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The Effect of Profitability and Good Corporate Governance on Tax Avoidance

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ABSTRACT

This study looks at how tax avoidance in real estate and property firms listed on the Indonesia Stock Exchange is impacted by profitability and good corporate governance (GCG) from 2020 to 2023. Secondary data from yearly financial reports is used in the study. 92 observations from 23 companies were obtained using a purposive sample strategy. The data was subjected to multiple linear regression analysis using SPSS 27 software. The findings indicate that profitability has a negative impact on tax avoidance, suggesting that greater profitability is linked to a lower likelihood of tax avoidance. In contrast, the audit committee used as a GCG indicators has a positive impact on tax avoidance. Meanwhile, the other two GCG indicators, institutional ownership and the proportion of independent commissioners, did not significantly affect on tax avoidance. These data suggest that not all aspects of GCG are effective in reducing tax avoidance. As a result, each governance mechanism's supervision functions must be strengthened in order to effectively deter tax avoidance in the property and real estate sectors.

Keywords: ***: Independent Board of Commissioners; Good Corporate Governance; Audit Committee; Profitability; Tax Avoidance.***

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INTRODUCTION

Taxes are obligatory contributions that are essential to a nation's progress. Apart from being a legal obligation, taxes also reflect the active participation of citizens and business entities in supporting the sustainability of national development (Sjahril et al., 2020). Although the tax benefits are not always directly felt by the taxpayer, their contribution has a lasting effect on the nation's economic stability and public well-being. However, amidst the important role of taxes, the phenomenon of tax avoidance is still often found, especially in the business world.

Businesses employ tax avoidance as a legal tactic to lower their tax obligations by exploiting legal gaps or defects in the tax code (Manurip & Suwetja, 2022). Although it does not directly violate the law, this practice is considered unethical and has the potential to harm state revenues.

The Base Erosion and Profit Shifting (BEPS) project was started by international organizations such as the OECD in response to the growing concern over tax avoidance worldwide. This project aims to improve international tax rules, close tax avoidance loopholes, and ensure that multinational companies pay taxes proportionally in the countries where they earn their profits (Annisa, 2024). The Tax Justice Network (2022) states that Indonesia loses potential tax revenue of around USD 4.86 billion per year, mostly due to tax avoidance by corporations.

One of the sectors in the spotlight in tax avoidance practices is the property and real estate sector. Despite making a substantial contribution to national tax collections, this industry's intricate financial structure provides enough opportunity for tax avoidance (Awaliah et al., 2022). In addition, the low Effective Tax Rate (ETR) over the past five years indicates high tax avoidance practices in this sector. Several internal company factors are thought to influence the propensity to avoid paying taxes, including profitability and the quality of corporate governance or Good Corporate Governance (GCG). Businesses that are highly profitable typically have greater incentives to design tax saving strategies to maintain net income (Widyastuti et al., 2022) .On the other hand, the implementation of good GCG principles is thought to have the ability to stop tax avoidance, by creating a transparent, accountable, and responsible supervisory system (Widyastuti et al., 2022).Good corporate governance is also used to create a business world that competes healthily and provides optimal contributions to stakeholders (Wikartika & Akbar, 2020).

There are discrepancies in the outcomes of past studies, which entice researcher to perform additional study. Additionally, the interaction effect between profitability and GCG components such as audit committees, institutional ownership, and independent commissioners has not been extensively explored within the context of Indonesia's property and real estate industry. This sector is unique due to its capital-intensive nature, reliance on long-term financing, and complex asset structures, all of which may create distinctive tax planning opportunities.

Despite its significant contribution, the property and real estate sector faces challenges, especially during global economic downturns. The Indonesian government's Ministry of Finance Regulation (PMK) No. 13/2025, which provides Value Added Tax (VAT) subsidies for landed houses and apartment units, is a strategic step to support the sector. While this incentive boosts demand and profitability (Aji & Haptari, 2022) , it also presents opportunities for increased tax avoidance due to lower tax burdens.

This study adds to the literature by focusing on the property and real estate sector, which remains underexplored despite its potential for tax avoidance. By analyzing data from 2020 to 2023, the research captures the impact of recent regulatory changes, such as VAT subsidies, on corporate profitability and tax behavior. The study also examines how profitability interacts with corporate governance components, offering new insights into the sector's unique tax dynamics. This research aims to inform policymakers and stakeholders on how to balance incentives with effective measures to curb tax avoidance while promoting sustainable growth. With a focus on firms between 2020 and 2023, this study aims to investigate the connection between tax avoidance, profitability, and good corporate governance listed on the Indonesian Stock Exchange (IDX) in the real estate and property industry.

LITERATURE REVIEW

Agency Theory

Agency Theory, developed by Jensen & Meckling (1976), analyzes the relationship between the principal (owner) and agent (company management) as well as the potential for conflicts of interest (agency problems) due to differences in goals between the two. This conflict occurs in the context of tax avoidance when agents take actions that are not always in accordance with the owner's desires, such as using risky tax avoidance techniques to boost net income.This theory highlights the importance of control and incentive mechanisms, so that agent behavior remains in line with the principal's goals. Without effective supervision, agents can act for personal gain or reputation, which can be detrimental for the company in the long run. Therefore, corporate governance plays a vital function in aligning the interests of the principal and agent, and minimizing agency conflicts.

Tax Avoidance

Tax avoidance strategy is implemented by tax responsibilities to lower the amount of tax obligations that must be fulfilled through lawful methods and remain within the applicable tax regulation corridor. According to Pohan (2013) , Tax avoidance is carried out through transactions on objects that are not subject to tax, in order to lower the total amount of taxes owed. In line with this, Merks (2007) stated that tax avoidance includes various strategies that are legally designed to reduce the tax liability, through the utilization of the tax structure available in the applicable legal provisions.

Profitability

Profitability is a key element in financial analysis this represents the extent to which a corporation is capable of generating profit from its operations, especially to ensure long-term business sustainability (Musthafa, 2017) .This ratio functions as a benchmark for management effectiveness in implementing business strategies, because profit is the main goal of all operational activities. By understanding the level of profitability allows management to evaluate how well the business manages its assets in order to turn a profit.

Good Corporate Governance

Good Corporate Governance (GCG) acts as a company's internal control to increase value for all stakeholders. The implementation of GCG principles helps companies balance the achievement of economic targets and social responsibility. Furthermore, GCG plays an important role in handling conflicts of interest between stakeholders and ensuring company management is carried out successfully through the execution of processes, policies, and procedures that uphold transparency and accountability.

Audit Committee

The audit committee, which is an independent entity appointed oversees the company's financial governance on behalf of the board of commissioners and making sure that all relevant legislation are followed (Handoyo et al., 2022). In compliance with the regulations of Article 121 Paragraph (1) of Law Number 40 of 2007, the formation of an audit committee is an obligation for the board of commissioners. This committee plays a part in carrying out objective and independent supervision of managerial performance, and ensuring that the policies and procedures used are in compliance with the relevant laws and guidelines.

Institutional Ownership

The proportion of a business's stock owned by financial organizations like banks, insurance companies, or other investment institutions is known as institutional ownership (Handoyo et al., 2022). These organizations may include financial firms such as banks, insurance providers, pension funds, and others, both domestic and international. The role of institutional ownership is very significant in strengthening the managerial performance of the organization's supervision function.

Independent Board of Commissioners

The independent commissioners' members are appointed expressly to represent the interests of shareholders and have no affiliation with the business (Handoyo et al., 2022). They are selected based on their expertise, experience, and relevant professional background, without any relationship with certain parties. The main task of independent commissioners is to provide support for the company's interests with an objective attitude.

The Influence of Profitability on Tax Avoidance

The ability of management to supervise business activities and describe a company's potential to make a profit is measured by profitability. The gene theory states by Jensen & Meckling (1976) managers as agents tend to optimize the management of tax burdens to maintain their performance and compensation. Thus, companies that record high profits often practice tax avoidance as a method to reduce tax liabilities, increase net income, and maximize compensation for managers.

Several studies support profitability and tax avoidance are positively correlated. practices, as expressed by Widyastuti et al., (2021) and Murkana & Putra (2020) .However, the results of other studies show different results. Fadhila & Andayani (2022) found that tax avoidance is really negatively impacted by profitability,while Fatimah et al., (2020) and Mailia

& Apollo (2020) revealed that there was no significant effect. Based on the differences in these results, The following hypothesis is put forth by this study:

H1: Profitability has an influence on tax avoidance.

The Influence of the Audit Committee on Tax Avoidance

An audit committee's existence is required to ensure that financial reporting is accurate and that legal obligations are met. Referring to the idea of agency theory originating from the thoughts of Jensen & Meckling (1976) , the presence of an audit committee can increase control over managerial practices, thereby reducing the risk of disagreements between shareholders and management, especially related to efforts to minimize tax liabilities. The committee plays a role in preventing opportunistic behavior from management that has the potential to harm the company, by verifying that the tax policies used are in line with applicable regulations (Sunarto et al., 2020).

As per the findings of reseacrch by Oktaviani et al (2023) and Hilmi et al., (2022) showed that the audit committee had a negative impact on tax avoidance, that the less of audit committee's performance, the lower the desire to avoid paying taxes.However, different results were conveyed by Ismiyanti & Ahalik (2022) that the audit committee actually showed a positive impact, because it was considered to improve the quality of reporting that could be used in tax burden reduction tactics. Meanwhile, Fauzan et al (2021) observed that the board's audit committee exerted no substantial impact. Considering these variations in results, , The following hypothesis is put forth by this study:

H2: The Audit Committee has an influence on tax avoidance.

The Influence of Institutional Ownership on Tax Avoidance

Enhancing the organization's supervisory role is mostly dependent on institutional ownership. Large owners with the resources and interests to actively monitor management performance, enhance information disclosure, and uphold the company's reputation are institutional investors. From the perspective of Jensen & Meckling (1976) agency theory, institutional ownership can help overcome disputes between executives and stakeholders, including when it comes to tax avoidance. Risk-averse organizations typically push managers to follow tax laws to prevent legal issues and damage to their brand (Sofiamanan et al., 2023).

A study by Handoyo et al. (2022) also Fauzan et al. (2021) discovered a negative influence between tax avoidance and institutional ownership. The more important institutions are to the ownership structure, the lower the tendency of companies to implement tax avoidance strategies. However, Mardjono (2024) study stated revealed institutional ownership and tax avoidance techniques did not significantly correlate. This difference in results encourages the formulation of the following hypothesis:

H3: Institutional ownership has an influence on Tax Avoidance.

The Influence of Independent Board of Commissioners on Tax Avoidance

In the corporate structure, independent commissioners have the responsibility to oversee managerial activities and ensure transparent and accountable governance. Their presence is expected to strengthen transparency, accountability, and honesty in compiling financial reports, as well as prevent opportunistic management behavior. Grounded in agency theory of Jensen & Meckling (1976), the more independent commissioners there are, the more successful they are in keeping an eye on management performance. in order to enhance business performance and reduce the tendency to act contrary to the interests of shareholders such as tax avoidance (Sofiamanan et al., 2023).

Research by Dewi & Oktaviani (2021) and Handoyo et al. (2022) revealed that tax avoidance techniques are impacted by independent board of commissioners. Because of this, the more objective commissioners who act as supervisors, the slimmer the chances of the company avoiding paying taxes. This finding is in line with the view that strong external supervision can dampen management's manipulative maneuvers related to tax obligations. However, a different view emerged from the study by Rohyati & Suripto (2021) which stated apparently corporate tax avoidance attempts were not significantly impacted by the independent commissioners' presence.This difference in results prompted the formulation of the following hypothesis:

H4: Independent Board of Commissioners has an influence on Tax Avoidance.

METHOD

Data Types and Sources

According to scientific norms, the quantitative approach used in this study makes use of numerical data and statistical analysis. The secondary data used came from the company's financial filings. Examining how the output variable, tax avoidance is influenced by institutional ownership, profitability, audit committees, and independent boards of commissioners.

Population and Sample

Purposive sampling is the sample selection methodology employed in this investigation, and it is predicated on specific criteria or characteristics associated with the goals of the investigation. Samples were taken from property firms and real estate firms listed between 2020 and 2023 on the Indonesia Stock Exchange (IDX). Companies must be listed on the IDX during that time, produce comprehensive and consecutive yearly financial reports from 2020 to 2023, and not incur losses during that time frame in order to meet the sample selection criteria. 23 qualifying organizations were selected based on these criteria, and each was monitored for four years, yielding 92 sample units. The purpose of this sample selection is to guarantee that the data evaluated is consistent with the research's goal, sufficiently full, and supports the validity of the findings.

Operational Definition and Measurement of Variables

This study's operational description and measurement of the variables are described as follows :

1. Profitability reflects the capacity of a company to convert assets into earnings. Return on assets is a widely used metric to assess management's efficiency in managing company resources. According to Swandewi dan Noviari (2020) profitability in their study was measured using ROA, with the following formula :

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Asset}}$$

2. An audit committee is a group within a company’s board responsible for managing the auditing, internal control, and financial reporting procedures. This is because the audit committee is essential to maintaining good company governance. The audit committee variable is measured in this study by the number of committee members in each organization, as identified by Mohammadi et al. (2021) , with the following formula :

$$\text{audit committee} = \text{amount of audit committees}$$

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3. Institutional ownership represents the shareholding propotion held by outside organizations such as investment firms, banks, insurance providers, and pension funds in a company's total equity. This type of ownership reflects the level of oversight and influence from professional investors. Institutional ownership is quantified in this study utilizing the indicator described by Handoyo et al., (2022), with the following formula :

$$\text{Institutional ownership} = \frac{\text{amount of institutional share ownership}}{\text{number of shares outstanding}}$$

4. The company's bylaws provide that t he independent commissioners' board is in charge for evaluating the organization's operations and advising the directors on strategy. In this study, the proportion of commissioners who are independent on the board is used to gauge its effectiveness, adhering to the methodology of Prasatya et al. (2020). This ratio reflects the extent of independent oversight in enhancing corporate governance quality, with the following formula :

$$\text{Independent board of commissioners} = \frac{\text{Total independent board of commissioners}}{\text{Total board of commissioners}}$$

5. Tax avoidance is the term for legal tactics employed by taxpayers to take advantage of loopholes or ambiguities in tax laws in order to reduce their tax liability. Although it frequently presents ethical questions, tax avoidance occurs within the law, unlike illegal tax avoidance. In the study by Fauzan et al., (2021), Using metrics like the Cash Effective Tax Rate (CETR) and the identification of corporate tax planning tactics, tax avoidance is quantified using the formula below:

$$\text{CETR} = \frac{\text{Tax Payment}}{\text{Profit before tax}}$$

Data Analysis Method

The SPSS version 27 program was utilized to analyze the data using multiple linear regression.This was preceded by descriptive statistical tests and the older assumption tests (autocorrelation, heteroscedasticity, multicollinearity, and normality). Hypotheses are tested utilizing the coefficient of determination (R2), t-test, and F-test. The model with several regression equations looks like this:

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4$$

Keteragan :

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Y = Tax avoidance

X_1 = Profitability

X_2 = audit committee

X_3 = Institutional Ownership

X_4 = Independent Board of Commissioners

a = Constant

$b_{1,}$, b_2 , b_3 , b_4 = Regression Coefficient for each independent variable

RESULT AND DISCUSSION

Descriptive Statistical Analysis

Without getting into the specifics of corporate tax avoidance, audit committees, independent boards of commissioners, institutional ownership, and profitability considerations, one can provide a general overview of the research issue by combining descriptive analysis with analytical data.

Table 1. Descriptive Statistical Analysis

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	92	.00014	.19959	.0389893	.03743894
Audit committee	92	2.00	4.00	2.9565	.36050
Institutional Ownership	92	.00	1.00	.6584	.25547
Independent Board of Commissioners	92	.25	.60	.4266	.08915
Tax Avoidance	92	.00	.58	.1889	.15873
Valid N (listwise)	92				

Source: data processed by researchers, 2025

The ROA profitability metric ranges from a minimum of 0,00000014 to a maximum of 0,000959 , as indicated by the descriptive data in Table 1. This suggests that the companies' profitability levels vary only slightly, as reflected in the mean of 0,0003989, which is noticeably below the maximum value. The data for profitability is fairly evenly distributed, with a 0,000374 standard deviation, suggesting less variability than the mean. Audit committee variable shows an average of 2,9565 members, nearing its maximum of 4, suggesting that most firms have close to the upper limit of committee members. This implies that companies tend to appoint a sufficient number of independent audit members.

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Similarly, the institutional ownership variable displays a balanced distribution, Having a 0,296050 standard deviation. The range of ownership is 0,00 to 1,00, with an average of 0,6381 indicating that most firms exhibit a relatively high proportion of institutional shareholding. The moderate variation, shown by a standard deviation of 0,25547, reflects ownership levels that are fairly consistent and generally above the mean. Conversely, the independent board of commissioners va3riable shows an average of 0,4261, with proportions ranging between 0,25 and 0,60. With a standard deviation of 0,08928, the data indicates a fairly narrow spread, and that companies, on average, have approximately 42,61% independent commissioners. Lastly, tax avoidance levels are observed to be comparatively low, ranging from 0,00 at the lowest to 0,58 at the highest, with 0.1889 as the average. The variation in tax avoidance practices among the sampled firms is limited, as shown by a standard deviation of 0,15873, indicating that most companies exhibit similar or consistent behavior regarding tax avoidance.

Normality Test

In order to ascertain whether the confounding factors or regression model residuals exhibit normality, the normality test is a component of the traditional assumption test. The following are the findings of this study's normalcy test:

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test			
			Unstandardized Residual
N			92
Normal Parameters[a,b]	Mean		.0000000
	Std. Deviation		.13251018
Most Extreme Differences	Absolute		.072
	Positive		.072
	Negative		-.054
Test Statistic			.072
Asymp. Sig. (2-tailed)[c]			.200[d]
Monte Carlo Sig. (2-tailed)[e]	Sig.		.274
	99% Confidence Interval	Lower Bound	.262
		Upper Bound	.285
a. Test distribution is Normal.			
b. Calculated from data.			
c. Lilliefors Significance Correction.			

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d. This is a lower bound of the true significance.
e. Lilliefors' method based on 10000 Monte Carlo samples with starting seed 926214481.

Source: data processed by researchers, 2025

Table 2 shows that the Asymptotic Sig. (2-tailed) value of 0,200 and the Monte Carlo Sig. (2-tailed) value of 0,265 surpass the threshold of 0.05, according to the One-Sample Kolmogorov-Smirnov test findings. These significance levels imply that the distribution of the data is normal, which satisfies the presumptions required for statistical analysis and research decision-making.

Multicollinearity Test

As a component of the classical assumption testing, the multicollinearity test aims to identify potential correlations among the regression model's independent variables. This evaluation looks at tolerance levels and the Variance Inflation Factor (VIF). Multicollinearity analysis of this investigation yielded the following findings :

Table 3. Multicollinearity Test

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	-.123	.156		-.791	.431		
	Profitability	-2.017	.389	-.476	-5.179	.000	.948	1.055
	Audit committee	.101	.040	.229	2.536	.013	.983	1.017
	Institutional Ownership	.029	.059	.047	.496	.621	.878	1.138
	Independent Board of Commissioners	.171	.168	.096	1.017	.312	.895	1.117

a. Dependent Variable: Tax Avoidance

Source: data processed by researchers, 2025

Referring to according to the findings in Table 3, tolerance exists for each of the study's independent variables values exceeding above 0,10 and VIFs below 10,00. According to the decision-making criteria, these results indicate that multicollinearity symptoms were not found in this regression model.

Heteroscedasticity Test

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Heteroscedasticity is tested as an effort to detect irregular fluctuations in error variance between observations in the regression model to guarantee the consistency of the data that forms the basis of the analysis. This description presents the findings of this study's heteroscedasticity test:

Table 4. Heteroscedasticity Test

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.081	.084		-.961	.339
	Profitability	-.384	.210	-.189	-1.828	.071
	Audit committee	.032	.021	.153	1.503	.137
	Institutional Ownership	.026	.032	.086	.805	.423
	Independent Board of Commissioners	.214	.091	.250	2.349	.021
a. Dependent Variable: ABS_RES						

Source: data processed by researchers, 2025

To assess the presence of heteroscedasticity, the test compares the absolute squared residuals with the significance levels of each independent variable, as detailed in Table 4. The results reveal that profitability has a significance level of 0,071, the audit committee stands at 0,137, the independent board of commissioners is valued at 0,021, whereas institutional ownership is valued at 0,423. Since all these values exceed the 0,05 significance threshold.It can be said that heteroscedasticity does not interfere with the regression model.

Autocorrelation Test

Included in the classic assumption test is the autocorrelation test, which looks for patterns or relationships between regression model errors in one period and errors in the prior period.

Table 5. Autocorrelation Test

Model Summary[b]					
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**	**Durbin-Watson**
1	.503[a]	.253	.218	.12247	1.953
a. Predictors: (Constant), X4, X1, X2, X3					
b. Dependent Variable: Y					

Source: data processed by researchers, 2025

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With a total of 92 observations and four independent variables,the du table value is 1,7523 because there are 92 independent variables (k=4) and 92 samples in total (n=92). There is no positive nor negative autocorrelation in this study, according to the test results, since the Durbin Watson value of 1,894 is neither higher than 4-DU (2,247) nor lower than DU (1,7523). In particular, the DW value is 1,7523 <1,953 <2,247, which falls between DU and 4-DU.

Model Feasibility Test Analysis (F Test)

The F test is part of multiple linear regression testing used to review whether this regression model is adequate and appropriate in analyzing how independent and dependent variables relate to one another. This test's objective is to assess the cumulative simultaneous impact of every independent variable on the variable that is dependent.

Table 6. F Test

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	.695	4	.174	9.461	.000[b]
	Residual	1.598	87	.018		
	Total	2.293	91			
a. Dependent Variable: Tax Avoidance						
b. Predictors: (Constant),Profitability, Audit committee, Institutional Ownership, Independent Board of Commissioners						

Source: data processed by researchers, 2025

With reference to Table 6, A significance probability of 0,00000 is obtained using the F test, which is much less than the 0,05 threshold. This result suggests that the regression strategy in use is legitimate and worthy of additional research. This implies that the independent factors have a significant concurrent impact on the dependent variable. This result demonstrates the model's capacity to identify pertinent variances, allowing for strategic application in both in-depth scientific research and decision-making.

T-test

The t-test in multiple linear regression analyzes the hypothesis per independent variable, so that it is clear the degree to each independent variable's impact on the dependent variable.

Table 7. T test

Coefficients[a]

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Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.123	.156		-.791	.431
	Profitability	-2.017	.389	-.476	-5.179	.000
	Audit committee	.101	.040	.229	2.536	.013
	Institutional Ownership	.029	.059	.047	.496	.621
	Independent Board of Commissioners	.171	.168	.096	1.017	.312
a. Dependent Variable: Tax Avoidance						

Source: data processed by researchers, 2025

The regression analysis shows that tax avoidance is significantly impacted negatively by profitability, as evidenced by a coefficient of -2,017 and a significance level of 0,0000, which is far below the 0,05 criterion. This suggests that businesses that are more profitable typically use less tax avoidance tactics. The coefficient is 0,0101, and the significance level is 0,013 , audit committee variable likewise exhibits a statistically significant impact.Interestingly, this positive coefficient suggests that an increased propensity for tax avoidance is linked to an increase in audit committee membership. However, the independent board of commissioners and institutional ownership variables produce significance values of 0,621 and 0,312, respectively, both of which are higher than the 0,05 threshold.These results imply that neither of these governance mechanisms makes a significant impact on corporate tax avoidance behavior within the sample studied, and thus, they are insufficient in explaining variations in tax avoidance practices across the firms.

Analysis of Determination Coefficient Testing

In this study, R^2 serves to assess the proportion of changes that occur the independent variable can explain in the dependent variable. The smaller of R^2, the less dependent variation is represented by the independent variable.

Table 8. Analysis of Determination Coefficient Testing

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.503[a]	.253	.218	.12247	1.953

a. Predictors: (Constant), X4, X1, X2, X3

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b. Dependent Variable: Y

Source: data processed by researchers, 2025

The independent variables of audit committee, independent board of commissioners, profitability, and institutional ownership account for about 25,3% of the variation in the dependent variable, tax avoidance, according to Table 8's R2 value of 0,253 . This model does not account for external influences, which account for the remaining 74.7% of the variation. Furthermore, a moderate degree of correlation is indicated by the R value of 0,503. This implies that the dependent variable and the predictor factors have a moderately strong relationship.

Multiple Linear Analysis

This study examines the relationship between tax avoidance in real estate and property corporations and audit committees, independent boards of commissioners, profitability, and institutional ownership using multiple regression equations. The linear model of multiple regression looks like this:

$$Y = -0{,}123 - 2{,}017X_1 + 0{,}101X_2 - 0{,}029X_3 + 0{,}171X_4$$

Where Y is tax avoidance, X_1 is profitability, X_2 is audit committee, X_3 is institutional ownership, and X_4 is independent board of commissioner. The interpretation of the equation indicates that each one-unit increase in the level of profitability (X_1) has an impact on decreasing tax avoidance by 2,017 units, indicating a negative relationship. Conversely, a one-unit increase in the number of audit committees (X_2) can cause an increase in tax avoidance by 0,101 units, indicating a positive effect. On a very small scale, the institutional ownership variable (X_3) has a negative impact on tax avoidance strategies, whereas the independent board of commissioners (X_4) has a positive but relatively small impact. The initial value of tax avoidance is recorded at -0,123, as indicated by the constant of -0,123, when the values of all independent variables are zero

The Influence of of Profitability on Tax Avoidance

Hypothesis testing results indicate that tax avoidance is considerably impacted by profitability, with a significance value of 0,0000, below the 0,05 standards. The research results that support the first hypothesis are in line with agency theory, which states that conflicts of interest between owners (principals) and management (agents) can encourage tax avoidance. In this case, the principal tends to want to reduce expenses including taxes to maximize profits, while the agent may have different goals, such as maintaining image or personal gain (Mustaqiim & Nurhidayati, 2020). Multiple linear regression analysis shows a negative association between profitability and tax avoidance tactics, indicating that a company's propensity to engage in tax avoidance decreases with its level of profitability. This can be explained by management's efforts to maintain its reputation and avoid legal risks caused by tax avoidance practices (Fadhila & Andayani, 2022).

According to the underlying idea, profitability influences the amount of tax due while also reflecting the ability of a business to make money and the effectiveness of its management (Widyastuti et al., 2021). Thus, the lower the profitability, the greater the likelihood that the business will avoid paying taxes. These findings are corroborated by earlier studies showing that tax avoidance is negatively impacted by profitability since profitable businesses tend to be more careful in avoiding taxes to maintain their reputation and avoid potential legal sanctions and additional costs that may arise (Napitupulu et al., 2020)

The Influence of the Audit Committee on Tax Avoidance

According to the hypothesis test results, the audit committee variable has a significant influence on tax avoidance, the significance level of 0,05 is more than the significance value of 0,0111 .This suggests acceptance of the second hypothesis. Agency theory states that the audit committee should function as a monitoring mechanism to reduce opportunistic management actions, such as tax avoidance. However, the results of the study show that the more members of the audit committee actually increase tax avoidance, indicating weak monitoring effectiveness and potential conflicts of interest in accordance with the assumptions of agency theory. To ensure the clarity of financial statements and regulatory compliance, the audit committee acts as a go-between for management and shareholders (Sunarto et al., 2020). Nonetheless, the linear regression's findings indicate a favorable correlation between tax avoidance and the quantity of audit committees. This suggests that the more members there are on the audit committee, the more tax avoidance occurs. This suggests that Tax Avoidance will be influenced by the Audit Committee's rating.

According to Ismiyanti & Ahalik (2022) which claims that tax avoidance is positively influenced by the audit committee.Increased supervision by the audit committee can open up

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opportunities to improve the quality of disclosure, but in some cases it can also be used by management to cover up tax avoidance strategies more systematically. A small number of audit committees tends to be more efficient in decision-making, but limited members can reduce the diversity of ideas and perspectives needed to oversee financial statements, while a large number tends to create conflicts of opinion (Fitriningsih & Wulandari, 2024). Both of these conditions can weaken the supervisory function and potentially encourage tax avoidance. Consequently, the audit committee's efficacy is not just based on its membership size, but also by the quality, independence, and competence of its members in carrying out the supervisory function (Ziliwu et al., 2021).

The Effect of Institutional Ownership on Tax Avoidance

The findings of the hypothesis test show that there is no relevant relationship between institutional ownership and tax avoidance, with a significance value of 0,945 above the 0,05 level. As a result, the third hypothesis is unsupported. Institutional ownership is supposed to reduce agency conflicts between managers, who act as agents, and shareholders, who act as principals, according to agency theory (Oktaviani et al., 2023). When third parties, such as government agencies, financial institutions, law firms, international organizations, trust funds, and others, possess shares,this is referred to as institutional ownership (Handoyo et al., 2022).

According to studies by Oktaviani et al., (2023) in line with our study's findings, institutional ownership has no impact on tax avoidance . This may be the result of institutions' primary priority as shareholders, which places stability and long-term earnings above direct oversight of tax laws. This supports the conclusion drawn by Sunarto et al., (2020) which also stated that institutional ownership does not influence tax avoidance. In addition, according to Handoyo et al., (2022) the amount of institutional ownership does not directly affect tax avoidance practices, because institutional owners tend to focus more on achieving company profits than on tax compliance aspects.

The Influence of the Independent Board of Commissioners on Tax Avoidance

Based on the hypothesis testing results, the significance value of 0,233 exceeding the 0,05 threshold indicates that the Independent Board of Commissioners does not exert a significant influence on tax avoidance behavior. Consequently, the fourth hypothesis is not supported.

.This is related to agency theory, which states that if the principal's supervision of the agent is not carried out effectively, such as in the case of a less than optimal independent board of commissioners, then the agent (management) has a greater opportunity to act opportunistically, including in tax avoidance practices.This ineffectiveness may stem from the individual performance limitations of the board members, despite their relatively large number. It appears that their oversight and control functions are not being carried out to their full potential, which diminishes their ability to meaningfully influence management's tax-related decision making (Sunarto et al., 2020).

These results concur with the study of Rohyati & Suripto, (2021) who came to the conclusion that the Independent Board of Commissioners does not significantly influence a company's likelihood to engage in tax avoidance This implies that independent commissioners have yet to function effectively in overseeing management activities aimed at minimizing tax avoidance behavior. Supporting this Oktaviani et al.(2023), argue that the impartial and professional stance adopted by independent commissioners often leads them to consider broader interests beyond just the business's, which therefore limits their direct influence on corporate tax avoidance practices.

CONCLUSSION

The findings of the data analysis indicate, tax avoidance is significantly impacted negatively by profitability. This suggests that a company's propensity to engage in tax avoidance decreases with increasing profitability. On the other hand, the audit committee, as part of good corporate governance shows a positive influence on tax avoidance. On the other hand, there is no discernible correlation between tax avoidance and the other two measures of sound corporate governance , the presence of an independent board of commissioners and institutional ownership. This implies that during the study period, these two governance mechanisms were ineffective in substantially reducing tax avoidance practices among businesses in the property and real estate sectors.

Given the Adjusted R Square value of 25,3%, the current model is only able to explain 25,3% of the variation in tax avoidance. Therefore, future research is expected to include more independent variables. This indicates that 74,7% of the variation may be attributed to other factors not examined in this study. In measuring tax avoidance, researchers can also consider using proxies other than Cash Effective Tax Rate (CETR), such as Current Effective Tax Rate (Current ETR), Accounting Effective Tax Rate (GAAP ETR), or other relevant proxies to obtain more comprehensive results. Further researchers are advised to expand the scope of the sample by involving companies from various industrial sectors, not only limited to the property and real estate sector.

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