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The Impact of Profitability and Good Corporate Governance on Tax Avoidance of Food and Beverage Companies

Yiyecek ve İçecek Firmalarının Vergiden Kaçınmasında Kârlılık ve İyi Kurumsal Yönetişimin Etkisi

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Abstract

Tax avoidance is carried out by companies in terms of minimizing the company's tax burden through loopholes in company regulations. This study aims to examine the influence of profitability and effective corporate governance on the adoption of tax avoidance tactics. The measurement of effective corporate governance may be represented by factors such as institutional ownership, audit committee, independent commissioner, and audit quality. The study's population comprises of food and beverage companies that were publicly traded on the Indonesia Stock Exchange (IDX). The number of samples used in this study was 84 samples based on a purposive sampling method. The research used a quantitative analytic method known as Multiple Linear Regression analytic, utilizing IBM SPSS version 26.0. Tax avoidance practices are significantly impacted by profitability, institutional ownership, audit committee, and independent commissioners, according to the findings of this study.

Keywords: *Tax avoidance, Profitability, Good Corporate Governance.*

Jel Codes: *C51, G34, H26.*

Öz

Vergiden kaçınma, şirketler tarafından şirket düzenlemelerindeki boşluklar yoluyla şirketin vergi yükünü en aza indirmek amacıyla gerçekleştirilmektedir. Bu çalışma, kârlılık ve etkin kurumsal yönetimin vergiden kaçınma taktiklerinin benimsenmesi üzerindeki etkisini incelemeyi amaçlamaktadır. Etkin kurumsal yönetimin ölçümü kurumsal sahiplik, denetim komitesi, bağımsız komiser ve denetim kalitesi gibi faktörlerle temsil edilebilir. Çalışmanın evrenini Endonezya Menkul Kıymetler Borsası'nda (IDX) halka açık olan gıda ve içecek şirketleri oluşturmaktadır. Bu çalışmada kullanılan örneklem sayısı, amaçlı örnekleme yöntemine dayalı olarak 84'tür. Araştırmada IBM SPSS versiyon 26.0 kullanılarak Çoklu Doğrusal Regresyon analizi olarak bilinen nicel bir analitik yöntem kullanılmıştır. Bu çalışmanın bulgularına göre, vergiden kaçınma uygulamaları kârlılık, kurumsal sahiplik, denetim komitesi ve bağımsız komiserler tarafından önemli ölçüde etkilenmektedir.

Anahtar Kelimeler: *Vergiden Kaçınma, Kârlılık, İyi Kurumsal Yönetim.*

Jel Kodları: *C51, G34, H26.*

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1. INTRODUCTION

Tax avoidance is a financial strategy that seeks to minimize tax payments by taking advantage of lenient tax regulations (Jacob, 2014). To avoid taxes, tax laws are usually used (Purwantini, 2017: 57). Tax avoidance, commonly referred to as tax planning is the systematic arrangement of tax payments (Jingga and Lina, 2017: 18).

The tax revenue targets each year cannot be achieved due to the high level of tax evasion in Indonesia. Indeed, tax sector income significantly contributes to the progress and well-being of the nation (Aziz A, 2019: 15). Tax is an obligation for all people and companies (Salihu et al., 2013: 412). Management or company efforts to reduce their tax burden through tax planning, both legal and illegal, are known as tax avoidance (Lanis & Richardson, 2013). The amount of money received bythe state from taxes is often not used to accomplish the established objectives. The following tableshows the amount of tax revenue from 2018 to 2022.

Table 1. Tax Revenue Realization in 2018-2022 (In Trillion Rupiah)

Years	2018	2019	2020	2021	2022
Targets	1.424	1.577,5	1.198,8	1.229,6	1.784
Realization	1.315,9	1.332	1.069,9	1.231,8	2.034,5
Outcomes	92,4%	84,4%	89,2%	100,1%	114%

Reference: Kemenkeu.go.id

The table above shows that while the percentage of realized state revenue from the tax sector decreased by 8% from 2018 to 2019, the percentage continued to increase from 2019 to 2022, with an increase of 4.8% from 2019 to 2020, an increase of 10% from 2020 to 2021 and an increase of 13.9% from 2021 to 2022. Thus, the percentage of state revenue realization from the tax sector will increase.

Tax avoidance reduces state revenue which can hamper the development of the country's infrastructure (Puspita and Harto, 2014: 1). For the country's development and growth rate to run smoothly, this largest state revenue must continue to be optimally increased. Therefore, it is expected that taxpayers will voluntarily fulfill the tax obligations owed in the applicable tax regulations. Tax avoidance efforts can occur due to tax non-compliance (Subagiastra et al., 2017: 168). Since this practice of tax non-compliance mostly uses loopholes in tax laws that affect the amount of money received by the state from the tax sector, this practice is considered not to be contrary to tax laws and regulations (Mangoting, 1999: 47).

In a tax evasion case Google, the largest internet company in the United States, is accused of avoiding taxes amounting to IDR 327 trillion. Google pays lower taxes by using tax breaks. In addition, Google received low or even tax-free corporate tax rates. For example, the company uses profits from its subsidiary in the Netherlands by using Ireland's favorable corporate tax rate of 12.5%. In addition, there is speculation that Google outsources its operating profits to Bermuda, a country that isnot subject to corporate tax. Google rejected the 2014 agreement due to pressure from the US, EU andIreland. However, with a tax rate of only 7% in their Singapore headquarters, Google's tax advantages in 2020 stopped. In

2017, Google Netherland Holdings BV paid the Netherlands 3.4 million euros on a gross profit of 13.6 million euros (Sebayang, 2019).

One of the biggest transnational corporations in Indonesia, PT Coca Cola Indonesia (PT CCI) also experienced the same thing. PT CCI allegedly committed tax evasion in 2002, 2003, 2004, and 2006 amounting to IDR 49.24 billion. The Indonesian Tax Authority discovered a notable rise in expenses throughout that period, leading to a substantial decline in income. Consequently, the company's income tax has been decreased. The tax authorities believe that many suspicions and tax avoidance practices are caused by these expenses (Mustami, 2014).

Due to the large number of cases, company management influences tax avoidance actions. *International Monetary Fund* (IMF) in 2016 reported that Indonesia ranked eleventh as the country that has the highest level of corporate tax avoidance in the world. Taking these cases into account, it can be concluded that corporate governance is the biggest factor leading to tax avoidance. Companies with good governance have the ability to lower tax avoidance and increase their value to attract outside investors (Boussaidi and Hamed, 2015: 6).

According to Winata (2014) the result of good company management is a good corporate governance system. Businesses are encouraged by this system to comply with laws including paying taxes. According to Desai and Dharmapala (2006), all company operations are supervised and regulated by management mechanisms and one of the mechanisms is tax avoidance which has an impact on the company's strategic decisions. The study examines GCG proxies such as the audit committee, independent commissioner, institutional ownership, and audit quality. Profitability, as measured against capital, sales, and assets during a designated period, is a quantitative indicator of a business's ability to generate profits (Suwandi et al., 2019).

The net profit ratio after tax (ROA) is the computation of a company's net profit and the application of corporate income tax (PPh) for corporate taxpayers. The ROA is a metric that indicates the financial success of a firm. A greater ROA number signifies better financial performance (Saputra et al., 2015: 2). The rate of ROA is a metric that quantifies the degree to which a company's return on assets is attributable to its proficiency in managing revenue and tax obligations (Maharani and Suardana, 2014: 527).

Noviari and Suaryana, (2019) conducted a study utilizing moderated regression analysis to investigate the correlation between corporate governance and tax avoidance in industrial firms listed on the IDX. This study's findings have proven a clear correlation between effective corporate management and reduced tax avoidance. A further study undertaken by Chandra and Cintya (2021) examined 111 companies listed on the IDX and produced comparable results, although not significant, tax avoidance is negatively affected by institutional ownership and independent commissioners. In addition, the outcome of the audit committee relationship has an impact on how the company's management conducts its day-to-day activities.

This study seeks to offer empirical proof of the impact of effective business administration on the practice of minimizing tax liability. In the food and beverage business, institutional ownership, audit committee, and independent commissioners indicate good corporate governance. The food and beverage sector were chosen because it is one of the industries that continues to experience significant growth every year. Compared to the chemical, metal, computer, and machinery, transportation equipment, textile, and clothing sectors, the food and beverage business contributed of 6.33% of the national GDP in the first semester of 2018 (Putri and Setiawan, 2022). The food and beverage sector were chosen as the most resilient to economic or monetary crises as most of these goods are always needed by Indonesians (Noorprasetya and Prasetya, 2023: 294).

This study provides empirical evidence and analysis on how profitability and corporate governance affect the tax avoidance tactics used by publicly traded food and beverage companies on the Indonesia Stock Exchange. It can also be a reference for company owners, managers, regulators, and investors in making decisions. In addition, this study provides a basis for future researchers to evaluate and further analyze various variables, topics, and proxies of good corporate management and tax avoidance. In addition, situation analysis related to corporate tax avoidance practices in Indonesia is still rarely done.

The research focuses on whether the implementation of effective corporate management can help prevent tax evasion in Indonesia. The study found that businesses that implement high-quality corporate management standards generate higher levels of compliance and adherence in meeting their tax avoidance obligations. Ultimately, this will result in lower levels of tax avoidance.

2. LITERATURE REVIEW AND HYPOTHESIS FORMULATION

2.1. Agency Theory

Agency theory considers management as agents and shareholders as leaders. Agents are groups of people who offer services and provide decision-making authority to leaders (Brigham and Houston, 2018). Agency theory states that effective supervision and regulation are necessary to ensure that company management operates in strict compliance with relevant laws (Solihin, 2009).

2.2. Profitability on Tax Avoidance

As an indicator of the financial performance of a business, profitability is a significant factor in determining income tax liability. The company's ability to achieve a higher ROA is in line with the company's improved financial performance. This indicates the amount of capital spent even though the assets are not generating returns. Companies that have the ability to control their income and fulfill their tax obligations cannot be tax exempt. Kurniasih and Ratna Sari (2013) conducted a study to examine the influence of Return on Assets (ROA) on the adoption of tax avoidance strategies.

Maharani and Suardana, (2014) said in their research that profitable organizations generally do not engage in tax avoidance because they have the ability to manage their income and tax payment. Wijayani, (2016) shows that if ROA increases, tax avoidance will decrease. From this discussion, the following hypothesis can be concluded:

H1: Profitability has an impact on Tax Avoidance

2.3. Institutional Ownership on Tax Avoidance

Institutional ownership significantly influences manager's decisions about tax management. This indicates that institutional investors own more shares than public shareholders (Arif et al., 2023: 406). Researchers have revealed that higher levels of institutional ownership result in increased representation and motivation to monitor investment performance and corporate management. Ultimately, it motivates corporate executives to comply with government tax requirements (Maraya & Yendrawati, 2016: 150).

Chandra and Cintya (2021) discovered that company ownership reduces tax avoidance due to the link between corporate ownership and tax avoidance. As a result, the level of corporate tax avoidance decreases as ownership increases. From this discussion, the following hypothesis can be concluded:

H2: Institutional Ownership has an impact on Tax Avoidance

2.4. Audit Committee on Tax Avoidance

The Indonesian Audit Committee Federation defines an audit committee as a group of independent and competent auditors. The board of commissioners established the audit committee in accordance with KEP.29/PM/004 to oversee the firm's management and support the board in fulfilling its supervisory duties as the company's financial overseer. Oktofian, (2015) asserts that the audit committee HAS the capacity to exercise influence over the tactics utilized by companies to avoid taxes. With a decrease in the number of audit committees, the ability to control financial policies is reduced, thereby limitingthe potential to improve management behavior.

The results of Tandean and Winnie, (2016) demonstrated a robust positive correlation between the audit committee and tax avoidance. However, Diantari and Ulupui (2016) discovered a robust inverse correlation between the two variables. The discovery made by Chandra and Cintya, (2021), additionally, a substantial detrimental effect on tax avoidance was discovered. From this discussion, the following hypothesis can be concluded:

H3: Audit Committee has an impact on Tax Avoidance

2.5. Independent Commissioner responsible for Tax Avoidance

Independent commissioners are regulatory bodies tasked with overseeing and providing guidance to management in ordinary and specific matters (Sarra, 2017: 66). Independent commissioners have no affiliation with majority shares, the board of commissioners, often known as management, do not serve directors in any company related to the owner company (Annisa and Kurniasih, 2012: 125). Previous studies show that the number of independent commissioner staff affects the performance of the board of directors. As a result, more independent commissioners mean more tax avoidance. Because theycan see how management manages the business and act as an intermediary between shareholders and management Thus, the independent board of commissioners acts as a mediator between shareholders and company management (Maraya & Yendrawati, 2016); (Diantari & Ulupui, 2016). From this discussion, the following hypothesis can be concluded:

H4: Independent Commissioner has an impact on Tax Avoidance

2.6. Audit Quality in Relation to Tax Avoidance

Waluyo (2019) investigates the influence of company governance on tax avoidance. Audit is considered an institutional mechanism to control ownership that can increase supervision to optimize and maximize management performance in tax violations. Independent auditors can help in terms of agency (Tandiontong, 2015: 159). Major public accounting firms uphold superior audit quality requirements compared to smaller public accounting firms (Behn et al., 2008). Simatupang et al., (2018) classify public accounting firms (KAP) into two categories: Big Four KAP and non-Big Four KAP. The Big Four KAP is considered more independent than the non-Big Four KAP due to the wide range of services that serve several major customers (Antoni et al., 2018). Annisa and Kurniasih, (2012) explain that The Big Four KAP (PWC, Deloitte, KPMG, E&Y) has a lower fraud rate than non-Big Four KAP. For Financial statements that have undergone an audit by a KAP (Public Accountant Office) The Big Four possess the capacity to mitigate tax avoidance. From this discussion, the following hypotheses can be concluded:

H5: Audit Quality has an impact on Tax Avoidance

3. METHODS

3.1. Population and Sample

The survey encompassed 84 publicly listed food and beverage corporations on the IDX. It analyzed a total of 112 financial reports spanning the period from 2019 to 2022. In this study, the research sample was selected using purposeful sampling, which involves selecting a sample based on specific criteria or considerations (Sugiyono, 2016). The criteria to be selected in this study are food and beverage companies listed on the IDX in 2019-2022, companies that use rupiah currency, companies that publish financial reports, companies that do not experience losses, companies that store information about institutional ownership, audit committees, and independent commissioners.

3.2. Types and Sources of Data

This study employs quantitative methodologies, specifically panel regression analysis. The available secondary data consists of annual reports acquired from firms listed on the IDX between the years 2019 to 2022. The research data is sourced from the official website of the company and the IDX.

3.3. Variables and Measurements

Tax Avoidance (Y)

Corporate tax avoidance in the food and beverage industry is used as the dependent variable (Y). The effective tax rate (ETR) is used to calculate tax avoidance. The ETR formula is as follows:

$$ETR = \frac{Tax\ Expense}{Pre\ Tax\ Income}$$

Profitability (X_1)

Return on Assets (ROA) is used to measure profitability. The company can take advantage of depreciation and amortization expenses as a tax deduction that looks like a tax reduction action because the company's profitability level is positively correlated with the profit it earns. ROA can be measured by the following formula (Saputra et al., 2015: 7), namely:

$$ROA = \frac{Net\ Profit}{Total\ Asset}\ x\ 100\%$$

Institutional Ownership (X_2)

The measurement of institutional ownership can be determined using a specific formula, which is as follows:

$$\boldsymbol{INST = \frac{Number\ of\ Institutional\ Stock}{Number\ of\ Shares\ Outstanding}}$$

Audit Committee (X_3)

As an integral part of the organization's framework, the audit committee is tasked with the implementation of Good Corporate Governance. This study calculates the total count of individuals comprising the company's audit committee (Rosiyana and Gunawan, 2019: 203).

Independent Commissioner (X_4)

As to the norms of the IDX, the number of independent commissioners must be proportional to the ownership of shares by non-investors, with 30% of all independent commissioners. Independent commissioners can be measured by the following formula (Subagiastra et al., 2017: 180).

$$\frac{Number\ of\ Independent\ Commissioner}{Total\ of\ Commissioner's\ Member}\ x\ 100\%$$

Audit Quality (X_5)

Audit quality is generally assessed based on how large or small the KAP is. According to Annisa (2012) compared to small KAPs, large KAPs are considered to conduct higher quality audits. Larger KAPs are not dependent on just one or two clients because they have more clients and more resources.

Audited by large KAP's = 1

Audited by small KAP's = 0

Data Analysis Technique

The data analysis involved several statistical techniques, including Descriptive Statistical Analysis, Classical Assumption Test (which included Normality Test, Multicollinearity Test, Heteroscedasticity Test, and Autocorrelation Test), Multiple Linear Regression Analysis Test, Hypothesis Test (which included T Test for Partial effect and F Test for Simultaneous effect), and Test Coefficient of Determination (R2).

The present investigation employed multiple linear regression analysis, utilizing the subsequent regression equation model:

$$ETR = \beta0 + \beta1ROA + \beta2INSTit + \beta3KOMAit + \beta4INDPit + \beta5KAit + \varepsilon it$$

Description:

ROA: The company's capacity to leverage assets for profit generation.

ETR: Measuring theeffective tax rate of the company.

INST: Institutional share ownership.

KOMA: Number of audit committee members.

KI: Number of independent commissioners.

KA: Total audit quality.

4. APPLICATION

4.1. Sample

This study investigates publicly traded food and beverage companies listed on the Indonesia Stock Exchange from 2019 to 2022. The sample selection process carried out in this study was based on the results of purposive sampling for a four-year observation period. So that the sample obtained consists of 84 company observations from 28 food and beverage companies. However, data outlier analysis is conducted to address anomalous data and extract extreme values. Once the outlier data has been addressed, it is imperative to eliminate the extreme data points, which amount to 28 data points. This process yields a final result consisting of 84 data points.

Table 2. Sample Selection Process

Criteria	Number of Companies
Food and beverage firms that are included in the IDX listing from 2019- 2022	84
Deducted:	
Companies that are not listed on the IDX during the observation period	(21)
Companies that do not publish financial reports during the observation period	(3)
Companies that experience losses during the observation period	(21)
Companies that do not use rupiah currency during the observation period	(4)
Companies that do not have data: Institutional Ownership, Audit Committee, Independent Commissioner, and Audit Quality	(7)
Total	28
Total sample (28 x 4 years)	112

Reference: Data processed, 2024

4.2. Descriptive Statistical Test Results

The minimum, maximum, average and standard deviation values can be identified through descriptive statistical techniques. The average value shows the condition of most of the companies studied, and the standard deviation shows how scattered or widespread the research variable data is between each other.

Table 3. Descriptive Statistics of Research Variables

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	84	.01	.23	.0958	.05180
INST	84	.21	.98	.6989	.17679
KOMA	84	3	4	3.02	.153
KI	84	.25	.50	.3757	.06382
KA	84	-.03	1.06	.6071	.49160
ETR	84	.19	.28	.2327	.01816
Valid N (listwise)	84				

Reference: Data processed by SPSS, 2024

The descriptive statistical analysis indicates the characteristics and properties of the Profitability variable (X1) has a standard deviation of 0.05, a minimum value of 0.01, and a maximum value of 0.23. The institutional ownership (X2) has a value of 0.021, ranging from a minimum of 0.98 to a maximum of 0.69, with a standard deviation of 0.17. The Audit Committee (X3) has a range of values between 3 and 4, with an average value of 3.02 and a standard deviation of 0.15. The institutional ownership (X4) ranges from 0.25 to 0.50, with an average 0f of 0.37 and a standard deviation of 0.06. The Audit Quality (X5) variable ranges from -0.03 to 1.06, with an average of 0.60 and a standard deviation of 0.49. The minimum value of Tax Avoidance (Y) is 0.19, while the maximum value is 0.28, with a standard deviation of 0.01.

4.3. Classical Assumption Test

Normality Test

Table 4 has presented the results of the normality test with the analysis that is because the normality test results are 0.200, so it is said that the data that has been tested is normal because it is above the minimum limit of 0.05.

Table 4. Normality Test One-Sample Kolmogorov-Smirnov Test

N		84
		Unstandardized Residual
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.03433086
	Absolute	.071
	Positive	.071
	Negative	-.069
Kolmogorov-Smirnov Z		.071
Asymp. Sig. (2-tailed)[c]		.200[d]

Reference: Data processed by SPSS, 2024

Multicollinearity Test

The VIF number should be less the 10. Based on the provided data, there is no evidence of multicollinearity. Absence of multicollinearity occurs when the tolerance values of the independent variables are more than or equal to 10% and all VIF values are below 10.

Table 5. Multicollinearity Test Results

	Collinearity Statistics	
Model	Tolerance	VIF
ROA	.888	1.126
INST	.871	1.148
KOMA	.922	1.085
KI	.920	1.087
KA	.928	1.078

Reference: Data processed by SPSS, 2024

Heteroscedasticity Test

In this study, heteroscedasticity was assessed using the Glejser test. The coefficient of each independent variable parameter is statistically insignificant. Heteroscedasticity is deemed absent if the significance value in the model is exceeds 0.05. The significant value of each variable in the regression equation in table 6 is 0.06, this implies that the data is devoid of heteroscedasticity.

Table 6. Heteroscedasticity Test Results

Model		t	Sig.
	(Constant)	2.118	.067
	ROA	-2.996	.059
	INST	-0.955	.343
	KOMA	-1.398	.166
	KI	-.206	.837
	KA	1.747	.085

Reference: Data processed by SPSS, 2024

Autocorrelation Test

The resulting Durbin-Watson (DW) value is 1,828. In comparison to the table value and the 5% significance level, this value is assessed. The study consists of 84 sample (n=84) and 5 independent variables (k=5). Therefore, the Durbin Watson value of 1.828 is between du, namely 1.773 and 4-du, namely 2.226 in accordance with the decision table du < d < 4-du, which shows that (1.773 < 1.828 < 2.226). Therefore, it may be inferred that the model is immune to autocorrelation. Table 7 contains the results of the autocorrelation analysis.

Table 7. Autocorrelation Test Results

Model	Durbin-Watson
1	1.828

Reference: Data processed by SPSS, 2024

Multiple Linear Regression

Table 8 presents the outcomes of the multiple linear regression analysis. The following regressionequation can be created from the table:

$$Y = 0.330 - 0.099ROA - 0.031INST - 0.031KOMA + 0.080KI + 0.002KA$$

Table 8. Multiple Linear Regression Test Results

	Unstandardized Coefficients	
Model	B	Std. Error
1 (Constant)	.330	.035
ROA	-.009	.032
INST	-.031	.009
KOMA	-.036	.010
KI	.080	.025
KA	.002	.003

Reference: Data processed by SPSS, 2024.

4.4. Hypothesis Test

Test T

Table 9. T Test Results

Model	t	Sig.
1 (Constant)	9.310	.005
ROA	-3.151	.002
INST	-3.906	.003
KOMA	-2.948	.004
KI	3.193	.003
KA	0.480	.633

Reference: Data processed by SPSS, 2024

According to the above table, it is determined that the variables Profitability (X1), Audit Committee (X2), Independent Commissioner (X3), Institutional Ownership (X4) because the sig value is below 0.05, have a significant impact on tax prevention. On the other hand, because the significant value is above 0.05, the Audit Quality variable (X5) has no significant effect on tax avoidance.

Test f statistics

Table 10. F Test Results

	Model	F	Sig.
1	Regression	12.292	.005

Reference: Data processed by SPSS, 2024

The table indicates that the F value is 12.292, the result is statistically significant at a significance level of 0.05, with a significance value of 0.005. Thus, to calculate the tax prevention variable, multiple linear regression models can be used. Tax avoidance attempts are impacted by all independent variable, including audit quality, audit committee, independent commissioner, profitability, and institutional ownership.

4.5. Coefficient of Determination

Table 11. Test Results of the Coefficient of Determination

Model		RR	Square Adjusted R Square	Std. Error of the Estimate
1	.664a	.441	.405	.01401

Reference: Data processed by SPSS, 2024

According to Table 11's processing outcomes, the Adjusted R Square value of 0.441 shows how much influence the profitability of institutional ownership, audit committee, independent commissioners, and audit quality has on tax avoidance. This shows that the independent variables affect tax avoidance efforts by 44.1% with an additional factor of 55.9% affected by unaddressed variables in this investigation.

5. DISCUSSION

The results suggest that between 2019 and 2022, the financial sustainability of food and beverage corporations listed on the IDX, as assessed by the ROA variable, significantly influences their efforts to minimise tax payments. This finding aligns with the studies conducted by Rinaldi and Cheisviyanny, (2015); (Pratama, (2017); Yahaya and Yusuf, (2020) who found a significant effect of profitability on tax avoidance. According to Subagiastra et al., (2017) this may be due to the company's high profitability, which requires careful tax planning to produce the most efficient tax. As a result, the tendency to avoid taxes will be reduced. This suggests that invested capital as a whole has the capacity to generate profits and organize income and tax payments (Saputra et al., 2015). With the existing explanation, hypothesis (H1) has been confirmed.

The findings of hypothesis testing demonstrate the impact of institutional ownership, which serves as an indicator of corporate governance, on the tax avoidance attempts of food and beverage firms listed on the Indonesia Stock Exchange. Institutional ownership also has the authority to oversee the actions of company management and protect its own interests. This previous research by Anita Wijayanti et al., (2018) and investigation conducted by Kim et al., (2020); Subagiastra et al., (2017); and Putra et al., (2020) found that institutional ownership strongly influences tax avoidance. Because they are involved in strategic decision making, institutional investors are difficult to trust for actions that control finance. As a result, they are considered to have the ability to monitor managers' decisions well. Institutional ownership allows for better oversight, which will benefit the shareholders. Given theexisting explanations, hypothesis (H2) has been confirmed.

The data suggest that the audit committee significantly influences the business's efforts to avoid taxes. Therefore H3, which asserts that the audit committee influences tax prevention, is deemed valid. The hypothesis test results show that the audit committee variable is less than 0.05 indicating that during the study period, the company will have a larger audit committee ratio. This aligns with research conducted by Sunarsih and Oktaviani (2016); Waluyo (2019); Anita Wijayanti et al (2018); and Nugraheni & Pratomo, (2018) who found that the audit committee affects tax avoidance efforts. This demonstrates that the decrease of taxes is influenced by the presence of audit committees, both internal and external to the corporation. With the existing explanation, hypothesis (H3) has been confirmed.

Hypothesis testing results show that, from 2019-2022, there was an increase in the number of independent commissioners representing corporate governance. Independent commissioners, who may be regarded as minority shareholders or public shareholders, maintain their independence and generally advocate tax compliance According to the research conducted by Subagiastra et al., (2017); Sunarsih and Oktaviani, (2016); and Anam, (2022) the study indicates that the presence of independent commissioners has a substantial impact on tax avoidance. The higher the proportion of independent commissioners, thebetter the effect in monitoring and regulating the performance bags of management and directors ofthe entity. With the existing explanation, hypothesis (H4) has been confirmed.

The study indicates that the presence of autonomous commissioners has a substantial impact on the extent of tax evasion and the effectiveness of audits carried out by The Big Four KAP does not influence the company's efforts to avoid taxes. This is because the audit quality variable has a significance level that is greater than 0.05. According to Arinda & Dwimulyani, (2019); Aziz A, (2019), because auditors who carry out company audits follow the same ethics and public accounting standards, auditor audit quality does not affect tax write-off procedures. In other words, audits that are in accordance with regulations will not affect corporate tax avoidance practices, auditors must maintain integrity wherever they work.These findings are consistent with study carried out by Marselawati et al., (2018) which found that no matter how bad the audit quality is, it will not have an impact on companies that carry out tax exemption activities. Because audit quality of The Big Four KAP and Non-the Big Four cannot prevent companies from carrying out tax avoidance activities. With the explanation, the fifth hypothesis (H5) is rejected.

6. CONCLUSION

This study explores the correlation between profitability and effective corporate leadership in reducing taxes by examining food and beverage firms listed on the IDX from 2019 to 2022. A total of 84 samples were utilized. Based on the statistical analysis and debate, it can be inferred that there is no relationship between audit quality and profitability. However, factors such as institutional ownership, audit committee, and independent commissioners have a significant impact on tax avoidance. The findings of this study have important implications for food and beverage corporates listed on the IDX. Specifically, these companies can enhance their value and improve decision-making for company owners, managers, regulators, and investors by focusing on two key factors: institutional ownership and audit committees.

7. LIMITATIONS AND SUGGESTIONS

Some companies did not meet the data requirements of the variables needed for this study, which is an obstacle for this study. Moreover, the results of this study are not applicable to a wider population due to its narrow focus on the food and beverage businesses and a brief research period of only four years. Thus, the author suggests further research by including plantation, financial services and mining companies as the target of Directorate General of Taxes (DGT)'s strict supervision. In addition, the authors suggest adding variables by considering other variables that have an impact on tax avoidance besides the variables used in this study, so thatthe research results will be better and more credible.

DECLARATION OF THE AUTHORS

Publication Ethics Statement: Publication ethics were taken into consideration at all stages of the study.

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