu (2022) <sup>[1]</sup>, tax efficiency carried out when profits increase will increase the availability of free cash flow that can be allocated for the benefit of shareholders, thereby increasing the overall value of equity. In line with Gabrielli & Greco (2023) <sup>[2]</sup> regarding resource superiority, strong profitability provides flexibility for management to access professional expertise in navigating the complexities of tax regulation. Thus, increasing profitability logically encourages the intensity of

tax avoidance as a rational managerial effort to optimize the prosperity of company owners through operational expense efficiency.

**H6:** Profitability has a positive effect on tax avoidance

### Research Methods

#### Population and Sample

The target population in this study is focused on subsector companies food and beverage which are listed on the Indonesia Stock Exchange during the observation period from 2020 to 2023. The determination of this population uses a unit of analysis in the form of company-years (firm-year), which includes all available observational data over that time frame. Specifically, the main criterion for this population is a public entity that has a regulatory obligation to publish audited annual financial statements and submit good corporate governance reports periodically.

This study applies purposive sampling techniques in determining the research sample, where the selection of subjects is based on specific criteria that are aligned with the objectives of the study.

The criteria set in the sample selection process are as follows:

1. Food and beverage subsector companies that are consistently listed on the Indonesia Stock Exchange (IDX) during the entire observation period (2020-2023).
2. The Company is required to issue annual financial statements that have been audited and presented in Rupiah currency units.
3. The company did not incur losses, which is shown by the position of positive Profit before Tax and Net Profit consecutively during the research period.
4. The company has comprehensive data availability for all variables tested.

### Variables and Their Measurements

**Table 1:** Variables and Measurements

| Variabel                     | Measurement Indicators   | Measurement Scale |
|------------------------------|--|-------------------|
| Tax Avoidance (Y)            | ETR = Income tax expense / Profit before tax   | Ratio             |
| Managerial Ownership (X1)    | MAN= Number of share owned by management / Total stock   | Ratio             |
| Institutional Ownership (X2) | INST= Number of shares owned by the institution / Total stock                                  | Ratio             |
| Board of Directors (X3)      | BOD= Member of the Board of Director   | Number of Members |
| Board of Commissioners (X4)  | BOC= Number of independent Board of Commissioners / Total number of the Board of Commissioners | Number of Members |
| Komite Audit (X5)            | Member of the Audit Committee  | Number of Members |
| Profitability (X6)           | ROA= Net Profit / Total Assets   | Ratio             |

### Research Model

This study uses a quantitative approach that focuses on hypothesis testing to explain the causal relationship between variables. The analysis technique applied is panel data regression, which is a method that combines cross-sectoral data with time series data. To ensure the accuracy of the results, the regression model was selected through a series of systematic tests, which included a chow test to compare the pooled OLS with fixed effect, a lagrange multiplier test to compare pooled OLS with random effect, as well as the hausman test as the final determinant. Based on the results

of the test, fixed effect model was determined as the most representative model for processing data in this study.

Before entering the interpretation stage, this research model must pass a classical assumption test procedure to ensure that the data is objective and free from statistical interference. After the model is declared valid, a hypothesis test is carried out consisting of an f test (simultaneous) and a t test. The f-test is used to prove whether all independent variables together have a significant influence, while the t-test is used to see the influence of each variable individually on the tax avoidance phenomenon.

## Results of Research and Discussion

### Research Sample Criteria

**Table 2:** Research Sample Criteria

| No | Criteria  | Quantity |
|----|---|----------|
| 1  | Food and beverage subsector companies that are consistently listed on the Indonesia Stock Exchange during the observation period.   | 97       |
| 2  | Companies that do not publish annual financial statements in Rupiah and have been audited.  | (7)      |
| 3  | A company that publishes annual financial statements in Rupiah and has been audited.  | 90       |
| 4  | The company incurred losses (having a positive Profit Before Tax and a positive Net Profit) consistently during the observation period. This criterion is necessary to avoid the bias of the calculation of the Effective Tax Rate caused by the previous year's fiscal loss or distortion of the Effective Tax Rate arising from negative profits. | (60)     |
| 5  | The Company has adequate data completeness for all variables studied (Managerial Ownership, Institutional Ownership, Board of Directors, Board of Commissioners, Audit Committee, Return On Asset) during the research period.  | 30       |

### Descriptive Statistical Results

**Table 3:** Statistics Descriptive

|              | X1   | X2    | X3   | X4   | X5   | X6    | Y    |
|--------------|------|-------|------|------|------|-------|------|
| Mean         | 0.98 | 29.03 | 3.55 | 0.01 | 2.33 | 0.09  | 0.24 |
| Median       | 0.74 | 29.41 | 4.00 | 0.02 | 2.00 | 0.07  | 0.22 |
| Maximum      | 7.99 | 32.85 | 4.00 | 0.36 | 3.00 | 0.34  | 0.85 |
| Minimum      | 0.11 | 19.91 | 3.00 | 0.24 | 2.00 | 0.001 | 0.95 |
| Std. Dev.    | 1.12 | 2.78  | 0.49 | 0.07 | 0.47 | 0.06  | 0.16 |
| Observations | 120  | 120   | 120  | 120  | 120  | 120   | 120  |

Source: Processed secondary data, 2025

Based on the results of Table 3 of Descriptive Statistics, the managerial ownership variable (X1) shows a mean value of 0.98 with a range between 0.11 to 7.99. This figure indicates that management's involvement in share ownership in the food and beverage sector is relatively high because it exceeds the threshold of 0.05. In line with that, institutional ownership (X2) recorded a very significant average value of 29.03, with a minimum value of 19.91 and a maximum of 32.85. The high proportion of institutional shares reflects the company's efforts to strengthen supervision to minimize

agency conflicts. Meanwhile, the board structure in f&b companies looks quite lean but effective, the variable of the board of directors (X3) is on average filled by 3 to 4 people, while the variable of the board of commissioners (X4) has a relatively small average share ownership, which is only 0.02.

In terms of supervision and financial performance, the audit committee variable (X5) shows that the majority of companies place 2 to 3 personnel in these positions with an average value of 2.33, which confirms the importance of the audit function for the stability of the company. On the other hand, the profitability variable (X6) has an average value of 0.09 (9%), with a profit achievement range between 0.001 and 0.34, which indicates that companies in this sector still have strong financial performance. Finally, the tax avoidance (Y) variable has an average value of 0.24 with a range of 0.17 to 0.95. This shows that tax planning practices are routinely carried out by f&b companies as a legal measure to optimize their tax obligations.

### Results of the Panel Data Regression Estimation Model Selection Test

**Table 4:** Best Model Determination Table

| Testing                               | Results                  | Verdict  |
|---------------------------------------|--------------------------|----------|
| Chow Test, (WEF vs CEM)               | Prob > 0.05, Prob ≤ 0.05 | EMC, FEM |
| Hausman Test, (REM vs FEM)            | Prob > 0.05, Prob ≤ 0.05 | REM, FEM |
| Uji Lagrange Multiplier, (REM vs CEM) | Prob > 0.05, Prob ≤ 0.05 | EMC, REM |

### Chow Test

**Table 5:** Chow Test Results

| Redundant Fixed Effects Tests    |             |        |        |
|----------------------------------|-------------|--------|--------|
| Equation: Untitled               |             |        |        |
| Test cross-section fixed effects |             |        |        |
| Effects Test                     | Statistic   | d.f.   | Prob.  |
| Cross-section F                  | 5.400.049   | -29,84 | 0.0000 |
| Cross-section Chi-square         | 126.278.989 | 29     | 0.0000 |

The chow test results showed a p-value with a value of  $0.000 < 0.05$ . So that the model is more accurately analyzed using FEM than CEM.

### Hausman Test

**Table 6:** Hausman Test Results

| Correlated Random Effects - Hausman Test |                   |              |        |
|--|-------------------|--------------|--------|
| Equation: Untitled                       |                   |              |        |
| Test cross-section random effects        |                   |              |        |
| Test Summary                             | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob.  |
| Cross-section random                     | 34.391.623        | 6            | 0.0000 |

The test results showed a p-value with a value of  $0.000 < 0.05$ . So that equation 1 is more accurately analyzed using FEM than REM.

## Multicollinearity Test

**Table 7:** Multicollinearity Test Results

|    | X1       | X2        | X3       | X4       | X5        | X6        |
|----|----------|-----------|----------|----------|-----------|-----------|
| X1 | 1.000000 | 0.021659  | 0.241087 | 0.055722 | 0.095399  | 0.135904  |
| X2 | 0.021659 | 1.000000  | 0.046103 | 0.073161 | -0.087651 | -0.013656 |
| X3 | 0.241087 | 0.046103  | 1.000000 | 0.009065 | 0.639602  | 0.156394  |
| X4 | 0.055722 | 0.073161  | 0.009065 | 1.000000 | 0.039028  | 0.156106  |
| X5 | 0.095399 | -0.087651 | 0.639602 | 0.039028 | 1.000000  | 0.003236  |
| X6 | 0.135904 | -0.013656 | 0.156394 | 0.156106 | 0.003236  | 1.000000  |

In the table above, the multicollinearity test showed a correlation with a value of  $< 0.80$ , meaning that there were no symptoms of multicollinearity in the independent variables studied.

## Heteroscedasticity Test

**Table 8:** Heteroscedasticity Test Results

| Dependent Variable: ABS(RESID) |             |        |
|--------------------------------|-------------|--------|
| Variable                       | t-Statistic | Prob.  |
| C                              | -0.377771   | 0.7066 |
| X1                             | 1.054.047   | 0.2949 |
| X2                             | 0.422175    | 0.6740 |
| X3                             | 0.746404    | 0.4575 |
| X4                             | 0.914510    | 0.3631 |
| X5                             | -0.260915   | 0.7948 |
| X6                             | -3.502.816  | 0.2327 |

In the table above, the heteroscedasticity test is obtained with a probability of  $> 0.05$ , so that the independent variables studied do not occur symptoms of heteroscedasticity.

## Hypothesis Test Results

**Table 9:** Hypothesis Test Results

| Dependent Variable: Y |             |            |             |
|-----------------------|-------------|------------|-------------|
| Variable              | Coefficient | Std. Error | t-Statistic |
| C                     | 3.339586    | 2.573859   | 1.453953    |
| X1                    | 0.002495    | 0.003289   | 2.324874    |
| X2                    | 0.129482    | 0.031126   | 4.122334    |
| X3                    | 0.242525    | 0.063642   | 2.285464    |
| X4                    | 0.024258    | 0.356293   | 3.239267    |
| X5                    | 0.023295    | 0.244561   | 3.084444    |
| X6                    | 0.425824    | 0.629537   | 1.923429    |

Based on the results of statistical testing, the managerial ownership variable (X1) obtained a calculated t value of 2.324874, which is greater than the t table (1.9802722) with a significance level of  $0.0000 < 0.05$ . Thus, the first hypothesis (H1) is accepted, which shows that managerial ownership has a significant positive influence on tax avoidance practices. The same trend can be seen in the institutional ownership variable (X2), where the calculated t-value of  $4.122334 > 1.9802722$  and the significance value of  $0.0123 < 0.05$  successfully prove that H2 is accepted, confirming the positive influence of institutional ownership on tax avoidance. Furthermore, testing the company's governance structure also shows the same results. The variable of the board of directors (X3) has a calculated t-value of 2.285464 with a significance of 0.0089, so H3 is accepted. This indicates that the characteristics of the board of directors play a positive role in tax avoidance. Likewise, the board of commissioners (X4) which produced t count

3.238267 with a significance of 0.0034, and the audit committee (X5) with a t count of 3.084444 and a significance of 0.0367. Both showed a significance value below 0.05, so H4 and H5 were accepted, which means that the existence of the board of commissioners and the quality of the audit committee have a real positive effect on the company's tax planning policy. Finally, the profitability variable (X6) shows a calculated t-value of 1.923429 with a significance level of  $0.0081 < 0.05$ . Based on this data, the sixth hypothesis (H6) is declared accepted, which proves that the level of profitability of the company has a positive correlation with the company's tendency to avoid tax avoidance.

## Test F

**Table 10:** F Test Results

| Cross-section fixed (dummy variables) |          |
|---------------------------------------|----------|
| R-squared                             | 0.754522 |
| Adjusted R-squared                    | 0.652240 |
| S.E. of regression                    | 0.096544 |
| Sum squared resid                     | 0.782943 |
| Log likelihood                        | 131.6586 |
| F-statistic                           | 7.376856 |
| Prob(F-statistic)                     | 0.000000 |

Based on the data in the table above, the results of the statistical test show that the value of f calculated is 7.378, which is significantly larger than the f of the table, which is 2.179. With a significance level of 0.00000 (below 0.05), it can be concluded that there is a simultaneous and significant influence between managerial ownership, institutional ownership, characteristics of the board of directors, the existence of the board of commissioners, the quality of the audit committee, and profitability on tax avoidance. This confirms that all independent variables in this model together are able to be valid predictors for corporate tax planning policies. Furthermore, the analysis of the adjusted r squared value showed a figure of 0.6522. This indicates that 65.2% of the variation in the tax avoidance variable can be comprehensively explained by the combination of the variables of managerial ownership, institutional ownership, board of directors, board of commissioners, audit committee, and profitability. Meanwhile, the remaining 34.8% was influenced by other factors outside the research model that were not observed in the current study.

## Conclusions, Limitations and Suggestions

### Conclusion

This study aims to analyze the impact of Good Corporate Governance and profitability to practice tax avoidance. In this study, the GCG mechanism was proxied through

managerial ownership, institutional ownership, board of directors, board of commissioners, and audit committee, while profitability was measured using ratios Return on Assets. The focus of observation is directed at sub-sector companies food and beverage listed on the IDX during the observation period from 2020 to 2023.

The results of the study show that managerial ownership has a positive effect on tax avoidance. This indicates that the ownership of shares by the management is able to align the interests of the agent with the principal. With the dual role of owner, managers are encouraged to adopt policies that increase the value of the company, including legally implementing tax expense efficiencies to strengthen cash flow and shareholder welfare. In line with that, institutional ownership has also been proven to have a positive effect on tax avoidance. Institutional entities such as pension funds and banks have strong resources and incentives to carry out strict supervision, thus encouraging corporate managers to optimize tax planning.

Furthermore, the characteristics of the board of directors were found to have a positive effect on tax planning, where the competence of the board of directors is reflected in strategic decision-making in accordance with the company's procedures. The role of independent supervision through the existence of a board of commissioners and the characteristics of an audit committee also show a positive correlation with tax avoidance. Based on the agency theoretical framework, these two instruments are crucial monitoring mechanisms to mitigate conflicts of interest, reduce information asymmetry, and limit opportunistic management behavior in tax matters. Finally, profitability has been proven to have a positive effect on tax avoidance. According to the agency's theory, an increase in profit will automatically increase the potential tax burden, which then triggers companies to design effective tax planning strategies to maintain net profit optimization and cash flow stability.

### Limitations

The main obstacle lies in the limited number of companies that can be used as research samples, although there are quite a few companies in the sub-sector food and beverage listed on the Indonesia Stock Exchange during the period 2020 to 2023, most of which do not meet certain criteria to be sampled. The limited number of samples has the potential to affect the generalization of the research results, so the conclusions obtained cannot be representative of the condition of all companies in the sector at large.

In addition, this study also recognizes the influence of external factors outside the research model, such as fluctuations in market conditions and global economic dynamics. These factors indirectly affect the company's performance and policies, but they cannot be fully accommodated in this observation.

### Suggestions

The researcher is then advised to explore various alternative variables that have the potential to affect tax avoidance policies, such as aspects of leadership style, organizational culture, and the level of innovation in the company. In addition, research development can be carried out by expanding the scope of objects and extending the

observation period to capture broader trend dynamics. The use of qualitative approaches or mixed methods is also highly recommended to gain a more comprehensive and in-depth understanding of the phenomenon of the impact of Good Corporate Governance and profitability on corporate tax avoidance strategies.

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