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ANALYSIS OF FACTORS INFLUENCING TAX AVOIDANCE OF CONSUMER GOODS MANUFACTURING COMPANIES ON THE IDX (2018-2021)

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Abstract: This study aims to investigate the impact of the board of commissioners, audit committee, company size, and leverage as an intervening variable on tax avoidance among manufacturing companies in the consumer industry sector listed on the IDX for the period of 2018-2021. The sample selection was carried out by purposive sampling technique and a sample of 37 companies was obtained with 148 financial report data. The type of research used is quantitative research with secondary data. The study utilized panel data regression analysis and path analysis through Eviews 12. The findings suggest that tax avoidance is negatively impacted by the board of commissioners and company size, while leverage has a positive impact. Moreover, the board of commissioners and audit committee have a negative effect on leverage, whereas firm size has a positive effect. However, the audit committee does not have any effect on tax avoidance. Leverage successfully intervened in the influence of the board of commissioners and the audit committee. However, they were unable to intervene in the company size with regards to tax avoidance.

Keywords: Board of commissioners, audit committee, company size, leverage, tax avoidance

INTRODUCTION

Introduction

Taxes are forced contributions without direct reward. These forced contributions are from the people to the people. They are then used for the welfare and prosperity of the people. Taxes are one of the largest sources of revenue for the government to carry out development. Tax regulations apply to all taxpayers, including individual and corporate taxpayers. The tax collection decreases the revenue or wealth of both personal and corporations.

The government continues to intensify taxpayer awareness, given the important role of taxes in financing state spending (Sari & Marsono, 2020). However, the presence of taxes is certainly a deduction for the profits owned by the company, this triggers companies to be reluctant to pay their outstanding taxes. Based on these problems, there is an asymmetry of interests between taxpayers and the government. According to agency theory, the existence of this asymmetry will lead the firm and management to engage in tax avoidance by minimizing the tax burden in order to maximize profits.

Tax authorities have emphasized the distinction between tax avoidance and tax evasion to prevent any misunderstandings. The most important difference between the two is in terms of their legality. Tax avoidance is legal because companies commit tax violations by finding and taking advantage of loopholes in a country's tax laws. On the other hand, tax evasion is illegal because companies commit violations in taxation by embezzling taxes and even by not paying the taxes they owe at all (Fadillah & Lingga, 2021). This research focuses more on tax avoidance. Tax avoidance is considered to be a unique and complex matter because from one standpoint it is acceptable, but the government does not desire it.

Manufacturing companies in the consumption industry sector for the period 2018-2021 were chosen as the object of research on the grounds that the consumption industry sector is one of the sectors that has a vital role in generating the nation's economic advance. In addition, the consumption industry sector is one of the sectors that will continue to undergo development in line with growth in population and economic conditions in Indonesia.

The phenomenon of tax avoidance in the world has not escaped the case of the leak of a report called "Panama Papers" where the document reveals more than 214,000 shell company information registered in 21 tax havens countries. Examples of multinational companies that engage in tax avoidance in developing countries include Google, Facebook, and Microsoft. These companies evade taxes amounting to 2.8 billion US dollars or equivalent to IDR 41 trillion per year.

Tax avoidance cases also occur in Indonesia in manufacturing companies in the consumption industry sector, namely PT Bentoel International Investama. According to a report from the Tax Justice Network Institute, the tobacco company owned by British American Tobacco (BAT) performed tax avoidance through PT Bentoel Internasional Investama by being in a lot of debt between 2013 and 2015 from an associated corporation in the Netherlands, Rothmans Far East BV, to refinance bank debt and disburse for machinery and equipment. As a result of tax avoidance by taking on debt, the state suffered losses of US$ 14 million per year (Prima, 2019). Based on this case, debt or leverage is one of the factors that affect tax avoidance because the existence of debt will cause a fixed burden which can also be called interest expense. The interest expense that must be paid by the company will be a deduction from net income and reduce tax payments.

The board of commissioners and audit committee may contribute to tax avoidance. The board of commissioners is responsible for directing, guiding, and overseeing the company (Putriningsih et al., 2018). The supervisory function of the board of commissioners can be carried out through the activities of the board of commissioners, namely the intensity of meetings where this is considered.

Another factor that can affect tax avoidance is company size. Watt (in Putriningsih et al., 2018) states that managers of big corporations tend to select accounting methods that postpone disclosed returns from the present term to upcoming terms so as to reduce disclosed returns, but companies cannot always use their power to carry out tax planning due to restrictions in the form of the possibility of being in the spotlight and targets of regulatory decisions.

The factors that impact tax avoidance continue to yield inconclusive results, creating a research gap. A study by Pamungkas & Fachrurrozie (2021) reveals that the board of commissioners, audit committee, and leverage all positively influence tax avoidance, whereas company size has no effect on it. Research conducted by Putriningsih et al., (2018) shows the results that leverage and fiscal loss compensation have a negative effect on tax avoidance. Meanwhile, research conducted by Winda & Nariman (2021) shows that profitability and total assets have a significant positive effect on tax avoidance practices. Meanwhile, debt policy and sales growth have a significant negative effect on tax avoidance practices.

Research purposes

Based on the background described above, the objectives of this research are to analyze the impact of the board of commissioners, audit committee, and company size on tax avoidance, and to analyze the impact of the board of commissioners, audit committee, and company size on tax avoidance using the leverage variable.

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LITERATURE REVIEW

Agency Theory

Agency theory was first proposed by Jensen and Meckling in 1976. Agency theory explains the relationship between principals (shareholders) and agents (managers). The principal is the party that provides resources for the agent, while the agent is the party given resources to provide services in accordance with the interests and authority of the agent in making decisions to achieve the desired company goals (Winda & Nariman, 2021). In this study, it is stated by agency theory that conflicts will arise between stakeholders functioning capable of solving problems and identifying existing problems, and can increase the capacity to provide advice and supervise management.

Meanwhile, the audit committee plays a crucial role in supporting the board of commissioners in overseeing the company's financial statement preparation and providing an overview of fraud connected to tax avoidance practices as principals and the company management operating as agents. The asymmetry of interests between the company and the government will lead to tax avoidance (Pamungkas & Fachrurrozie, 2021). The government seeks to increase state revenue through tax collection to support the welfare of its citizens, while businesses strive for optimal profits by reducing expenses, including tax obligations.

Signaling Theory

Signaling theory was first introduced by Spence in his research entitled Job Market Signaling in 1973. Signaling theory explains that the sender, or owner of information, offers a signal, in the form of information, that reveals the company's condition in a way that benefits the recipient, or investor.

This study applies Signaling theory to suggest that companies which increase their debt are seen as having good prospects for the future. Debt can send a positive signal to external parties, such as investors, that the company is capable of meeting its financial commitments in the future (Pamungkas & Fachrurrozie, 2021).

The Trade-Off Theory

Trade Off Theory was first introduced in 1963 by Modigliani and Miller. This theory explains how much corporate debt and corporate equity so that there is a balance between the costs incurred and the benefits. In this study, Trade-Off Theory posits that companies can use debt financing to manage potential tax liabilities related to bankruptcy (Pamungkas & Fachrurrozie, 2021). In essence, the theory helps companies balance the benefits and drawbacks of debt use. The drawback stems from the possibility of incurring bankruptcy costs.

Tax Avoidance

Tax avoidance results from differences in interests between taxpayers and the government. Companies engage in tax avoidance to maximize profits, as taxes can reduce their profits. Tax avoidance is a way to avoid or reduce the amount of tax paid by the company by utilizing loopholes or weaknesses in tax law regulations so that it is considered legal. This study employs the Effective Tax Rate (ETR) proxy to measure tax avoidance. A company's ETR exceeding the existing rate suggests it has not maximized its tax incentives. Conversely, a lower ETR indicates the company has availed of its tax incentives, resulting in a reduced percentage of tax payments from commercial profits (Pamungkas & Fachrurrozie, 2021).

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$$ETR = \frac{\text{Total Income Tax Expense}}{\text{Earnings Before Tax}}$$

The Board of Commissioners

The board of commissioners is a board that is appointed and dismissed through the General Meeting of Shareholders (GMS), and has the task of supervising and advising the board of directors regarding the interests and objectives of the company. The effectiveness of a board of commissioners can be evaluated by their independence, educational background, number of members, and their activities (Pamungkas & Fachrurrozie, 2021). The present study measures performance based on the frequency of board of commissioners meetings. This is because the more the board of commissioners conducts intensive meetings, the more information can be obtained regarding the management performance of the company (Xie et al., 2003).

DK = Number of Board of Commissioners Meetings

Audit Committee

According to the Indonesian Audit Committee Association (IKAI), the audit committee is a professionally and independently run committee. In carrying out its duties, it is assisted by the board of commissioners, which acts as a supervisor of the financial reporting process, risk management, audit implementation, and the realization of Corporate Governance in companies. The task of the audit committee is to review financial statements to prevent fraudulent actions by management. The company maintains an audit committee comprising of one independent director and at least two additional members from external sources (Pamungkas & Fachrurrozie, 2021).

KA = The Number of Audit Committee Members

Company Size

Company size is one of the factors that can show thestability and ability of the company to carry out its economic activities. Companies with significant assets are generally more financially stable and capable of generating greater profits than those withsmaller assets. Large companies typically possess more substantial and stable assets, which results in higher profits, allowing them to optimize their tax burden. This can have an impact on a company's tax avoidance strategies. As a result, larger companies tend to pay more taxes since the magnitude of their profits correlates with their tax liability (Pamungkas & Fachrurrozie, 2021).

UP = Ln (Total Assets)

Leverage

Leverage is a ratio used to measure the company's ability to pay its obligations. The higher the leverage level of a company, the higher the level of funding obtained. High funding is proportional to high interest costs so that it will reduce the tax burden. In this study, leverage is proxied by the Debt to Equity Ratio (DER). DER describes the total debt and total equity used by the company in funding its operational and investment activities. The higher the debt ratio, the higher the company's tendency to engage in tax avoidance (Pamungkas & Fachrurrozie, 2021).

$$DER = \frac{\text{Total Debt}}{\text{Total Equity}}$$

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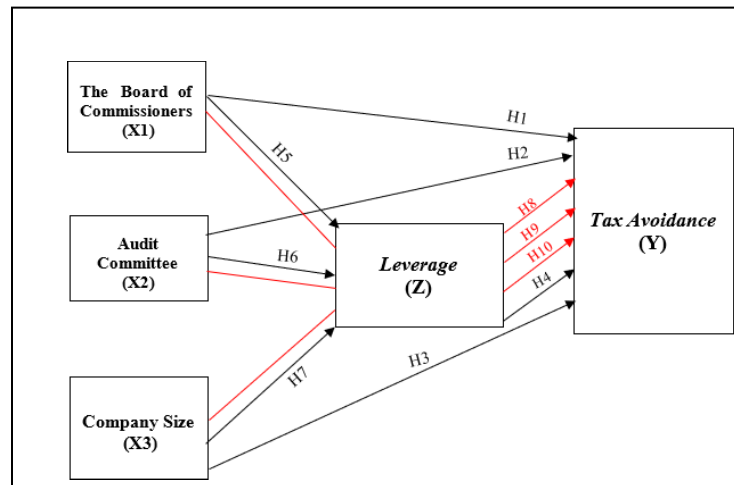

Picture 1
Theoretical Framework
Source: Processed secondary data

Hypotheses Development

Agency theory suggests that the more frequent and intense the board of commissioners' meetings, the greater their ability to regulate the CEO. Effective monitoring activities also have the potential to improve company value while reducing risk (Pamungkas & Fachrurrozie, 2021). Research by Rosalia & Sapari (2017) and Maharani & Suardana, (2014) (in Pamungkas & Fachrurrozie, 2021) demonstrates a statistically significant, negative correlation between the board of commissioners and tax avoidance variables.

H1: The board of commissioners has a negative effect on tax avoidance.

Agency theory suggests that increasing the number of audit committees in a company can improve the control of its activities and minimize tax avoidance practices stemming from agency conflicts (Pamungkas & Fachrurrozie, 2021). Asri and Suardana's research (Asri & Suardana, 2016) (in Pamungkas & Fachrurrozie, 2021) indicates a negative relationship between the audit committee and tax avoidance.

H2: The audit committee has a negative effect on tax avoidance.

Agency theory suggests that companies can utilize their resources to improve company performance compensation by minimizing the tax burden, leading to more optimal company performance (Pamungkas & Fachrurrozie, 2021). Asri & Suardana's study (Asri & Suardana, 2016) (in Pamungkas & Fachrurrozie, 2021) demonstrates a positive correlation between company size and tax avoidance.

H3: Company size has a positive effect on tax avoidance.

Agency theory posits that companies engage in tax avoidance by using debt in their operations, as the interest costs on the debt can be utilized to reduce the company's tax burden. According to Ariani and Wiagustini (Ariani & Wiagustini, 2017) (in Pamungkas & Fachrurrozie, 2021), a higher level of debt indicates greater financial complexity, enabling companies to engage in tax avoidance through more intricate financial transactions. Research conducted by Lanis & Richardson (2015) (in Pamungkas & Fachrurrozie, 2021) indicates a positive correlation between the leverage variable and tax avoidance.

H4: Leverage has a positive effect on tax avoidance.

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Agency theory posits that frictions can occur among creditors, investors, and business directors when debt is used as a funding source. Excessive debt can push the company to the brink of bankruptcy, making it imperative for the board of commissioners to intervene and prevent the accumulation of excessive debt (Pamungkas & Fachrurrozie, 2021).

H5: The board of commissioners has a negative effect on leverage.

Agency theory posits that an increase in the number of members of the audit committee leads to greater company resources to address issues related to leverage in the capital structure (Pamungkas & Fachrurrozie, 2021). Tjandra's research (Tjandra, 2015) (in Pamungkas & Fachrurrozie, 2021) demonstrate a significant negative correlation between the audit committee and leverage.

H6: The audit committee has a negative effect on leverage.

Signal theory states that a company's use of debt is a positive signal for creditors or investors, indicating better prospects for the future and increasing their willingness to provide loans. Larger companies are able to provide better guarantees for debt repayment than smaller companies. Furthermore, larger companies have easier access to the capital market. So that the greater the size of the company, the greater its leverage (Pamungkas & Fachrurrozie, 2021).

H7: Company size has a positive effect on leverage.

Agency theory posits that board meetings of commissioners can monitor and check executive director's opportunistic behavior and the actions of directors. Agency conflicts stem from managers' desire to fulfill their personal interests at the cost of the government's interests. This conflict may lead agents to engage in tax avoidance practices. The incidence of tax avoidance in a corporation may be observed at the level of leverage. This is because when a company has high leverage, it also incurs high interest expenses, which ultimately decreases the amount of taxes paid by the company (Pamungkas & Fachrurrozie, 2021).

H8: The effect of the board of commissioners on tax avoidance through leverage.

Agency theory posits that management, acting as agents, must carry out orders from the principal while fulfilling their duties. The audit committee's role is to provide financial considerations that optimize company value, which can involve securing loans from third parties to support operational activities and lower tax obligations. However, as the company's leverage level increases, so does the risk of bankruptcy due to elevated interest payments. Therefore, the oversight of the audit committee is necessary (Pamungkas & Fachrurrozie, 2021).

H9: The effect of the audit committee on tax avoidance through leverage.

Trade-off theory states that companies can use debt to increase company value and optimize their tax amount. Large companies tend to use more debt for their operational activities, which enables them to perform tax planning by increasing leverage to decrease their tax burden. The higher the tax burden, the more taxes the company must pay. Therefore, as a company increases its leverage, it is likely to engage in tax avoidance practices (Pamungkas & Fachrurrozie, 2021).

H10: The effect of company size on tax avoidance through leverage.

RESEARCH METHODOLOGY

The research approach used in this research is quantitative research. Quantitative data in the form of numbers can then be calculated and processed with Microsoft Excel and Eviews 12 statistical tools. The population in this study are manufacturing companies in the consumer industry sector listed on the IDX for the 2018-2021 period, totaling 99 companies. The sampling technique in this study was purposive sampling technique with criteria determined

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by the researcher in sampling. There are 37 companies that meet the sampling criteria in this study with a 4-year observation period.

The type of data in this study is panel data. Panel data or pooled data is a type of data that is a combination of time series data with cross section data. The method of collecting data by means of documentation studies, namely collecting all secondary data on annual financial reports of manufacturing firms in the primary goods consumption industry sector listed on the Indonesia Stock Exchange (IDX) which have been published in 2018-2021.

The study utilized panel data regression analysis and path analysis via Eviews 12 software to analyze the research model. Classical assumption tests such as normality, multicollinearity, and heteroscedasticity were performed. Following this, the regression model was selected and hypothesis testing was conducted, including the evaluation of intervening variables using the Sobel test. A significance level of 5% or 0.05 was utilized for decision-making purposes. The research model used in the study is represented by the following regression equation:

$$\mathbf{LEV\ (Z)} = \alpha + \beta 1DKit + \beta 2KAit + \beta 3UPit + \varepsilon it$$
$$\mathbf{ETR\ (Y)} = \alpha + \beta 1DKit + \beta 2KAit + \beta 3UPit + \beta 4LEVit + \varepsilon it$$

RESULTS AND ANALYSIS

The Normality Test aims to test whether the data in the research model on the variables are normally distributed or not. The normality test on panel data is carried out using the Jarque Berra testing method. Based on Table 1 below, both sub-structure 1 and sub-structure 2 have Jarque Berra probability results of more than 0.05. These results indicate that the data in structural sub 1 and structural sub 2 are normally distributed.

Table 1
Normality Test Result

Sub Structural	ProbabilityJB	Result
Sub-Structure1	0,129861 > 0,05	Normally distributed
Sub-Structure2	0,307275 > 0,05	Normally distributed

Source: Processed secondary data

The multicollinearity test serves to determine whether there is a correlation between the independent variables in the regression model. One way to detect multicollinearity is with the Variance Inflation Factor (VIF) test. If the VIF value > 10, then there is multicollinearity between the independent variables (Gujarati & Porter, 2009). Based on Table 2 below, both sub-structure 1 and sub-structure 2 have VIF results less than 10. These results indicate that the data in sub-structure 1 and sub-structure 2 do not have multicollinearity symptoms.

Table 2
Multicollinearity Test

Sub Structural	Variance Inflation Factor (VIF)	Result
Sub- Structure 1	X1: 1,03 < 10 X2: 1,02 < 10 X3: 1,00 < 10	Do not have multicollinearity symptoms
Sub- Structure 2	X1: 1,01 < 10 X2: 1,02 < 10 X3: 1,02 < 10 Z: 1,00 < 10	Do not have multicollinearity symptoms

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Source: Processed secondary data

The heteroscedasticity test aims to determine whether there is an inequality of variance from observation value to other observations measured based on the residual value. The basis for decision making is based on the probability value of Obs * -square. Based on Table 3 below, both sub-structure 1 and sub-structure 2 have an Obs*R-square probability result of more than 0.05. These results indicate that the data in sub-structural 1 and sub-structural 2 do not occur symptoms of heteroscedasticity.

Table 3
Heteroscedasticity Test

Sub Structural	Probability Obs*R-square	Result
Sub- Structure 1	0,1528 > 0,05	Do not occur symptoms of heteroscedasticity
Sub- Structure 2	0,8304 > 0,05	Do not occur symptoms of heteroscedasticity

Source: Processed secondary data

Selection of regression models in panel data analysisis carried out using three approaches, namely the Common Effect Model (CEM), Fixed Effect Model (FEM) and Random Effect Model (REM). The bestregression model is then used in the analysis ofresearch hypothesis testing. To determine the best regression model, the regression model is tested with three tests, namely the Chow test, Hausman test, and Lagrange Multiplier (LM) test. The following is a summary of the test results of the two sub-structural models.

Table 4
Model Test Results Summary

Test Types	Model 1	Result Test	Model 2	Result Test
Chow Test (CEM vs FEM)	0.212	CEM	0.747	CEM
Hausman Test (REM vs FEM)	0.968	REM	0.751	REM
Lagrange Multiplier Test (CEM vs REM)	0.438	CEM	0.425	CEM

Source: Processed secondary data

Based on the table above, the most appropriate regression estimation model used for hypothesis testing analysis in this study is the Common Effect Model (CEM) both in sub-structure 1 and sub-structure 2. This is because of the three types of CEM testing is the majority result in both sub-structure 1 and sub-structure 2.

Table 5
Hypothesis Test Result Summary

Variable	Sub-Structure 1 (CEM)				Sub-Structure 2 (CEM)				Sobel Test
	Coef	Std. Error	t-Stat.	Prob.	Coef	Std. Error	t-Stat.	Prob.	
C	4.350	1.448	3.004	0.003	0.697	0.858	0.812	0.418	
DK	-0.665	0.244	-2.720	0.007	-13.801	4.513	-3.058	0.002	0.044
KA	-1.922	0.443	-4.332	0.000	-0.735	0.488	-1.507	0.134	0.026
UP	0.713	0.323	2.211	0.029	0.652	0.297	2.191	0.030	0.060

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LEV					1.099	0.504	2.181	0.031	
R^2	0.163				0.124				
Adj. R^2	**0.146**				**0.099**				
F-Stat	**9.375**				**5.071**				
Prob (F-Stat)	**0.0000**				**0.000**				

Source: Processed secondary data

Based on table 5 sub-structural 1, the Adjusted R- Square value is 0.145973 and the Prob (F-Statistic) value is 0.000011. Thus, it can be assumed that the percentage contribution of the influence of the independent variables, namely the variables of the board of commissioners, audit committee, and company size on the dependent variable, namely leverage of 14.60% and the remaining 85.4% is influenced by external factors or other variables outside the regression model. As well as the variables of the board of commissioners, audit committee, and company size simultaneously affect the leverage variable.

While sub-structure 2 obtained an Adjusted R-Square value of 0.099 and a Prob (F-Statistic) value of 0.000. Thus, it can be concluded that the percentage contribution of the influence of the independent variables, namely the variables of the board of commissioners, audit committee, company size, and leverage on the dependent variable, namely tax avoidance of 10% and the remaining 90% is influenced by outside factors or other variables outside the regression model. As well as the variables of the board of commissioners, audit committee, company size, leverage simultaneously affect the tax avoidance variable.

Table 7
Hypothesis Test Conclusion

Hypothesis	**β**	**Prob.**	**Conclusion**
H1: The board of commissioners has a negative effect on tax avoidance	-13,801	0,002	Accepted
H2: The audit committee has a negative effect on tax avoidance	-0,735	0,134	Rejected
H3: Company size has a positive effect on tax avoidance	0,652	0,03	Accepted
H4: Leverage has a positive effect on tax avoidance	1,099	0,031	Accepted
H5: The board of commissioners has a negative effect on leverage	-0,665	0,007	Accepted
H6: The audit committee has a negative effect on leverage	-1,922	0,000	Accepted
H7: Company size has a positive effect on leverage	0,713	0,029	Accepted
H8: The effect of the board of commissioners on tax avoidance through leverage	-0,731	0,044	Accepted
H9: The effect of the audit committee on tax avoidance through leverage	-2,113	0,026	Accepted
H10: The effect of company size on tax avoidance through leverage	0,784	0,06	Rejected

Source: Processed secondary data

The test results in this study indicate that the board of commissioners has a significant negative effect on tax avoidance. The test results in this study are inline with agency theory which states that the responsibility of the board of commissioners in terms of supervising top management is considered the highest internal control mechanism. In addition, the more effective the monitoring activities, in this case through the intensity of the board of commissioners meeting, the higher the company value and the lower the company risk. The intensity of the board of commissioners meeting is not only to fulfil applicable regulations, but to supervise company management so as not to practice tax avoidance. This study supports

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previous research conducted by Fadilah et al., (2021) and Rosalia & Sapari (2017) which state that the board of commissioners has a negative effect on tax avoidance.

The results of the study suggest that the presence of an audit committee does not have a significant negative impact on tax avoidance. This finding does not align with agency theory, which suggests that increasing the presence of an audit committee enhances supervisory role over company activities and reduces tax avoidance due to management incentives. These results suggest that the audit committee does not influence the scope of a company's tax evasion, particularly for manufacturing companies in the consumer goods industry. Thus, the quantity of audit committees within consumer goods manufacturing companies, irrespective of their size, is insufficient in curtailing tax avoidance. This study confirms the previous research conducted by Putriningsih et al., (2018), which concluded that the audit committee has no significant impact on tax avoidance.

The test results of this study demonstrate that company size has a substantial positive impact on tax avoidance. Furthermore, the results align with agency theory that proposes managers, acting as agents, can enhance their compensation through the strategic utilization of company resources. By decreasing the tax burden of the company, managers can make it appear as though the company is performing well for shareholders, thereby achieving optimal company performance. This study corroborates earlier findings by Sudiarto et al., (2022), indicating that the size of a company is positively correlated with levels of tax avoidance.

The test results of this study suggest that leverage positively impacts tax avoidance. These results align with agency theory, which posits that management prefers using debt for operational activities as interest costs can decrease the company's tax burden. The study's findings imply that the greater the level of corporate leverage, the stronger the inclination to engage in tax avoidance. This study confirms prior research by Pamungkas & Fachrurrozie, (2021), indicating that leverage has a favorable impact on tax avoidance.

The study's test results reveal that the board of commissioners significantly impacts leverage in a negative manner. These findings are consistent with agency theory, which postulates that debt as a funding source creates conflicts between creditors, shareholders, and company managers. The company's potential bankruptcy necessitates the involvement of the board of commissioners to control high levels of debt. According to the study, the board's increased meeting frequency will lower the company's leverage. These findings affirm Sunardi's prior research (Sunardi, 2019) which indicates that the board of commissioners negatively impacts leverage.

The study's test results demonstrate a notable inverse relationship between the audit committee and leverage. These outcomes corroborate agency theory, positing that the company can access more resources to overcome issues related to capital structure leverage when the number of audit committees increases. The results of this study suggest that a sufficient number of audit committees can enhance corporate oversight, particularly with respect to the precision and quality of a company's financial statements. Consistent with the research findings of Pamungkas & Fachrurrozie (2021) this study indicates that the audit committee exerts a detrimental impact on leverage ratios.

The study's test results demonstrate that company size yields a substantial, affirmative impact on leverage. Such results confirm Signaling theory, that larger firms tend to realize higher leveraging. This is due to debt being a positive signal for creditors or investors, who anticipate improved prospects for the firm, thereby rendering them willing to offer loans. The study's results indicate that as a company's total assets increase, so do its funding requirements, leading to the company taking on debt to fulfil these needs. These findings support earlier

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research by Tristianto & Oktaviani (2016), which concluded that company size has a substantial positive impact on leverage.

The study's test results suggest that leverage impacts the influence of the board of commissioners on tax avoidance. These findings align with agency theory, which assumes that the board of commissioners can oversee and regulate the executive directors' and directors' opportunistic behavior. This implies that the role of the board of commissioners in company governance, which has functioned effectively, will be to offer policy solutions for reducing company expenses, particularly through tax planning. By utilizing debt as a form of operational financing, the company can optimize profits and decrease tax burden. Consequently, this creates a high level of leverage that can serve as a standard for the board of commissioners in tax avoidance practices. This research contradicts the study by Pamungkas & Fachrurrozie (2021) which asserts that leverage does not intervene in the impact of the board of commissioners' actions on tax avoidance.

The study's test results suggest that leverage effectively mitigates the impact of the audit committee on tax avoidance. These findings align with agency theory, which posits that management, as an agent, must follow the principal's (shareholders') directives. The quantity of audit committees influences the company's debt expenses. As the number of audit committees in a company increases, the use of excessive debt is suppressed. However, this decrease in debt results in a reduction of interest costs that could be utilized for tax avoidance. This study shows that a higher number of audit committees leads to a lower level of debt and subsequently, a lower level of tax avoidance due to the decrease in the interest rate used as a deduction for taxable income. This study supports the research of Pamungkas & Fachrurrozie (2021), which suggests that leverage effectively intervenes in the impact of the audit committee on tax avoidance.

The study's test results suggest that leverage does not play a role in altering the impact of company size on tax avoidance. The study's test results suggest that leverage does not play a role in altering the impact of company size on tax avoidance. These findings contradict trade-off theory, which suggests that third-party loans can help optimize tax burden, subsequently increasing the company's value. The study's test results suggest that leverage does not play a role in altering the impact of company size on tax avoidance. Therefore, large company size should not always be the basis for taking on debt for tax avoidance. This is because both large and small companies require external financing in the form of loans to support their operational activities. The loan serves as a means for tax avoidance, as the interest costs incurred can lower taxable income. Company size is merely a positive indicator for external parties to obtain loans. This study corroborates the findings of Pamungkas & Fachrurrozie (2021), which suggest that leverage does not intervene in the impact of company size on tax avoidance.

CONCLUSION

The objective of this research is to explore the impact of the board of commissioners, audit committee, company size, and leverage as an intervening variable on tax avoidance among manufacturing companies in the consumer industry sector listed on the IDX for the period of 2018-2021. Based on the results and discussions of this study, the board of commissioners has a negative effect on tax avoidance and leverage, company size and leverage have positive effect on tax avoidance, audit committee has a negative effect on leverage, company size has a positive effect on leverage, board of commissioners and audit committee have effect on tax avoidance through leverage. However, the audit committee did not have negative effect on tax avoidance, and company size did not have effect on avoidance through leverage. It is

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recommended that further research explores different industry sectors, other variables influencing tax avoidance, and expand the observation period.

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