

DIGITAL TRANSFORMATION AND TAX AVOIDANCE OF THE INDONESIAN BASIC MATERIALS AND ENERGY SECTOR

Dwi Novita Nanda Lestari¹, Muamar Nur Kholid²

Universitas Islam Indonesia^{1,2}

²Corresponding author: muamar.nk@uii.ac.id

INFORMASI ARTIKEL

Article history:

Dikirim tanggal: 3/02/2024

Revisi pertama tanggal: 3/03/2024

Diterima tanggal: 16/04/2024

Tersedia online tanggal: 24/06/2024

ABSTRAK

Studi ini dilakukan dengan tujuan untuk mendapatkan bukti empiris mengenai pengaruh komisaris independen, profitabilitas, transformasi digital, kooptasi CFO, kepemilikan institusional dan intensitas aset tetap terhadap penghindaran pajak. Studi ini dilakukan secara spesifik pada perusahaan kategori sektor bahan dasar yang terdaftar di Bursa Efek Indonesia (BEI) pada tahun 2018-2021. Teknik *purposive sampling* digunakan untuk memilih sampel dalam studi ini. Berdasarkan pada teknik tersebut, terdapat 30 perusahaan yang memenuhi kriteria. Regresi berganda digunakan dalam penelitian ini untuk menganalisis data yang telah dikumpulkan. Bukti empiris menunjukkan bahwa penghindaran pajak dipengaruhi oleh kooptasi CFO dan intensitas aset tetap. Studi ini tidak menemukan bukti empiris pengaruh signifikan transformasi digital terhadap penghindaran pajak. Lebih lanjut, penelitian ini mendiskusikan hasil penelitian baik berkaitan dengan ranah teoretis maupun praktis.

Kata Kunci: Kooptasi CFO, transformasi digital, penghindaran pajak, komisaris independen

ABSTRACT

This study was conducted to obtain empirical evidence regarding the effect of profitability, digital transformation, CFO co-optation, fixed asset intensity, institutional ownership, and independent commissioners on tax avoidance in companies included in the basic material sector category listed on the Indonesia Stock Exchange in 2018-2021. The sampling technique in this study used the purposive sampling method so that as many as 30 companies were obtained. The data analysis method uses multiple regression analysis. The results of this study show that CFO co-optation and intensity of fixed assets positively affect tax avoidance. Meanwhile, digital transformation does not affect tax avoidance. Furthermore, this study discusses research results in theoretical and practical domains.

Keywords: CFO co-optation; digital transformation; tax avoidance, Independent commissioner

1. Introduction

Tax represents an obligatory financial contribution to the state, enforced by Law Number 28 of 2007, and serves to meet the state's requirements for the welfare of its citizens (Waluyo, 2017). Paying taxes is not only a citizen's obligation but also a right, signifying active participation in state financing and national development. The focus of taxation is on income, encompassing all economic gains generated domestically or internationally, contributing to needs fulfillment or wealth accumulation. From an economic standpoint, tax is viewed as the transfer of resources from the private to the public sector, ultimately supporting public welfare (Sutedi, 2011). To enhance revenue, the government continually refines tax regulations, aiming for active tax compliance from both individual and corporate taxpayers, thereby facilitating smooth national development.

In 2018, there was a slight increase in the tax-to-GDP ratio, reaching 10.24% compared to the previous year. However, this ratio declined again in the subsequent year, and 2020, it experienced a significant drop to 8.33% amidst the global COVID-19 pandemic, which exerted pressure on all aspects of economic activities, ranging from business operations to international trade (Badan Pusat Statistik, 2023). As the economy gradually recovered from the pandemic's impact, leading to improved tax performance, the taxation ratio witnessed an increase from 2021 to 2022 (Dhini, 2022).

In practice, many companies perceive the imposed taxes as relatively substantial, prompting them to undertake measures to minimize their tax liabilities. Companies often view taxes as reducing the profits available for distribution to shareholders or for additional capital in subsequent years. Consequently, management seeks ways to maximize company profits, exploiting weaknesses in tax regulations or resorting to other methods, sometimes involving illegal actions. There are two primary approaches to curbing taxes: tax avoidance and tax evasion (Nasution & Mulyani, 2020). Tax avoidance involves legal tax planning through the manipulation of taxable income, while tax evasion entails illicit efforts to embezzle taxes from the taxable entity (Krisna, 2019). From the perspective of the state, such actions lead to a loss of the anticipated revenue, resulting in insufficient funds for operational activities. The conflicting interests between the state and companies necessitate the government's increased efforts to collect public funds to attain the expected welfare goals.

Tax avoidance constitutes one of the strategies or endeavors that companies employ to reduce their tax burdens (Ratih & Harto, 2014). Companies engaged in tax avoidance adhere to the limits outlined in tax regulations; however, they exploit the loopholes within these regulations to minimize their tax obligations without violating any laws or regulations. The practice of tax avoidance poses a complex challenge as these actions, while not unlawful, are undesirable for the government due to their potential to diminish state revenue (Darmayanti & Merkusiawati, 2019).

An instance of tax avoidance in Indonesia involves PT Adaro Energy Tbk, an energy manufacturing company. This company engaged in tax avoidance for approximately eight years, spanning from 2009 to 2017, primarily through the practice of transfer pricing (Asmara, 2019). According to international reports, PT Adaro Energy paid \$125 million less in taxes than the amount it should have paid. The strategy employed by PT Adaro Energy Tbk entails selling its products at lower prices to its subsidiary in Singapore, which

subsequently resells them at higher prices to other countries. This results in lower recorded profits in Indonesia, leading to reduced taxes payable (Sugianto, 2019). While PT Adaro Energy Tbk's tax avoidance is legal, it poses a detriment to state revenues, as the resources involved originate from Indonesia.

Studies regarding tax avoidance have been researched by several researchers, such as Athira & Lukose (2023), Campa et al. (2022), Baghdadi et al. (2022), Zhang et al. (2023), Putri & Lawita (2019), Moeljono (2020), Mahdiana & Amin (2020), Fionasari et al. (2020), Stawati (2020), Zoebar & Miftah (2020), Wanda & Halimatusadiah (2021), Pratiwi (2018), Tanjung & Nazir (2021). However, it is still rare to examine tax avoidance in the basic materials and energy sectors. Even though cases like PT. Adaro Energy shows that companies in the energy and basic materials sectors are not free from the possibility of carrying out tax avoidance practices. Furthermore, digital transformation in Indonesia is an important issue, and there are still minimal studies examining the relationship between digital transformation and taxation in Indonesia. This study aims to investigate tax avoidance by examining the impact of fixed asset intensity, digital transformation, profitability, institutional ownership, and managerial ownership. This study distinguishes itself from others by incorporating two independent variables, digital transformation and Chief Financial Officer (CFO) cooptation, which have not been previously explored in Indonesia, particularly within the context of tax avoidance. The study investigates independent variables, including profitability, digital transformation, CFO co-optation, fixed asset intensity, institutional ownership, and independent commissioners, all of which are believed to significantly impact tax avoidance and can serve as an evaluative metric for various stakeholders.

2. Literature Review and Hypothesis Development

Agency theory provides insights into the connection dynamics between the owner (principal) and management (agent), recognizing the divergence of their interests (Jensen & Meckling, 1976). The theory posits that owners bear the responsibility of ensuring that management makes efficient decisions while being accountable for them. On the other hand, management is tasked with overseeing all company processes and activities. Due to these distinct roles, there exists the potential for management to make decisions or take actions that may not align with the owner's best interests (Jensen & Meckling, 1976).

Management has the responsibility to report the condition of the company to the principal in the form of financial statements. Therefore, management has more information than the principal. This encourages the principal to monitor regularly the actions taken by management and ensure that these actions are not only oriented towards personal interests. Two problems arise due to agency relationships. First, problems arise when there are differences in objectives between the principal and the agent, and the principal also has difficulty in monitoring what the agent does. Second, problems arise due to different views between principals and agents regarding risk, where principals and agents can act differently because they have different risk preferences (Eisenhardt, 2018).

The interplay between agency theory and tax avoidance emerges in the presence of information asymmetry between creditors and investors as principals, and company management as agents. This scenario involves management not disclosing comprehensive

information about the company to the principal (Handayani, 2018). Company management, driven by the goal of enhancing the company's business, seeks to maximize profits, and one strategy is manipulating earnings to alleviate the tax burden. These earnings manipulation practices are typically known only to the management and might not prioritize the welfare of the company's shareholders. On the other hand, the principal desires to perceive the company's positive prospects without resorting to any illegitimate actions, and tax avoidance activities can lead to a reduction in investor valuation. Conflict of interest may arise from the principal and agent's competing interests (Handayani, 2018).

Stakeholder theory emerged as a result of increased awareness and understanding that companies have stakeholders. The idea of stakeholder theory pertains to a collection of policies and practices related to stakeholders, values, and fulfillment of contributions to sustainable development. According to stakeholder theory, organizations must take stakeholders' interests into account when making decisions if they want to thrive in the competitive business world (Humairoh, 2018). Stakeholders are various parties from internal and external to the company that can influence or be influenced by the company. In addition, this theory states that the company's responsibility is not only to the welfare of the company but to the various parties affected by the implementation of the strategies and policies set. If a company can fairly fulfill the interests of stakeholders, it can be said that the company has been successful in developing its business. Then, the company will also get full support and conquer market share in business competition (Tahar & Rachmawati, 2020). In this theory, the relevance to tax avoidance is when investors seek to increase the power, legitimacy, and importance of a company which aims to strengthen the company's relationship with external groups and help increase competitive advantage. Every investor wants the company to have an increase and a good image, so the company seeks to understand tax regulations to be able to arrange tax management properly and appropriately so that the company's progress can be in line with government regulations.

Under the prevailing tax regulations in Indonesia, taxpayers must report and pay their taxes according to the amount of wealth they have. However, several factors can lead to unethical behavior consisting of tax evasion and avoidance. Tax avoidance is a transaction strategy used to lower the tax burden that takes advantage of gaps or flaws in a nation's tax laws so that tax professionals view it as acceptable since it doesn't break any laws (Putri & Lawita, 2019). Most tax avoidance is associated with tax planning efforts which usually refer to the process of designing businesses and transactions that taxpayers use to minimize taxes owed but remain within the limits of tax regulations (Pratiwi, 2018). The amount of tax imposed on each company is decreased as a result of the practice of tax avoidance by companies. Although basically, tax avoidance actions do not violate the law on applicable regulations, these actions have an impact on state tax revenues where the taxes received are not optimal than they should be. One way to calculate tax avoidance can be done by using the Effective Tax Ratio (ETR) which is expected to describe the overall management of the tax system by comparing the tax burden and net income.

Profitability serves as a crucial indicator of a company's performance, offering valuable insights to stakeholders. It signifies the company's capacity to generate profits over a specific period concerning sales, total assets, and capital (Stawati, 2020). Consistent profitability is a key benchmark reflecting the company's ability to sustain its operations

with economic resources (Pratiwi, 2018). This competence not only influences the company's future outlook but also attracts investor interest. Therefore, expanding the company's annual report becomes essential, enabling investors to gain a comprehensive understanding for better analysis of the company's condition (Stawati, 2020). According to agency theory, conflicts arise due to differing interests, particularly between company management and the state (Jensen & Meckling, 1976). While the state grants management the freedom to oversee business operations and make decisions, taxes pose a challenge for companies as they are perceived as burdensome for business continuity. From the state's perspective, taxes provide funding for public welfare and national development. However, the amount of tax imposed on taxpayers relies on reported wealth sources in compliance with the law. Given that profitability is a key performance indicator, companies with high profitability face higher tax burdens. The imposition of taxes reduces the overall net profit earned by the company. Hence, companies employ various strategies to optimize profits by exploiting loopholes in government regulations and minimizing tax liabilities. Prior research revealed that tax avoidance is positively impacted by profitability (Fionasari et al., 2020, Pratiwi, 2018; Noviyani & Muid, 2019;).

H₁: Profitability has a positive effect on tax avoidance.

Digital transformation is a comprehensive organizational change that encompasses people, strategies, and structures, leveraging digital technology and adjusted business models to enhance organizational performance (Wakil et al., 2022). This transformation has revolutionized traditional business functions like sales, marketing, and customer service, making them entirely digital (Wakil et al., 2022). The fast-paced evolution of technology motivates companies to incorporate digital tools to broaden their market reach and enhance the efficiency and effectiveness of their business processes. The implementation of digital transformation has promise for improving corporate governance competencies (Vial, 2021). In the era of the digital economy, technological innovation introduces a novel approach to corporate governance, offering stakeholders greater ease in overseeing management and, most importantly, significantly enhancing the transparency of company information (Tiantian et al., 2023). Furthermore, the decision-making process within the company is also influenced by digital transformation. As organizations embrace digital transformation across their operations, it enables seamless data sharing among various departments, fostering collaboration and functional integration. This leads to a decentralized management structure, allowing managers to gain a better understanding of the company's dynamics, enhance integration, optimize resource allocation, and improve overall organizational effectiveness (Tiantian et al., 2023). Businesses that use digital technology improve the transparency of accounting information and change the relationship between shareholders and management, which reduces agency costs (Fryans et al., 2018). Moreover, by strengthening internal control effectiveness, corporate digital transformation might discourage tax evasion (Tiantian et al., 2023). High-quality internal controls serve a governance function, effectively overseeing management's opportunistic behavior, deterring improper conduct, and thereby preventing enterprises from engaging in aggressive tax avoidance for private gain (Tiantian et al., 2023).

H₂: Digital transformation has a negative effect on tax avoidance.

In running business operations, companies need an executive board as a conceptual leader to determine company planning, strategy, and policy. The company's executive board consists of three roles, namely the Chief Executive Officer (CEO), C-level executives, and the board of directors, each of which is at the top level of management. The Chief Financial Officer (CFO) is part of the C-level executive who has the highest position in financial management (Shaid, 2023). In their duties, CFOs have duties and authorities that include financial management, cost cutting, increasing revenue monitoring the company's cash flow, and establishing good relationships with investors and partners (Campa et al., 2022). Chief Financial Officers (CFOs) bear the responsibility of furnishing essential company information, particularly in the financial realm, to the CEO, enabling strategic decision-making for the company's future. Among the cost-cutting measures employed by CFOs is tax avoidance. This decision-making process may be driven by pressure from the CEO seeking personal benefits, or it can be a strategic initiative put forth by the CFO aligned with the company's objectives. However, both the CFO and the CEO share a connection and influence each other in the decision-making process (Campa et al., 2022). Consequently, the presence of a CFO co-opted into the CEO position presents an enhanced opportunity for collaborative efforts in pursuing tax avoidance strategies.

H₃: CFO co-optation has a negative effect on tax avoidance.

The amount of money allocated to the documented fixed assets is represented by the company's fixed asset investment. Fixed assets comprise tangible assets in a ready-to-use state or constructed in advance, intended to support the company's long-term business operations and possessing a useful life of over one year. These assets include buildings, equipment, machinery, and land (Yulyanti et al., 2022). In line with International Accounting Standard (IAS) 16, recognition of fixed assets is contingent on the likelihood that these assets will yield economic benefits in the future, and their acquisition costs can be accurately determined. Fixed asset intensity serves as a metric to gauge the number of fixed assets possessed by an entity, factoring in depreciation as a deduction from the entity's profit (Nugroho et al., 2022). The magnitude of a company's profit is influenced by the extent of its fixed assets, wherein higher fixed asset amounts result in lower profits due to depreciation (Noviyani & Muid, 2019). Consequently, companies may leverage fixed asset depreciation expenses to minimize taxes payable to the government.

H₄: Fixed asset intensity has a positive effect on tax avoidance.

To distribute a specific degree of control, companies employ an ownership structure through shareholders. The ownership structure is shaped not only by the mix of debt and equity but also by the percentage of shareholder ownership held by management and institutions. Classifying ownership structure by type reveals three categories: managerial ownership, institutional ownership, and public ownership (Moeljono, 2020). Institutional ownership is the percentage of the company's share ownership by institutional institutions outside the company concerned (Moeljono, 2020). The high value of institutional ownership increases the level of control and supervision of management behavior in making decisions for the sustainability of the company (Dewi, 2019). Institutional ownership can utilize the information that aims to increase company value and prevent agency conflicts through supervision from institutional institutions. Institutional investors

are considered to be the most effective investors in regulating management actions because institutional investors can utilize their rights in the internal parts of the company wisely.

H₅: Institutional ownership has a negative effect on tax avoidance.

As per POJK Number 33, an independent commissioner is a board member included in the board of commissioners' structure but originates from outside the public company. This individual neither possesses shares, directly or indirectly, in the public company nor maintains cooperative ties. Additionally, they are not a director or significant shareholder and lack any business relationships associated with the company's activities. An independent commissioner is characterized by a lack of cooperative associations with either the owner or the leading figure of the controlling company. Furthermore, they do not hold a position as the primary director of the relevant company, as outlined by regulations established by the Indonesia Stock Exchange (Tahar & Rachmawati, 2020). The term "independence" in the context of an independent board of commissioners signifies an approach to problem-solving that avoids personal interests and mitigates conflicts of interest. As outlined by the regulations in Law Number 40 of 2007 regarding limited liability companies, the number of independent commissioners in a company may be one or more individuals appointed through a General Meeting of Shareholders (GMS) decision. Importantly, these individuals are not affiliated with the main shareholders, the board of directors, or other members of the board of commissioners. The independent board of commissioners carries the responsibility and authority to ensure that the company's management adheres to applicable laws and regulations within the country. Furthermore, they play a crucial role in ensuring that governance principles and practices are effectively implemented.

H₆: The independent board of commissioners has a negative effect on tax avoidance.

3. Research Method

This research population is 103 basic material and energy sector companies registered on the Indonesia Stock Exchange between 2018 and 2021. Through purposive sampling, 30 companies meeting specific criteria were selected, including being in the basic material sector, presenting complete financial reports ending on December 31, and using the Indonesian rupiah as the reporting currency. For analysis, financial reports that are publicly accessible on the Indonesia Stock Exchange's official website are used as secondary data. Table 1 presents a detailed explanation of sample selection in this study.

Table 1. Sample Selection

No	Criteria	Amount
1.	Basic material sector companies in 2018-2021 listed on the Indonesia Stock Exchange.	103
2.	Publish complete financial reports and end on December 31.	(54)
3.	Present their financial statements in Indonesian rupiah currency.	(19)
	Total sample that meets the criteria	30

In this research, tax avoidance is the dependent variable, while the independent variables consist of profitability, digital transformation, CFO co-optation, fixed asset

intensity; institutional ownership, and independent commissioner. The measurements for each of the variables used in this study are presented in Table 2. Multiple Linear Regression, made possible by SPSS 22, is the data analysis technique utilized. Before hypothesis testing, classical assumption testing is conducted, encompassing the Multicollinearity, Normality, Autocorrelation, and Heteroscedasticity Test. To evaluate the factors associated with tax avoidance, the following model will be assessed:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + e_i$$

(Note: Y= tax avoidance; a= Constant coefficient; β = Regression coefficient; X1= Profitability; X2= Digital transformation; X3= CFO Cooptation; X4= Fixed Asset Intensity; X5= Institutional Ownership; X6= Independent Commissioner; e= Error).

Table 2. Measurement of Variables

No	Variable	Indicator	References
1.	Tax Avoidance (Y)	$ETR = \frac{Income\ Tax\ Expense}{Profit\ Before\ Tax} \times 100\%$	Sahrir et al. (2021)
2.	Profitability (X1)	$ROA = \frac{Profit\ After\ Tax}{Total\ Assets} \times 100\%$	Moeljono (2020)
3.	Digital Transformation (X2)	DT = Logarithm natural of the frequency of the word "digital transformation"	Tiantian et al. (2023)
4.	CFO Cooptation	1 = If the CFO was hired during the current CEO's term 0 = If no CFO was hired during the current CEO's tenure	Campa et al. (2022)
5.	Fixed Asset Intensity (X4)	$FAI = \frac{Total\ Fixed\ Asset}{Total\ Assets} \times 100\%$	Nasution & Mulyani (2020)
6.	Institutional Ownership (X5)	$IO = \frac{Total\ institutional\ shares}{Total\ shares\ outstanding} \times 100\%$	Tahar & Rachmawati (2020)
7.	Independent Commissioner (X6)	$IC = \frac{(Total\ Independent\ Board\ of\ Commissioners)}{(Total\ Board\ of\ Commissioners)} \times 100\%$	Masrurroch et al. (2021)
8.	Leverage (X7)	$LV = \frac{Total\ Debt}{Total\ Assets} \times 100\%$	Stawati (2020)
9.	Firm Size (X8)	Firm size = Logaritma Natural (Total aset)	Stawati (2020)

4. Results and Discussion

Before the regression model is interpreted, the classical assumption test is first carried out. The analysis of classical assumption tests has been conducted, and the results indicate that all tests, including normality, multicollinearity, heteroscedasticity, and autocorrelation tests, have been met. The normality assessment was conducted using the One-Sample Kolmogorov-Smirnov test, revealing an Asymp. Sig. (2-tailed) value of 0.200. Since this value exceeds 0.05, it indicates that the residual values follow a normal distribution. The examination for multicollinearity was conducted using the Variance Inflation Factor (VIF) and tolerance method. The results show that all variable VIF values are between 1.104 and

2.011, and tolerance values are between 0.497 and 0.905. Consequently, it can be inferred that there are no issues of multicollinearity. Additionally, the heteroscedasticity examination was carried out utilizing the scatterplots technique. The results of the investigation show that the residual values scatter on the Y-axis above and below the zero point. Thus, it may be said that there are no signs of heteroscedasticity in the research data. Finally, concerning the autocorrelation examination, this research employs the Durbin-Watson test. The results of the Durbin-Watson (DW) test reveal a DW value of 1.908. Additionally, the DU value is determined to be 1.8655, and the 4-DU value is 2.1345. Given that $1.8655 < 1.908 < 2.1345$, it can be said that there is no evidence of autocorrelation in the regression model.

Table 3 presents the results of data analysis for the coefficient of determination (R^2). Based on Table 3, the adjusted R-square value is obtained at 0.104, which means that the variables that affect tax avoidance in this case profitability, digital transformation, CFO co-optation, fixed asset intensity, institutional ownership, independent commissioners and leverage control variables and company size in this study are only 10.4%. While the remaining 89.6% is the influence of other variables that are not explained in this study. Furthermore, the F-test results show that the F-value: is 2.086 with a sig value of 0.049, which means that the regression model as a whole fits the data and indicates that the independent variables can significantly predict the dependent variable.

Table 3. Results of Coefficient of Determination and Hypothesis Testing

Variables	Unstandardized		Standardized	t	Sig.
	Coefficients		Coefficients		
	B	Std. Error	Beta		
Profitability (H1)	-1,106	,627	-,243	-1,763	,082
Digital Transformation (H2)	-,008	,015	-,083	-,534	,595
CFO Cooptation (H3)	,066	,032	,239	2,079	,041*
Fixed Asset Intensity (H4)	,173	,085	,310	2,021	,047*
Institutional Ownership (H5)	-,014	,070	-,023	-,200	,842
Independent Commissioner (H6)	-,022	,191	-,015	-,117	,908
Leverage	-,102	,090	-,148	-1,138	,259
Company Size	,003	,004	,128	,955	,343
R Square	= 0,199		F-Test value = 2,086		
Adj. R Square	= 0,104		F Test Sig. = 0,049		
*) significant at $\alpha = 5\%$					

The profitability variable has a value of -1.763 with a negative direction and a sig. value of 0.082 > 0.05, according to the findings of the hypothesis testing in Table 3. This means that H1 is rejected, indicating that the profitability variable does not affect tax avoidance. H2 is denied because the digital transformation variable has a negative direction of -0.534 and a sig. value of 0.595 > 0.05, indicating that it does not influence tax avoidance. The CFO cooptation variable is 2.079 with a positive direction and a sig. value of 0.041 < 0.05 so that H3 is accepted, which means that the CFO cooptation variable has a positive effect on tax avoidance. The fixed asset intensity variable is 2.021 with a positive direction and a sig. value of 0.047 < 0.05 so that H4 is accepted, which means that the fixed

asset intensity variable has a positive effect on tax avoidance. With a sig. value of $0.842 > 0.05$ and a negative direction of -0.200 , the institutional ownership variable indicates that there is no relationship between the variable and tax avoidance, leading to the rejection of H5. H6 is rejected since the independent commissioner variable does not affect tax avoidance, as seen by the independent commissioner variable's negative direction of -0.117 and sig. value of $0.908 > 0.05$. The results of data analysis show that leverage (sig value 0.259) and company size (sig value 0.343) have no significant effect on tax avoidance.

Regression analysis test results indicate that there is no relationship between profitability and tax avoidance. The findings of Pratiwi (2018), Noviyani & Muid (2019), and Fionasari et al. (2020) that profitability has positive effects on the avoidance of taxes are not supported by the findings of this study. Conversely, this study is in accordance with the results of research by Moeljono (2020) A company that has higher profitability causes the effective tax rate (ETR) value to be smaller. The existence of high profitability makes the company carry out tax planning which aims to reduce the tax charged so that the company's financial statements become more optimal. When the company has an increased profit, it illustrates that the company has good performance in managing its resources and attracts investors to invest in the company. However, this can weaken state revenue because the amount of tax that should be imposed may not be appropriate due to certain factors carried out by companies in tax planning. Therefore, the government is expected to emphasize the principles of transparency and accountability. The application of the principle of transparency is carried out by companies being required to provide true information about the condition of the company, the profits generated, the transactions that have been carried out, and other information needed by investors and the government. Meanwhile, the application of the principle of accountability is carried out by companies being required to comply with legal regulations made by the government such as reporting tax returns under the company's circumstances and not committing fraudulent acts with the tax authorities so that tax avoidance can be minimized so that state revenue runs smoothly.

The test results of the regression analysis state that digital transformation does not affect tax avoidance. This study is not following the results of research conducted by Tiantian et al. (2023) that digital transformation has a negative effect on tax avoidance. The implementation of digital transformation includes the use of information technology which aims to increase efficiency, productivity, and innovation for companies. Technological advances not only provide benefits but also have drawbacks that are used to commit fraudulent practices. The lack of effect of digital transformation on tax avoidance is because companies utilize digital transformation to further maximize their profits by conducting more comprehensive analysis in conducting more sophisticated tax planning. Digital transformation can also not automatically reduce complexity in the business structure of multinational companies, making it possible to conduct tax avoidance through tax loopholes. The existence of digital transformation can create opportunities for companies to carry out complex and even exploitative tax techniques if the company has a team of tax experts who can take advantage of tax regulation loopholes. Thus, the government is expected to increase the capacity of taxation institutions to oversee digital business activities by providing tax training on the technical aspects of digital

transformation to ensure that companies comply with tax regulations. In addition, the government can also participate in utilizing the application of digital transformation by building an information disclosure platform and a monitoring platform that is interconnected with the company's internal system so that corporate tax payments can be monitored thoroughly so that there is no room for companies to avoid tax.

The findings from the regression analysis reveal that Chief Financial Officer/CFO cooptation has a positive impact on tax avoidance. This aligns with the results of a study by Campa et al. (2021), which also concluded that CFO cooptation positively influences tax avoidance. In the realm of corporate governance, the executive board holds the primary responsibility for managing business affairs, and the CFO, as a member of this board, oversees corporate finance, including tax management. Practically, a co-opted CFO shares the same objective with the CEO, aiming to maximize profits. Increased profits contribute to favorable company performance, leading to management incentives for the executive board. Additionally, co-opted CFOs may prioritize personal gain over the social impact of tax burdens, making them more inclined toward aggressive tax avoidance. Thus, companies need to consider the background of CFO candidates before being co-opted to ensure that when serving as CFO can have strong independence and strategic decision-making for the future sustainability of the company. The practice of tax avoidance is not illegal, but when this practice is carried out with high aggressiveness it can cause the risk of costs or fines to the company. When the company is proven to have unreasonable tax avoidance, it will have an impact on the company's value which causes a decrease in the interest of potential investors to invest in the company. As a result, the company will experience a decrease in capital and is likely to earn low profits. Companies can provide training and education on legal tax principles to new CFOs and finance staff to understand the legal implications and risks of unethical tax avoidance. To prevent illegal actions regarding taxation, companies can increase the role and function of the board of commissioners in monitoring and evaluating tax practices.

Regression analysis testing results indicate that tax avoidance is positively impacted by fixed asset intensity. The present study is consistent with the findings of Noviyani & Muid's (2019) and Sahrir et al.'s (2021) studies, which indicate that fixed asset intensity positively impacts tax avoidance. The increasing intensity of fixed assets in a company affects the increasing practice of tax avoidance. The significant effect of fixed asset intensity on tax avoidance is that fixed assets have a depreciation value that can be used by management to carry out aggressive reporting to minimize taxes to be paid. Management will carry out tax planning through depreciation income tax from fixed assets such as land, buildings, and equipment. Then, if the company can apply the right ownership structure such as long-term leasing, it can maximize tax benefits because the cost of the lease can be recognized as a tax expense. In addition, companies that focus on fixed asset investments such as the use of high technology make it easier to use tax credits. To counteract potential tax avoidance facilitated by companies through fixed asset intensity, the government can enhance and bolster the integrity of tax authorities. This can be achieved by redefining income and deduction parameters used in calculating corporate taxes. Updating depreciation rules to ensure accurate valuation and depreciation may also serve as a preventive measure against tax evasion. Moreover, improvements to tax laws,

incorporating clear details and insights derived from the analysis of past tax evasion cases, can contribute to the government's efforts in thwarting tax evasion. To identify instances of tax evasion, the government may opt for a comprehensive analysis of financial data, aiming to detect suspicious patterns associated with the utilization of fixed asset intensity as a strategy for tax evasion.

The results of regression analysis testing state that institutional ownership does not affect tax avoidance. This study is not in accordance with the results of research conducted by Krisna (2019) and Noviyani & Muid (2019) that institutional ownership has a negative effect on tax avoidance. Conversely, this study is in accordance with the results of research conducted by Moeljono (2020) that institutional ownership does not affect tax avoidance. The absence of a significant influence between institutional ownership and tax avoidance can be caused by the size of the presentation of institutional shares does not make companies avoid tax avoidance practices. Although institutional ownership can monitor and influence company management, it is not necessarily that these actions can fully control management behavior. What may happen is that institutional ownership has entrusted the role and function of the board of commissioners who have the responsibility to oversee management decision-making so that the presence or absence of institutional shares does not affect tax avoidance. Therefore, the government must intensify oversight over companies with high institutional ownership to prevent the manipulation of institutional ownership for tax reduction purposes. Collaborating with other countries can be an effective strategy to counteract cross-border tax avoidance practices involving foreign institutional ownership. Additionally, implementing more pertinent information disclosure requirements directly integrated into the company's system can aid in identifying and curbing tax avoidance practices associated with institutional ownership.

Regression analysis testing indicates that there is no relationship between independent commissioners and avoidance of taxes. This study is not in accordance with the results of research conducted by (Siregar et al., 2022) and (Pratomo & Rana, 2021) that the board of commissioners has a negative effect on tax avoidance. Conversely, This analysis supports the findings of a study by Mulyana et al. (2020), which found no evidence of a relationship between independent commissioners and avoidance of taxes. The absence of influence between independent commissioners and tax avoidance can be caused by the number of commissioners in the company, not all of whom have strong independence in carrying out their duties and functions as supervisors of company operations. Then, the number of affiliated parties in the company compared to the proportion of independent commissioners can control independent commissioners regarding the process of disclosure and provision of information. In addition, the existence of independent commissioners cannot guarantee that the company must comply with applicable legal regulations due to the lack of professionals in management supervision. Thus, the government is expected to carry out regular supervision and control of each company to determine whether the implementation of the functions and responsibilities of the independent commissioner is in accordance with the procedure or not. The government also needs to consider companies that have some affiliated parties, because in this case, these parties can have the same goal of obtaining maximum profit through making various decisions so that it can make it possible to practice tax avoidance.

Regarding control variables, this research reveals that neither company size nor leverage significantly influences tax avoidance. This is because tax avoidance practices can be executed irrespective of a company's size or level of debt. Company size and debt do not provide different pressures for companies to do or not do tax avoidance, this is because other factors have a more dominant influence on tax avoidance.

5. Conclusions, Implications, and Limitations

The results of the empirical investigation show that digital transformation, institutional ownership, and independent commissioners do not significantly affect tax avoidance. In contrast, the co-optation of the chief financial officer (CFO) and fixed asset intensity positively affect tax avoidance. These results indicate that co-opted CFOs may prioritize personal benefits over the social impact of the tax burden, making them more likely to engage in aggressive tax avoidance. The significant influence of fixed asset intensity on tax avoidance is that fixed assets have a depreciation value, which management can utilize to carry out aggressive reporting to minimize the tax that must be paid. However, it is essential to acknowledge the limitations of this study, including the challenges in obtaining complete annual reports for the selected periods and using the effective tax rate (ETR) alone as an indicator of tax avoidance. Future research could consider using alternative indicators such as book-tax difference (BTD). Furthermore, considering that the digital transformation variable is a variable that is still rarely researched, measuring digital transformation also needs to be examined in other ways. In addition, researchers can explore and include other variables that have the potential to influence tax avoidance, aiming to increase the completeness of the analysis.

References

- Asmara, C. G. (2019). *Soal Pajak Adaro, Sri Mulyani: Selama Ini Sudah Transparan*. CNBC Indonesia. <https://www.cnbcindonesia.com/market/20190708190803-17-83487/soal-pajak-adaro-sri-mulyani-selama-ini-sudah-transparan>
- Athira, A., & Lukose, P. J. (2023). Do common institutional owners' activisms deter tax avoidance? Evidence from an emerging economy. *Pacific-Basin Finance Journal*, 80, 102090 <https://doi.org/10.1016/j.pacfin.2023.102090>
- Badan Pusat Statistik. (2023). *Realisasi Pendapatan Negara (Milyar Rupiah), 2021-2023*. Badan Pusat Statistik.
- Baghdadi, G., Podolski, E. J., & Veeraraghavan, M. (2022). CEO risk-seeking and corporate tax avoidance: Evidence from pilot CEOs. *Journal of Corporate Finance*, 76, 102282 <https://doi.org/10.1016/j.jcorpfin.2022.102282>
- Campa, D., Ginesti, G., Allini, A., & Casciello, R. (2022). Chief financial officer co-option and tax avoidance in European listed firms. *Journal of Accounting and Public Policy*, 41(1), 106935. <https://doi.org/10.1016/j.jaccpubpol.2021.106935>
- Darmayanti, P., & Merkusiawati, N. (2019). Pengaruh ukuran perusahaan, profitabilitas, koneksi politik dan pengungkapan corporate social responsibility pada tax avoidance. *E-Jurnal Akuntansi*, 26 (3), 992- 2019 <https://doi.org/10.24843/EJA.2019.v26.i03.p12>
- Dhini, V. A. (2022). *Ini Tren Tax Ratio Indonesia dalam 5 Tahun Terakhir*. Databoks. <https://databoks.katadata.co.id/datapublish/2022/08/05/ini-tren-tax-ratio-indonesia->

dalam-5-tahun-terakhir

- Eisenhardt, K. M. (2018). Agency Theory: An assessment and review. *Academy of Management*, 14(1), 57–74. <https://doi.org/10.2307/258191>
- Fionasari, D., Putri, A.A. & Sanjaya, P. (2020). Analisis faktor-faktor yang mempengaruhi penghindaran pajak pada perusahaan pertambangan di Bursa Efek Indonesia (BEI) tahun 2016-2018. *Jurnal IAKP: Jurnal Inovasi Akuntansi Keuangan & Perpajakan*, 1(1), 28-40. <https://doi.org/10.35314/iakp.v1i1.1410>
- Frynas, J. G., Mol, M. J., & Mellahi, K. (2018). Management innovation made in China: Haier's Rendanheyi. *California Management Review*, 61(1), 71-93. <https://doi.org/10.1177/0008125618790244>
- Ghozali, I. (2018). *Aplikasi Analisis Multivariate dengan Program IBM SPSS 25*. Universitas Diponegoro.
- Handayani, R. (2018). Pengaruh return on assets (ROA), leverage dan ukuran perusahaan terhadap tax avoidance pada perusahaan perbankan yang listing di BEI periode tahun 2012-2015. *Jurnal Akuntansi Maranatha*, 10(1), 72–84. <https://doi.org/10.28932/jam.v10i1.930>
- Humairoh, F. (2018). Pengaruh corporate social responsibility dan kepemilikan manajerial terhadap nilai perusahaan dengan profitabilitas dan ukuran perusahaan sebagai variabel moderating pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia periode 2013--2015. *Balance: Jurnal Akuntansi, Auditing dan Keuangan*, 15(2), 162–188. <https://doi.org/10.25170/balance.v15i2.81>
- Jensen, M., & Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs, and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.
- Krisna, A. M. (2019). Pengaruh kepemilikan institusional dan kepemilikan manajerial pada tax avoidance dengan kualitas audit sebagai variabel pemoderasi. *Jurnal Ekonomi, Bisnis Dan Akuntansi*, 18(2), 82–91. <https://doi.org/10.22225/we.18.2.1162.82-91>
- Mahdiana, Q.M. & Amin, M.N. (2020). Perusahaan, dan Sales Growth Terhadap Tax. *Jurnal Akuntansi Trisakti* 7(1), 127–138. <https://doi.org/10.25105/jat.v7i1.6289>
- Mardiatmoko, G. (2020). Pentingnya uji asumsi klasik pada analisis regresi linier berganda. *Barekeng: Jurnal Ilmu Matematika dan Terapan*, 14(3), 333–342. <https://doi.org/10.30598/barekengvol14iss3pp333-342>
- Dewi, N. M. (2019). Pengaruh kepemilikan institusional, dewan komisaris independen dan komite audit terhadap penghindaran pajak (tax avoidance) pada perusahaan perbankan yang terdaftar di Bursa Efek Indonesia periode 2012-2016. *Maksimum*, 9(1), 40-51. <https://doi.org/10.26714/mki.9.1.2019.40-51>
- Moeljono, M. (2020). Faktor-faktor yang mempengaruhi penghindaran pajak. *Jurnal Penelitian Ekonomi dan Bisnis*, 5(1), 103–121. <https://doi.org/10.33633/jpeb.v5i1.2645>
- Mulyana, Y., Mulyati, S., & Umiyati, I. (2020). Pengaruh komisaris independen, kompensasi rugi fiskal dan pertumbuhan aset terhadap penghindaran pajak. *Jurnal SIKAP (Sistem Informasi, Keuangan, Auditing Dan Perpajakan)* 4(2), 160-172. <https://doi.org/10.32897/jsikap.v4i2.202>
- Nasution, K. M. P., & Mulyani, S. D. (2020). Pengaruh intensitas aset tetap dan intensitas persediaan terhadap penghindaran pajak dengan pertumbuhan penjualan sebagai

- variabel moderasi. *Prosiding Seminar Nasional Pakar*, 2010, 1–7. <https://doi.org/10.25105/pakar.v0i0.6871>
- Noorica, F., & Asalam, A. G. (2021). Pengaruh kepemilikan institusional, kepemilikan manajerial, dan karakter eksekutif terhadap tax avoidance. *Competitive Jurnal Akuntansi dan Keuangan*, 5(2), 221-232. <http://dx.doi.org/10.31000/competitive.v5i2.5041>
- Noviyani, E., & Muid, D. (2019). Pengaruh return on assets, leverage, ukuran perusahaan, intensitas aset tetap, dan kepemilikan institusional terhadap penghindaran pajak. *Diponegoro Journal of Accounting*, 8(3), 1–11.
- Nugroho, A. C., Mulyanto, M., & Afifi, Z. (2022). Pengaruh financial distress, leverage, sales growth, manajemen laba, dan intensitas aset tetap terhadap penghindaran pajak (Studi empiris pada perusahaan manufaktur yang terdaftar di BEI selama tahun 2018-2021). *Jurnal Economina*, 1(2), 140–151. <https://doi.org/10.55681/economina.v1i2.27>
- Pratiwi, A. P. (2018). Pengaruh kepemilikan institusional dan kinerja keuangan terhadap penghindaran pajak dengan CSR sebagai pemediasi. *Jurnal Ilmu Manajemen dan Bisnis*, 9(2), 56–66. <https://doi.org/10.17509/jimb.v9i2.13991>
- Pratomo, D., & Rana, R. (2021). Pengaruh kepemilikan institusional, komisaris independen dan komite audit terhadap penghindaran pajak. *JAK (Jurnal Akuntansi Kajian Ilmiah Akuntansi)*, 8(1), 91–103. <https://doi.org/10.30656/jak.v8i1.2487>
- Puspadini, M. (2023). *Sektor Keuangan Kuasai 35% Pasar Modal RI, Teknologi Cuma 4%*. CNBC Indonesia. <https://www.cnbcindonesia.com/market/20230515101812-17-437306/sektor-keuangan-kuasai-35-pasar-modal-ri-teknologi-cuma-4>
- Putri, A. A., & Lawita, N. F. (2019). Pengaruh kepemilikan institusional dan kepemilikan manajerial terhadap penghindaran pajak. *Jurnal Akuntansi & Ekonomika*, 9(1), 68-75.
- Ratih, P. S. & Harto, P. (2014). Pengaruh tata kelola perusahaan terhadap penghindaran pajak. *Diponegoro Journal of Accounting*, 3(2), 1–13. <http://ejournal-s1.undip.ac.id/index.php/accounting>
- Sahrir, S., Syamsuddin, S., & Sultan, S. (2021). Pengaruh koneksi politik, intensitas aset tetap, komisaris independen, profitabilitas dan leverage terhadap tax avoidance. *Jurnal Penelitian Ekonomi Akuntansi (JENSI)*, 5(1), 14–30. <https://doi.org/10.33059/jensi.v5i1.3517>
- Yulyanti, S., Abbas, D. S., Hidayat, I. & Watiyarramah, W. (2022). Pengaruh intensitas aset tetap, intensitas modal, pertumbuhan penjualan dan leverage terhadap tax avoidance. *JUMBIWIRA : Jurnal Manajemen Bisnis Kewirausahaan*, 1(3), 24–32. <https://doi.org/10.56910/jumbiwira.v1i3.256>
- Shaid, N. J. (2023). *Mengenal Perbedaan CEO, COO, CFO, CTO, dan CMO di Perusahaan*. Kompas.Com. <https://money.kompas.com/read/2022/03/06/234842526/mengenal-perbedaan-ceo-coo-cfo-cto-dan-cmo-di-perusahaan?page=all>
- Siregar, N., Rahman, A., & Aryathama, H. G. (2022). Pengaruh manajemen laba, kualitas audit, komite audit, komisaris independen dan kepemilikan institusional terhadap penghindaran pajak. *JIS (Jurnal Ilmu Siber)*, 1(3), 16–24. <http://www.bppk.kemenkeu>
- Stawati, S. (2020). Pengaruh profitabilitas, leverage dan ukuran perusahaan terhadap

- penghindaran pajak. *Jurnal Akuntansi dan Bisnis* 6 (November), 147–157.
<https://doi.org/10.31289/jab.v6i2.3472>
- Sugianto, D. (2019). *Mengenai soal Penghindaran Pajak yang Dituduhkan ke Adaro*. Detikfinance. <https://finance.detik.com/berita-ekonomi-bisnis/d-4612708/mengenai-soal-penghindaran-pajak-yang-dituduhkan-ke-adaro>
- Sugiyono. (2013). *Metode Penelitian Kuantitatif Kualitatif dan R&D*. CV ALFABETA.
- Tahar, A., & Rachmawati, D. (2020). Pengaruh mekanisme corporate governance, corporate social responsibility, ukuran perusahaan dan leverage terhadap penghindaran pajak (Studi pada perusahaan manufaktur yang terdaftar di Bursa Efek Indonesia tahun 2015-2017). *Kompartemen: Jurnal Ilmiah Akuntansi*, 18(1), 98–115.
<https://doi.org/10.30595/kompartemen.v18i1.6342>
- Tanjaya, C., & Nazir, N. (2021). Pengaruh profitabilitas, leverage, pertumbuhan penjualan, dan ukuran perusahaan terhadap penghindaran pajak. *Jurnal Akuntansi Trisakti*, 8(2), 189-208.
- Tiantian, G., Hailin, C., Zhou, X., Ai, S., & Siyao, W. (2023). Does corporate digital transformation affect the level of corporate tax avoidance? Empirical evidence from Chinese listed tourism companies. *Finance Research Letters*, 57(July), 104271.
<https://doi.org/10.1016/j.frl.2023.104271>
- Vial, G. (2021). Understanding digital transformation: A review and a research agenda. *Managing digital transformation*, 28(2), 13-66.
<https://doi.org/10.1016/j.jsis.2019.01.003>
- Wakil, A., Retno, R., Harto, B., Latif, A. S., Hidayatullah, D., Simanjutak, P., Rukmana, A. Y., & Sihombing, F. A. (2022). *Transformasi Digital Dalam Dunia Bisnis*. 1st ed. Global Eksekutif Teknologi.
- Waluyo. (2017). *Perpajakan Indonesia* (Salemba Empat (ed.); 12th ed.).
- Wanda, A. P., & Halimatusadiah, E. (2021). Pengaruh solvabilitas dan profitabilitas terhadap penghindaran pajak. *Jurnal Riset Akuntansi*, 59-65.
<https://doi.org/10.29313/jra.v1i1.194>
- Zhang, Z., Wang, Z., Si, Y., & Li, T. (2023). Administrative monopoly regulation and corporate tax avoidance-evidence from China. *Finance Research Letters*, 58,
<https://doi.org/10.1080/01559982.2022.2106850>
- Zoebar, M. K. Y., & Miftah, D. (2020). Pengaruh corporate social responsibility, capital intensity dan kualitas audit terhadap penghindaran pajak. *Jurnal Magister Akuntansi Trisakti* 7(1), 25-40. : <http://dx.doi.org/10.25105/jmat.v7i1.6315>