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Effect of Financial Performance Ratio and Good Corporate Governance on Tax Avoidance with Fiscal Loss Compensation as Moderating Variable (Manufacturing Companies Listed on Indonesia Stock Exchange Period 2017-2021)

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ABSTRACT: Financial performance ratios such as profitability, leverage, and company size alongside good corporate governance organs, like the audit committee and board of commissioners, are the key factors under scrutiny in this tax avoidance investigation. Taking place over a four-year period, we examined manufacturing companies within Indonesia, listed on the BEI from 2017 to 2021. Purposive sampling was employed to select 40 companies out of the 84 listed on the BEI. Ultimately, our research was based on 200 sets of data fulfilling established criteria. Using the Eviews 12 program, panel data regression analysis was employed to conduct hypothesis testing in this study. The findings reveal that tax avoidance is influenced by profitability, whereas tax avoidance is unaffected by company size, leverage, fiscal loss compensation, board of commissioners, and audit committee.

KEYWORDS: Tax Avoidance; Good Corporate Governance; Audit Committee; Board of Commissioners; Profitability; Leverage; Company Size; Fiscal Loss Compensation.

INTRODUCTION

Collecting tax is one of the more challenging endeavors that is undertaken in the business world. The on-again-off-again economy is one of the main culprits that throw a wrench into the process of carrying out this duty. In the eyes of the tax authorities, taxes are a non-negotiable obligation that a company puts most of its attention on. Meanwhile, the company views taxes as an expenditure they're unable to avoid, something that eats away at their profits. As such, they strive to maximize profits by minimizing tax liabilities through any means necessary. It all boils down to the clashing regulations of tax authorities who aim to maximize state revenue through tax collections and taxpayers who want to minimize their tax deposits. This discrepancy highlights the need for tax planning strategies among companies. Any legal non-compliance with tax regulations is referred to as tax avoidance, while intentional or violative non-compliance falls under the category of tax evasion. The reduction of tax burdens in the business world can be assessed by examining tax savings, tax avoidance, or tax evasion. These strategies are applied to minimize the amount of tax that the company bears. Studies have been done investigating the factors that influence tax avoidance. To contribute to the field, the authors completed research on "the effect of compensating fiscal losses on Financial Performance Ratios and Good Corporate Governance organs with tax avoidance as a moderator variable.".

Governments across the globe prioritize the tax sector as it constitutes the biggest portion of state revenues, which is utilized for public interests and state expenditures managed by the Ministry of Finance. Being a responsible citizen, it is imperative that each of us contributes towards enhancing the rate of economic growth and supports the national development to ensure that the economy runs effectively as per the government's objectives for the betterment of our nation. The realization of tax receipts in 2020 stood at Rp. The aforementioned statistics emanating from the data on the realization of state budget. Compared to 2019, the realization of Rp. 1,072.1 trillion contracted by 19.6%. This amount makes up 89.4% of the state budget target imposed by Presidential Regulation 72, leaving a deficit of Rp. 126.7 trillion as reported by www.kemenkeu.go.id. To ensure the welfare of citizens, it is imperative for the government to focus on increasing revenue from taxation. The pivotal role taxes play in the nation's prosperity cannot be overstated according to Syuhada's 2019 findings. The imposition of taxes is quite burdensome for individuals as it directly reduces their income. Many contend that numerous types of taxes make everything taxable, with the

latest addition being a carbon tax. Due to this, both people and corporations resort to tax avoidance as a means of reducing their burden. In a nutshell, tax avoidance is legally the only way to evade taxes and mitigate the weighty burden of taxation.

The issue of tax evasion remains a persistent challenge. While some argue that it's not necessarily immoral, governments universally condemn the practice. Typically, organizations that engage in tax evasion are shielded by powerful agency bosses who implement strategies to boost net profits. In response, our government has instituted numerous guidelines aimed at curbing this phenomenon. The fair treatment of business practices, specifically in regards to transfer pricing, is a crucial point addressed in the Regulation of the Minister of Finance number PMK-22 / PMK.03 / 2020. This regulation aims to establish a set of rules to ensure fairness and prevent abuse in transactions between companies that share a close relationship. It emphasizes the importance of adhering to the principle of fairness and uselessness in these business dealings.

In a departure from previous research, this study factors in additional independent variables including profitability, leverage, company size, and compensation for fiscal losses as moderating variables. This shift is noteworthy as profitability is an important consideration for companies in determining their tax burdens based on their individual characteristics. By exploring inherent company traits, this study builds upon prior work by Sari, Luthan, and Syafriyeni (2020). Using the agency theory employed by Purbowati (2021), this study investigated tax evasion across various manufacturing companies between 2017 and 2021. Throughout this timeframe, numerous companies engaged in dubious practices, serving as the impetus for this research.

Around the globe, tax avoidance has become almost universally practiced, as reported by (Beer, 2018). Tax evasion is often rooted in the flaws present within the tax regulation system, allowing many individuals to bypass the laws. The popular method of tax deferral, whereby payments are indefinitely postponed, is just one way used to accomplish tax avoidance. Nevertheless, tax regulations vary from nation to nation and therefore require careful tailoring to fit each country's particular conditions and regulations.

Tax evasion versus tax evasion has been a recent point of emphasis for the Directorate General of taxes as they strive to maintain clear boundaries. One of their efforts has been the implementation of fiscal indemnity to prevent loss-making companies from being taxed. By utilizing fiscal loss compensation, these companies can carry out tax evasion. In March of 2020, the government declared a state of emergency due to the COVID-19 pandemic. This had a significant impact on the economy and resulted in new policies being implemented across various sectors, including the tax industry. Mrs. Sri Mulyani Indrawati, the Finance Minister, has outlined a policy in the Minister of Finance regulation to provide tax incentives to taxpayers impacted by Covid-19. The pandemic has affected 19 sectors of manufacturing and 11 sectors outside of manufacturing, such as hospitality, transportation, and trade, which can also receive tax facilities. The aim is to aid cash flow for companies, particularly in the industrial sector, where the tax incentive lasts for 6 months, commencing from April to September 2020 and was extended from January 2021 to June 2021.

Several factors can sway involvement in tax avoidance, such as corporate governance and financial performance. The latter, specifically measuring profitability, determines how well a firm operates. Performance is evaluated by the capacity of a company to reap profits at a given time with sales, assets, and share capital. The financial standing of the company's asset management, or Return on Assets (ROA), is crucial to profit generation and can be found in its financial statements. Demonstrating success in its profitability, the value of ROA reveals the company's monetary prowess. The profit a company obtains is directly related to its ROA, with higher levels of ROA leading to greater profits and vice versa. As profits increase, so too does the tax imposed on the company. This can often lead to corporate agencies attempting to avoid paying taxes in order to maintain profits. These findings align with a study by Putra, Suzan and Kurnia (2019) which discovered a positive correlation between profitability and tax avoidance. However, Triyanti, Titisari, and Dewi (2020) and Wahyudi (2020) conducted a follow-up study that found no significant relationship between profitability and tax avoidance.

As per the research by Kasmir, leverage is a crucial factor to consider in any company (2017;113). The ratio indicates how much of a firm's assets are funded through debt and demonstrates their ability to meet financial obligations. While Hidayat (2018) states that leverage does not impact tax avoidance, the study by Triyanti, Titisari, and Dewi (2020) shows that higher leverage ratios can benefit businesses in terms of tax incentives. This discovery contradicts previous theories on the topic.

According to Putu Ayu and Gerianta (2018), one of the factors that frequently seems to impact tax avoidance is the size of a company, and it is the third element that influences the study's financial ratios. Company size is a gauge that can be divided into categories based on total assets, share value, number of sales, and so on. The ability to confront business problems and maximize profits are bolstered by possessing a significant asset value, allowing for greater independence. Additionally, large firms often employ skilled legal teams dedicated to identifying tax loopholes which mitigate costs. Public perception is of utmost concern

for these companies, as being caught evading taxes can irreversibly damage their reputation.

The implementation of Good Corporate Governance organically determines a company's performance direction based on the connections between its participants. Unfortunately, tax evasion seems to be a common practice among many Indonesian public companies who fail to adhere to it. In 1998, during Indonesia's prolonged crisis, the importance of good corporate governance was highlighted. Many believe that poor corporate governance is impeding the progress of Indonesia's improvement. Therefore, both investors and governments have prioritized the promotion of good corporate governance practices. Hidayana (2017) established Corporate Governance in order to monitor tax planning and management, ensuring that corporations are in compliance with applicable laws while still engaging in legal tax avoidance rather than illegal evasion. This study seeks to investigate the positive influence that the functionalities of the Board of Commissioners and Audit Committee can have on tax avoidance. Precise, pertinent, and timely information is likely to be provided by companies with Good Corporate Governance. By applying GCG, the company's financial performance can be enhanced, increasing investor confidence and ultimately elevating the company's value. Not only that, manipulative activity which could potentially benefit the company, can be reduced.

Not doing taxes properly is against the rules and is considered tax evasion. Those who fail to file their taxes have committed this offense. The consequences of tax evasion are severe and can result in legal proceedings. The stability of the government's finances is jeopardized if individuals avoid paying taxes, impacting the wider population. This is why it's important for everyone to pay their taxes punctually and avoid putting the government's budget in danger.

Moderation of tax avoidance hinges on fiscal compensation, which acts as a mediator. Fiscal indemnity compensation involves deferring losses from one period or year to the next, essentially reducing operating profits before taxes are factored in. This leads to a nonchalance towards tax fraud in large corporations, who are under pressure to maintain transparency in their financial records. For these companies, risk management for tax obligations is a chief focus.

GRAND THEORY DEVELOPMENT AND HYPOTHESIS

In exploring the idea of tax avoidance through corporate governance, the Theory of Agency proves to be a useful framework. But what exactly is agency theory? It's a concept that has been utilized in previous studies and is often discussed in foundational writings. At its core, agency theory posits that a company serves as a nexus for contractual relationships between management, owners, creditors, and the government. Part of the theory's appeal lies in its emphasis on monitoring and managing the costs of these relationships, and ensuring that they are maintained in a beneficial way for all parties involved. The concept of agency theory has taken agency in a new direction, with its ultimate purpose being to persuade investors that their investment will result in a profitable return. This particular theory was selected to demonstrate the correlation between fiscal indemnity, leverage, profitability, company size, board of Commissioners, and audit Committee on the act of tax evasion.

In exploring the dynamics between agents and principals, (Fauzan et al, 2019) reference (Jensen and Meckling, 1976) to explain agency theory. This theory sheds light on how decision-making authority and services are provided. According to this theory, a gap in information exists between managers (agents) and shareholders (principals). This information asymmetry is due to managers being privy to more internal insights and future prospects compared to shareholders and other stakeholders. Meanwhile, Eisenhardt (1989) postulates that while cooperative behavior exists between the principal and the agent, they maintain different attitudes towards risk and distinct goals, reflecting the fundamental structure of agency.

Providing information after an event, the post-decision role, is an essential aspect of accounting practice, supported by agency theory. The accounting stewardship, which involves reporting to the principal about past events, is relevant to this role, giving accounting its feedback value and predictive value. Minimizing the occurrence of information asymmetry in financial statements submitted to stakeholders can serve as an effective means of communication of financial information to external parties, as highlighted by E. Rahmawati (2017).

Between shareholders and managers, there often arises a conflict of interest known as the agency conflict, brought about by the agency relationship. The agent (Management) may prioritize its own interests over those of the principal (shareholders) in an effort to secure future returns and company value. One such problem caused by agency conflict is the manager's decision to engage in tax avoidance. While this can provide companies with a cost-effective means of financing and yield substantial economic benefits, it can also result in costs such as fines or legal fees that may not always be evident and can impact the company's reputation. (Susanto, 2018).

Within the realm of tax provisions, tax avoidance involves engineering one's tax affairs. As for tax evasion, it draws its

existence from going against either the written law or the spirit of the law. The Fiscal Affairs Committee of the Organization for Economic Cooperation and Development (OECD) has identified three markers of tax evasion, specifically utilizing legal loopholes, implementing legal provisions for multiple purposes, or involving artificial elements. Confidentiality is also a crucial factor.

According to Silviana and Widyasari (2018), reducing tax burden through legal means is known as tax avoidance. This method diverts resources from state allocation to shareholders, who benefit with an increased company value after taxes. Tax evasion does not fall under this category as it violates tax laws. (Subarkah, 2017) also concurs that tax avoidance is a tool for tax savings that conforms to legal and regulatory guidelines. Tax evasion occurs when taxpayers follow legal regulations under tax laws, which ultimately reduces state revenue from the tax sector. Despite its impact, the government is unable to legally prosecute those who commit tax evasion, as stated by Purbowati (2021).

According to the CETR measurement formula, tax avoidance is described by Mardiasmo (2019: 1) as an attempt to reduce taxes without breaking the law. This measurement effectively gauges the extent of tax avoidance:

$$\text{CETR} = \frac{\text{Cash Tax Paid}}{\text{Pre-tax income}}$$

In Year t, the cash tax paid by company I can help to determine the Cash ETR, which is the effective tax rate. This is calculated by using the income before tax from the company's financial statements. The amount of tax cash that the company paid is also taken into account to determine the Cash ETR.

In the world of business, profitability is a key indicator of success, as it shows how much net profit a company earned during a specific accounting period (Kasmir 2019:114). This is a reflection of the company's overall performance and success in all its transactions during that time. Assessing profitability involves analyzing various ratios, including the return on assets (ROA), which measures how effectively a company's management is generating profits from its sales and investments (Prihadi 2020:166). By focusing on ROA, companies can better understand how to optimize their performance and generate more revenue.

The measure of a company's performance is profitability. This metric displays the level of sales, share capital, and assets in which a profit is earned in a given period. Among the various profitability ratios, one is the ROA or return on assets ratio. According to the Agency Theory, agents are motivated to enhance corporate profits. However, when the profit margin increases, the tax amount also increases. To prevent a decrease in the performance-based compensation of the management agents, the company's management will be responsible for managing the tax burden. One theory, called the pecking order theory, suggests that companies prefer to use internal funding to receive incentives from asset management, which will help to lower their tax burden. According to Dewi and Noviari's (2017) research, a higher ratio of ROA indicates that a company effectively manages their assets and earns substantial profits, resulting in a higher tax burden. To avoid excessive taxes, companies may resort to tax avoidance strategies.

By utilizing a formula that calculates the comparison between net income and total assets at the end of a financial statement period, return on assets can gauge if a company has the potential to make a profit. This measurement is obtained by comparing the net profit to the total assets at the end of the period, providing insight into the company's ability to generate profits:

$$\text{ROA} = \frac{\text{Net Income}}{\text{Total assets}}\ x\ 100\%$$

Based on the value of assets owned and net profit after tax, ROA is a ratio that determines the return on capital spent. The generated net income is used for this calculation. Therefore, the hypothesis is as follows:

H1: profitability as an indicator of financial performance ratio has a positive effect on tax avoidance

Kasmir (2019: 112) explains that leverage, a solvency ratio used to project the state of debt in a company's finances, measures the extent to which a company's activities are financed with debt. This debt incurs a fixed rate of return, known as interest. The formula for measuring leverage is the total debt to equity ratio, which reflects the company's ability to fund its assets with a mix of long-term and short-term debt. This ratio is relevant because it impacts the amount of interest expense that can be deducted from taxable income, thus reducing the amount of taxes that the company needs to pay (Waluyo et al, 2017):

$$\text{Debt to Equity Ratio (DER)} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Debt to Equity Ratio (DER) based on the comparison of total debt owned by the company divided by the total equity or Capital owned by the company. Based on the above explanation, the hypothesis made is*:*

H2: Leverage as an indicator of financial performance ratio has no effect on tax avoidance.

The concept of Company Size encompasses the total assets, total sales, average total sales, and average total assets of a company to describe its scale. Companies are typically categorized as small, medium, or large based on these factors. This size classification plays a role in determining the capital structure, as larger companies tend to have higher sales growth rates and a greater willingness to issue new shares, while also having a greater tendency to utilize loans. Reacting promptly to unexpected changes is an area where small businesses excel, making them more adaptable in uncertain situations compared to bigger enterprises. This means that larger corporations have broader leverage capabilities in contrast to their smaller counterparts.

Describing the size of a company can be accomplished using a scale, as stated by Priyanata in 2017. However, the presentation of financial statements can have an impact on the company's perceived size. To indicate the size of a company, one can examine its total assets log, which is a more stable and consistent measure than other proxies. This information can be expressed using the following formula:

Company size = $Ln\ x\ Total\ Asset$

Based on these explanations, the hypothesis built is:

H3 : Company size as an indicator of financial performance ratio has a positive effect on tax avoidance.

Formed by the board of Commissioners, the Audit Committee is responsible for overseeing corporate governance and external audits of the company's financial statements. Its members can include both board members and outside experts who possess the necessary expertise, experience, and qualities needed to achieve its objectives according to the National Committee on Governance Policy (2017). The Audit Committee operates under the direct authority of the board of Commissioners. For the company's external reporting, the audit committee serves as a monitoring mechanism that enhances the audit function. Responsibility for financial reporting errors is often delegated by the company's board to the audit committee, ensuring that the financial statements are both trustworthy and accurate (Munawaroh, M., & Sari, S. P., 2019).

Using a dummy variable, the audit committee can be assessed - given a value of 1 when consisting of three members, and 0 when less. As per regulations, the board of Commissioners must establish an audit committee with at least three members at all times. These members are appointed and dismissed by the board and are held accountable to them. Due to their smaller size, the audit committee manages to function in a more efficient manner. However, their members often lack experience, which poses as a shortcoming. Therefore, members of the audit committee should possess the necessary knowledge regarding financial statement preparation and internal monitoring principles. While common sense and intelligence are essential, an independent attitude proves to be equally important for audit committee members.

Supervision of financial statement preparation falls under the audit committee's purview, ultimately establishing it as a deterrent against fraudulent activity. Companies equipped with such oversight show greater responsibility and transparency in their financial reporting. Thus, it's apparent that the audit committee operates dutifully and with legitimate authority. Forming hypotheses on this premise,

H4: suggests that the audit committee serves as an indicator of the effect of GCG organizations on tax avoidance.

The Board of Directors and Board of Commissioners are both integral parts of the company, but their roles differ. While the Board of Commissioners holds a legislative function, the Board of Directors may be executive or perform a similar legislative function. In overseeing the leadership and work of the Board of Directors, the Board of Commissioners holds authority as the shareholders and may temporarily remove Directors who act against the company's articles of association.

Indonesian Stock Exchange (IDX) tax avoidance research conducted by R Purbowati (2021) found that GCG does not always have a significant impact. Only independent commissioners and the number of audit committees significantly reduce tax avoidance. However, constitutional ownership and audit quality did not show significant impact. We found that the Audit Committee effectively minimizes tax avoidance. To assess the number of members serving on the board, both internally and externally, the Board of Commissioners utilizes a unique measurement method. Accordingly, we have formulated the following hypothesis:

H5: the Board of Commissioners as an indicator of GCG organs has no effect on tax evasion.

The reimbursement of fiscal losses can greatly alleviate the tax obligations of a company, or even eliminate the need for paying taxes altogether if the profits earned in the subsequent year do not exceed the previous year's fiscal losses. In this way, corporations that receive compensation for fiscal losses are spared the need to engage in tax avoidance measures in order to

minimize their tax burden. The correlation between fiscal loss compensation and tax avoidance is an inverse one. The more a company compensates for its fiscal losses, the less likely it is to engage in tax avoidance, and vice versa.

If a company experiences financial losses, the government may grant them fiscal compensation to aid in tax payments. This practice, commonly called fiscal compensation, is governed by Law No. 36 of 2008 article 6 paragraph 2. This law states that fiscal losses can be reimbursed for up to five consecutive years after originally incurring losses. Additionally, profits from the following year will be applied towards reducing the compensation owed for previous losses. As a result, companies will enjoy less tax obligation over the five-year period. To measure fiscal compensation, a dummy variable can be utilized. This variable will be assigned a value of 1 if there is fiscal compensation at the beginning of year t. Given this context, we can formulate the hypothesis:
H6 : Fiscal compensation can strengthen profitability in its effect on tax avoidance
H7 : Fiscal compensation is able to strengthen leverage in the effect of tax avoidance
H8 : Fiscal compensation is able to moderate the size of the company has a positive effect on tax avoidance
H9 : Fiscal compensation is able to moderate the audit committee has a positive effect on tax avoidance
H10 : Fiscal compensation able to moderate the board of Commissioners has a positive effect on tax avoidance
H11 : Fiscal compensation is able to moderate the profitability, leverage, size of the company, the audit Committee, and the board of Commissioners together have a positive effect on tax avoidance

RESEARCH METHOD

Manufacturing companies listed on the IDX offered up the sample of financial and annual reports used in this study spanning from 2017-2021. Purposive sampling techniques aligned with predetermined selection criteria were applied to identify and include suitable companies from the IDX over this period. The established criteria was narrowed down to companies listed on the Indonesia Stock Exchange, satisfying the requirements of our research. Obtaining data from already listed companies is simple through the Indonesia Stock Exchange website or the company's own. (2) Throughout 2017 to 2021, the manufacturing sector companies listed on the IDX remain undelisted. (3) Only companies with financial statements and annual reports denominated in Rupiah are included.

Companies that don't meet the criteria are removed to select the samples. Looking at the period between 2017 to 2021, 84 companies chosen for being listed on the Indonesia Stock Exchange (IDX) were eliminated and only 40 companies were picked to provide 200 research data. The process of selecting the sample can be viewed in the table presented below:

Table 1: Sample Selection Results

No	Company Sample Criteria	Total
1	Manufacturing companies listed on the Indonesia Stock Exchange during 2017 - 2021.	84
2	Manufacturing sector companies that did not publish complete financial statements during the period 2017 - 2021	(33)
3	Manufacturing sector companies that do not use rupiah	(11)
sample companies total		40
years of observation total		5
Amount of research data		200

Source: processed by the author, 2023

RESULT AND DISCUSSION

The results of descriptive statistical tests and hypothesis testing results are presented in Table 2 onwards.

Table 2. Results Of Descriptive Statistics

	Y	X1	X2	X3	X4	X5	Z
Mean	-0.080300	-0.021387	3.447157	28.04671	2.950000	0.679683	0.800000
Median	-0.099649	-0.039950	0.579067	27.75731	3.000000	0.666667	1.000000
Maximum	0.874559	0.607168	162.1920	31.51070	3.000000	0.800000	1.000000

Minimum	-1.546927	-0.401425	-10.18817	25.64046	0.000000	0.500000	0.000000
Std. Dev.	0.396012	0.144969	21.07629	1.452315	0.387298	0.073054	0.403376

Source: Output Eviews 12, processed author 2023

Within the data set of 200 financial statements from 2017-2021, it can be determined that variable Y (pertaining to tax evasion) has a mean of -0.080300, a standard deviation of 0.396093, and a range between a minimum value of -1.546927 and a maximum value of 0.875000. Interestingly, the maximum value occurs during the 2018 fiscal year for PT. Bentoel Internasional Investama Tbk (RMBA), a company which experienced a loss of Rp. 324,590,000,000, despite receiving compensation of Rp. 283.873.000.000 during the previous fiscal year. The data above presents the variables analyzed in this study, revealing a few notable observations. The sample companies had an average profitability (X1) that was relatively low, sitting at under 2%. They also exhibited high leverage, with an average of 344%. In terms of size, the companies boasted an average of 2.805% (X3), while the average number of members in audit committees was three (X4). The Board of Commissioners held an average of 67% (X5) and fiscal compensation sat at 80%.

Multiple Linear Regression Test Results

Table 3. Effect of profitability on tax evasion

Sample: 2017 2021
Periods included: 5
Cross-sections included: 40
Total panel (balanced) observations: 200
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.104023	0.008917	11.66574	0.0000
X1	0.038703	0.016871	2.294062	0.0228

Effects Specification

	S.D.	Rho
Cross-section random	0.052104	0.5397
Idiosyncratic random	0.048115	0.4603

Table 4. Effect of Leverage on tax evasion

Sample: 2017 2021
Periods included: 5
Cross-sections included: 40
Total panel (balanced) observations: 200
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.104334	0.012221	8.537055	0.0000
X2	0.000282	0.001824	0.154862	0.8771

Effects Specification

	S.D.	Rho
Cross-section random	0.073350	0.6961
Idiosyncratic random	0.048462	0.3039

Table 5. Effect of Company Size on tax evasion

Sample: 2017 2021
Periods included: 5
Cross-sections included: 40
Total panel (balanced) observations: 200
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.156577	0.191050	-0.819564	0.4135
X3	0.009145	0.006677	1.369661	0.1723
Effects Specification				
		S.D.	Rho	
Cross-section random		0.070576	0.6798	
Idiosyncratic random		0.048435	0.3202	

Table 6. Effect of Audit Committee on tax evasion

Sample: 2017 2021
Periods included: 5
Cross-sections included: 40
Total panel (balanced) observations: 200
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.073426	0.034915	2.102982	0.0367
X4	0.010342	0.010873	0.951123	0.3427
Effects Specification				
		S.D.	Rho	
Cross-section random		0.072848	0.6941	
Idiosyncratic random		0.048364	0.3059	

Table 7. Influence of the Board of Commissioners on tax evasion

Sample: 2017 2021
Periods included: 5
Cross-sections included: 40
Total panel (balanced) observations: 200
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.105127	0.023530	4.467832	0.0000
X5	-0.000871	0.033874	-0.025716	0.9795
Effects Specification				
		S.D.	Rho	
Cross-section random		0.073151	0.6950	
Idiosyncratic random		0.048460	0.3050	

Table 8. Effect of fiscal indemnity compensation moderating profitability, Leverage, company size, Audit Committee, and Board of Commissioners jointly against tax evasion

Sample: 2017 2021
Periods included: 5
Cross-sections included: 40
Total panel (balanced) observations: 200
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.082591	0.111835	0.738507	0.4611
X1	0.007852	0.014652	0.535889	0.5927
X2	0.000198	0.001267	0.156654	0.8757
X3	0.002361	0.003607	0.654701	0.5134
X4	0.003374	0.009126	0.369744	0.7120
X5	-0.017233	0.024779	-0.695488	0.4876
Z	-0.144857	0.009499	-15.25033	0.0000

Effects Specification	S.D.	Rho
Cross-section random	0.034509	0.4961
Idiosyncratic random	0.034780	0.5039

The table above showed a probability of 0.0228 or less than 0.05 for variable X1, indicating a feasible outcome for the discussion on the hypothesis in Question (1) regarding the effect of decreasing profitability on the level of tax avoidance. It was concluded that there exists an effect on tax avoidance, supporting the results of hypothesis H1. On the other hand, variable X2 leverage had a probability level of 0.8771 or greater than 0.05, leading to the conclusion that leverage has no impact on tax avoidance. Therefore, the results of hypothesis H2 are acceptable. The results of the hypothesis H3 were deemed unacceptable due to the finding that variable X3, the size of the company, did not impact tax avoidance. Furthermore, a probability level of 0.3427 was observed for variable X4, the Audit Committee, indicating that it had no effect on tax avoidance. While an increase in the number of Audit Committee personnel was correlated with a decrease in tax avoidance, it can be concluded that the Audit Committee as a whole played no significant role in this regard. Thus, hypothesis H4 was deemed acceptable. The level of tax evasion is unaffected or even negatively impacted by variable X5 within the Board of Commissioners. Hypothesis H5's results support this. Hypothesis H6, on the other hand, cannot be accepted as it suggests that fiscal compensation does not increase profitability for tax avoidance. Lastly, the findings of hypothesis H7 reject the idea that fiscal compensation strengthens leverage for tax avoidance. Hypothesis H8, which suggests that fiscal compensation cannot moderate the positive impact of company size on tax avoidance, has been discredited with (8) results. Meanwhile, (9) findings have rejected hypothesis H9, which posits that fiscal compensation can moderate the audit committee's effect on tax avoidance. Finally, hypothesis H10, asserting that fiscal compensation can bolster the board of commissioners' resistance to tax avoidance, has been deemed unacceptable based on (10) evidence. Fiscal indemnity, in conjunction with company size, leverage, profitability, and the composition of the audit committee and board of commissioners, has been examined as a moderating factor in the occurrence of tax evasion. Our research indicates that the results do not support the validity of hypothesis H11, which posits that these variables together do not predict tax evasion. Thus, H11 must be dismissed as unacceptable.

CONCLUSION

Compensation for fiscal losses appears to impact the correlation between probability and tax avoidance, while Leverage, the Board of Commissioners, the size of the company, and the Audit Committee have no bearing on tax avoidance. However, with moderated probability, the results reveal a weakened or negative impact on tax avoidance. By contrast, moderated Leverage, Board of Commissioners, the size of the company, and the Audit Committee demonstrate strengthened or diminished influence on tax

avoidance. Based on these findings, it can be deduced that companies receiving compensation for fiscal losses will not engage in tax evasion. To truly broaden our understanding, it is suggested to expand research beyond manufacturing companies. Non-financial service companies would be a fruitful subject to study and yield more all-encompassing results. In addition, including other independent variables like Audit Quality or Corporate Social Responsibility (CSR) into the mix would greatly enhance the potential for further research.

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