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Effect of Effectiveness of the Board of Commissioners, Audit Committee, Quality of External Auditor on Tax Avoidance

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Abstract

Supervision is one of the important components in realizing good corporate governance. Herein lies the importance of corporate governance, namely as a guarantor of the protection of the rights of shareholders. Corporate governance is one of the key elements in increasing economic efficiency, which includes a series of relationships between company management, the board of commissioners, shareholders and other stakeholders. This study aims to identify the effect of the effectiveness of the board of commissioners, audit committee, and the quality of external auditors on tax avoidance. The theory used in this study is the theory of agency theory, taxes, the board of commissioners, the audit committee, and external auditors. This study uses a sample of non-financial sector service companies during 2015-2019 using the purposive sampling method. The data used are obtained from financial reports and annual reports listed on the Indonesia Stock Exchange. Data analysis using multiple linear regression model, classical assumption test and hypothesis testing. The results of this study indicate that the effectiveness of the board of commissioners has no effect ontax avoidance, and the effectiveness of the audit committee does not affect tax avoidance, while the quality of external auditors affectstax avoidance.

Introduction

As the government has improved the taxation system, there are differences in interests between the government and companies. Taxes in the eyes of the state are a source of revenue to finance the administration of government, but for companies, taxes are a burden that will reduce the net profit generated by the company. The existence of these differences in interests causes taxpayer disobedience through resistance to taxes and causes problems within the company such as agency costs, capital structure policies, and manager behavior to become individualistic, opportunistic, and self-interested (Listyawati, 2016). Efforts to reduce the tax burden can be done in several ways, namely tax planning (tax planning), tax evasion (tax evasion) and tax avoidance (tax avoidance). The high tax burden encourages many companies to do tax avoidance. Therefore, good corporate governance is needed to avoid agency problems between agents and principals. Alternatives to reduce the problems caused by agency conflicts are the inclusion of share ownership for management, increasing the dividend payout ratio, funding from debt, and the inclusion of institutional investors as shareholders (Prasetyo, 2012). According to (Rebecca & Siregar, 2012), the application of corporate governance is considered capable of increasing supervision of management to encourage effective decision making, preventing opportunistic actions that are not in accordance with the interests of the company,

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and reducing information asymmetry between management, shareholders, and creditors. Supervision is one of the important components in realizing good corporate governance. Herein lies the importance of corporate governance, namely as a guarantor of the protection of shareholder rights. Corporate governance is one of the key elements in increasing economic efficiency, which includes a series of relationships between company management, the board of commissioners, shareholders and other stakeholders.

The board of commissioners is the core of corporate governance which is tasked with ensuring the implementation of corporate strategy, supervising management in managing the company, and requiring accountability. The board of commissioners acts as a management supervisor in managing the company. In general, the board of commissioners has better oversight of management, including in presenting financial statements. The board of commissioners plays a role in reducing the manipulation of financial statements, and even preventing other frauds that can occur within the company. The duties of the Board of Commissioners within the company are to provide direction and supervision of the policies of the board of directors to run the company. The position of the board of commissioners as representatives of shareholders will prioritize the interests of shareholders, namely by maximizing the company's wealth whose value is influenced by taxes. Darmawan and Sukartha (2014) in their research suggest that there is an influence between Corporate Governance and Tax Avoidance. Meanwhile, research by Zulaikha and Permana (2015) states that the board of commissioners has no significant effect on tax avoidance.

The audit committee is also part of the supervisory board within the company. The audit committee is tasked with assisting the board of commissioners in carrying out their function as supervisors, providing independent and professional opinions regarding reports submitted by the board of directors to the board of commissioners and identifying matters that require the attention of the board of commissioners (Mahesarani, 2015). For this reason, in carrying out its duties and functions as above, the audit committee has characteristics that will indicate that the audit committee's duties have been effective or not. The characteristics of the audit committee, among others, are shown by the independent audit committee, in addition to expertise in finance, the number of meetings held by the audit committee in one year and the tenure of its members based on how long they have been the audit committee (Prasetyo, 2012).). In the end, when the characteristics of the audit committee have been met, the duties and functions of the audit committee are expected to run effectively, where one of the duties of the audit committee is to supervise the quality of the company's financial statements. Therefore, by monitoring the quality of the company's financial statements, the company will automatically monitor fraud that occurs in financial reporting. The audit committee's expertise in accounting and finance is also expected to reduce opportunities for tax evasion by ensuring that the company is run in accordance with applicable laws and regulations and conducts its business ethically. (Masripah, Widyastuti, and Sandra, 2021). The effectiveness of the audit committee is measured by analyzing the company's annual report (activity, number of members, competence) to determine whether the audit committee has performed its functions effectively. In the research of Maharani and Suardana (2014) found that corporate governance as measured by the proportion of the board of commissioners, audit quality, audit committee, and ROA has a negative effect on tax avoidance. This is because the independent audit committee does not have a special relationship like business partners or family.

Auditors play an important role in detecting acts of fraud, both internal auditors and external auditors. The external auditor is tasked with providing an opinion on the fairness, consistency and suitability of Indonesian accounting standards. The external auditor is formed on the recommendation of the audit committee and formed in the GMS. External audit is an audit process carried out by an external auditor with the aim of determining whether the auditee's financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). To be able to demonstrate the high credibility of the financial statements

produced by issuers, issuers usually use the services of a KAP affiliated with the Big Four. The use of Big Four KAP services is caused by public accounting firms that have good reputations affiliated with universal public accounting firms such as the Big Four Worldwide Accounting Firm (Big Four) (Verawati, and Wirakusuma, 2016). Financial reports that are quality, relevant, reliable and reliable and free from material misstatement are a source of information for decision making. Quality financial reports are produced from audits carried out effectively by qualified auditors with the assumption that in order to maintain credibility, the auditors become more careful in conducting the audit process to detect misstatements or all forms of fraud, whether intentional (fraud) or unintentional (error). Qualified auditors will perform quality audits as well. If the company has to pay a high nominal tax, it does not rule out the possibility of tax avoidance, the higher the audit quality of a company, the company tends not to manipulate profits for tax purposes. Thus, one alternative to measure audit quality can be by comparing groups of auditors with one another. The size of the KAP means that the greater the quality of auditors in carrying out their duties so that they are able to find and report violations committed by the company, namely the practice of tax avoidance (Sandy, Syeldila and Lukviarman. 2015).

Related to the phenomena that occur and many topics carried out by several previous researchers in this study, researchers measured the dependent variable using the Cash Effective Tax Rate (CETR). CETR is used as a measurement to see test results from different measurements as suggested by previous researchers. CETR is an effective tax rate based on the amount of corporate income tax paid by the company in cash in the current year. Along with the widespread accounting scandals and the magnitude of losses caused by cases of fraud in financial reporting in paying taxes, research on tax avoidance is an issue that continues to be interesting to study. In an effort to minimize the occurrence of fraud. The object of this research is the non-financial sector service company. Therefore, the authors conducted this study with the title "The Effect of the Effectiveness of the Board of Commissioners, Audit Committee, and Quality of External Auditors on Tax Avoidance (Empirical Study on Non-Financial Sector Service Companies Listed on the Indonesia Stock Exchange 2015-2019)".

Literature Review and Hypothesis Development

Agency Theory

Tandiontong (2016) in his book states the meaning of agency theory, namely: "Agency theory is an implementation of modern organizations. Agency theory emphasizes the importance of company owners (shareholders) to hand over the management of the company to professionals called agents who are more experienced in running their daily business".

Agency relationship is a contract in which one or more people (principal) orders another person (agent) to perform a service on behalf of the principal and authorizes the agent to make the best decision for the principal (Ichsan, 2013). If the principal and the agent have the same goal, the agent will support and carry out everything ordered by the principal. The development of a larger company often results in conflicts between the principals in this case are the shareholders (investors) and the agents represented by management (directors). Agents are contracted through certain tasks for the principal and have responsibility for the tasks assigned by the principal. The principal has an obligation to reward the agent. Cahyono and Meilinda (2013) state that problems that occur between management and capital owners cause costs to arise. And herein lies the importance of Corporate Governance, namely as a guarantor of the protection of the rights of shareholders.

Previous Research

Corporate governance is one of the key elements in increasing economic efficiency, which includes a series of relationships between company management, the board of commissioners,

shareholders and other stakeholders. Research conducted by Sandy and Lukviarman, (2015) reveals that the audit committee has an effect on tax avoidance practices. In contrast to the research conducted by Damayanti and Susanto, (2015) which showed that the audit committee, audit quality and institutional ownership had no effect on tax avoidance. Furthermore, Adhelia (2018) found that independent commissioners have a negative effect on tax avoidance. Meanwhile, Tati Yulia Okrayanti, Supri Wahyudi Utomo, and Elva Nuraina (2017) found that leverage, institutional capital, the proportion of the board of commissioners, the audit committee had no effect on tax avoidance.

CETR is an effective tax rate based on the amount of corporate income tax paid by the company in cash in the current year. The increasingly widespread accounting scandal and the magnitude of the loss caused by cases of fraud in financial reporting in paying taxes. Alfajri (2016) found that independent commissioners and audit committees do not have a significant effect on tax avoidance. In contrast to the results of research by Zurianti, Rambe, and Ratih (2017) which found independent commissioners and audit committees have an effect on tax avoidance. Furthermore, research conducted by Damayanti and Susanto (2015) found that the audit committee, audit quality and institutional ownership had no effect on tax avoidance. Kanagaretnam (2014) found that audit quality as proxied by the size of KAP has a negative effect on corporate tax avoidance. However, different results were obtained by Jaya et al. (2014) and Pranata and Puspa (2014). Both studies found that audit quality has no effect on tax avoidance.

Hypothesis Development

Effect of the Effectiveness of the Board of Commissioners on Tax Avoidance

The implementation of corporate governance through the effectiveness of the role of the board of commissioners will affect the company's financial reporting process, and its supervisory function can prevent management actions that are opportunistic and not in line with the interests of shareholders. The active role of the board of commissioners will reduce risk for investors and potential investors who are interested in investing their funds in a company (Investment, 2010). According to (Coles et al., 2008, referred to in Santoso and Muid, 2014) that the optimal number of commissioners varies depending on the characteristics of the company itself. Companies that are considered large in size and have a complex structure will maximize their performance if the number of commissioners increases. This happens because the bigger the company, the more advisors will be needed. The board of commissioners is a representative of the shareholders, so it is expected that the board of commissioners can maximize profits by reducing the company's tax burden. It is hoped that the increasing number of commissioners will increase corporate tax avoidance. Therefore, the researcher takes a hypothesis that can be taken:

H1: The Effectiveness of the Board of Commissioners Influences on Tax Advoince

The Effect of the Effectiveness of the Audit Committee on Tax Avoidance

The audit committee is the party that carries out supervision and control to ensure transparency, disclosure of financial statements, fairness to all stakeholders, and disclosure all information that has been carried out by management even though there is a conflict of interest (Pamudji & Trihartati, 2010). According to Annisa and Kurniasih (2012) in their research, it is stated that the audit committee has an effect on tax avoidance. In accordance with the regulation of the Financial Services Authority No. 55/POJK.04/2015 concerning the Establishment and Guidelines for the Work Implementation of the Audit Committee states that the number of ownership of the audit committee in a company is at least three people. If there is a mismatch in the amount, it will result in high management actions in minimizing profits for tax purposes. The fewer companies that have audit committees, the higher the tax avoidance practices carried out by management, this is done because of the lack of financial policy control carried out by the

audit committee so that the higher the tax management tax aggressiveness. Based on the description above, the researcher takes the following hypothesis:

H2: Effectiveness of the Audit Committee Affects Tax Avoidance

Effect of External Auditor Quality on Tax Avoidance

Audit quality is all possibilities that can occur when the auditor audits the client's financial statements and finds violations or errors that occur and reports them in audited financial reports (Dewi and Jati, 2014). Transparency to shareholders can be achieved by reporting tax-related matters to the capital market and shareholder meetings. Increased transparency towards shareholders in tax matters is increasingly being demanded by public authorities. With a good audit quality, it will be forced to avoid fraud in taxes. So it can be concluded that a company that has high quality can be believed not to do tax evasion. This is corroborated by the research of Tehupuring and Rossa (2016) which says audit quality has a negative effect on tax avoidance.

H3: Effectiveness of Audit Quality Affects Tax Avoidance

Based on the explanation above, a research model can be drawn as follows:

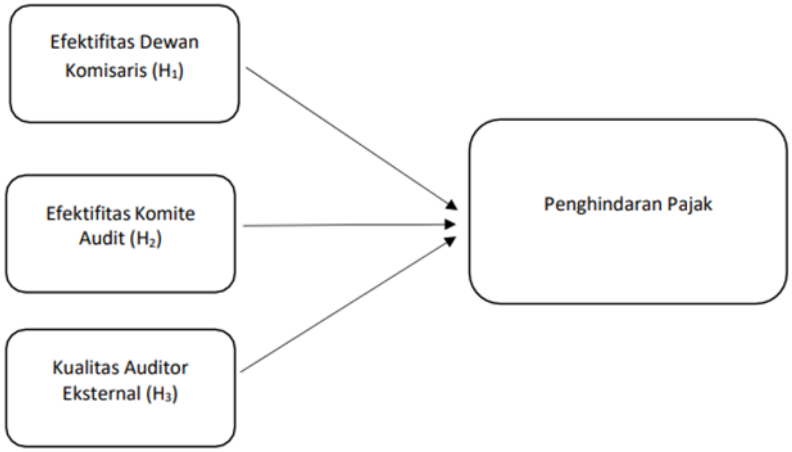

Figure 1. Structural model showing hypothesized

Methods

The population in this study are all non-financial service companies listed on the Indonesia Stock Exchange (IDX) in 2015 to 2019. Thus, the authors take data from companies listed on the Indonesia Stock Exchange because the listed companies are companies with annual financial statements that have been audited by independent auditors.

The sample was taken using a purposive sampling method which is an improvement from the non-probability sampling method, namely sampling based on certain considerations in accordance with the research objectives. The criteria set are: Companies that have been listed on the IDX from 2015 to 2019, non-financial service companies that issue financial reports as of December 31 for the period 2015 to 2019, sample companies have data that meet the criteria according to the needs for this research and the sample companies have positive profit before tax for the years 2015 to 2019.

Table 1. Details of the Amount of Data Used as Samples

Information	Number of Samples
Non-financial service companies listed and listed on the IDX in 2015 – 2019	251
Companies that do not meet sample criteria in 2015 - 2019	(54)
Companies that do not present financial statement data in rupiah currency	(30)
Companies that have negative income before tax	(123)
Companies that are sampled	44
Years of research	5
Total sample	222

Source: Research Results

To test the proposed hypothesis, the variables studied i in this study were classified into the dependent variable and the independent variable. The dependent variable in this study is tax avoidance. The independent variables to be studied include the effectiveness of the board of commissioners, the audit committee, and the quality of external auditors. The method used in this research is the method of collecting data from library research which is carried out by processing literature, articles, journals, results of previous research, and other written media related to the topic of discussion of this research.

Methods This research is an empirical research by conducting analysis on non-financial service companies listed on the Indonesia Stock Exchange (IDX) for the period 2015 to 2019. The type of data used in this study is secondary data, namely research data obtained by researchers indirectly. or from other parties. The secondary data used is quantitative secondary data in the form of the company's annual financial report / annual report of companies listed on the Indonesia Stock Exchange (IDX) for the 2015 - 2019 period on the IDX official website (www.idx.co.id).

The data and hypotheses that have been collected and created in this study are then analyzed computerized using the Statistical Product ad Service Solution (SPSS) program to find the effect between the independent variable and the dependent variable. The method of analysis and hypothesis testing used in this study consisted of: descriptive statistics, classical assumption test, and multiple regression analysis. Furthermore, statistically, at least hypothesis testing can be measured from the value of the coefficient of determination (R2), the value of the F statistic, and the value of the t statistic.

Results and Discussion

Results

Descriptive Statistics Test Results

Table 2. Descriptive Statistics Test Results

Variable	Mean	Standar Deviation	Min	Max	N
Penghindaran Pajak	0,2935	0,30095	0,0000090317	0,979742324	220
Dewan Komisaris	6,47	1,087	4,00	9,00	220
Komite Audit	6,02	1,106	4,00	7,00	220
Kualitas Audit	32,74	24,912	2,00	80	220

Source: Research Results

Based on table 2 shows the value of the tax avoidance variable data which is a model of the dependent variable obtained an average value 0.2935 with the lowest value of 0.000009 and the highest value of 0.997742. From the table above PT. Roda Vivatex, Tbk obtained the lowest score of 0.000009 and the highest score was obtained by PT. Jababeka Industrial Estate, Tbk with a value of 0.997742. The smaller the accrual value of a company shows that the level of tax avoidance is higher.

The board of commissioners variable has a mean value of 6.47 with a minimum value of 4.00 obtained from PT Greenwood Sejahtera Tbk and PT Summarecon Agung Tbk while the maximum value of 9.00 is obtained from PT Telekomunikasi Indonesia Tbk with a standard deviation of 1.087. The audit committee variable has a mean value of 6.02 with a minimum value of 4.00 obtained from PT Solusi Tunas Pratama Tbk, Metropolitan Land Tbk, Plaza Indonesia Realty Tbk and Greenwood Sejahtera Tbk while the maximum value of 7.00 is obtained from PT Lippo Karawaci Tbk, PT Modernland Realty Tbk, PT Global Medicom Tbk and PT Danayasa Arthatama Tbk with a standard deviation of 1.106. The external auditor quality variable has a mean value of 32.74 with a minimum value of 2.00 obtained from KAP Deloitte and a maximum value of 80 obtained from KAP Moore Stephens with a standard deviation value of 24,912.

Normality Test Result

Table 3. Normality Test Result

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		220
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,29053051
Most Extreme Differences	Absolute	,165
	Positive	,165
	Negative	-,116
Test Statistic		,165
Asymp. Sig. (2-tailed)		,165[c]

Results The results of the normality test using the Kolmogorov Smirnov Test showed a result of 0.165. Where the test results are numbers greater than 0.05. This indicates that the regression model in this study is normally distributed.

Multikolinearity Test Result

Table 4. Multikolinearity Test Result

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-,035	,139		-,254	,800		
	Dewan Komisaris	,022	,022	,079	,981	,328	,668	1,496
	Komite Audit	,040	,021	,148	1,874	,062	,691	1,447
	Kualitas Audit	-,002	,001	-,139	-2,066	,040	,959	1,043

a. Dependent Variable: Penghindaran Pajak

Source: Research Results.

Based on the multicollinearity test results, it is known that all variables have a VIF value of less than 10 and a tolerance value of more than 0.10. So it can be said that these independent variables are free from multicollinearity.

Heteroscedasticity Test Results

Table 5. Heteroscedasticity Test Result

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-,035	,139		-,254	,800		
	Dewan Komisaris	,022	,022	,079	,981	,328	,668	1,496
	Komite Audit	,040	,021	,148	1,874	,062	,691	1,447
	Kualitas Audit	-,002	,001	-,139	-2,066	,040	,959	1,043

a. Dependent Variable: Penghindaran Pajak

Source: Research Results

Results The results of the heteroscedasticity test show that the significance value of the independent variable is more than 0.05. Thus it can be said that there is no heteroscedasticity problem in the regression model.

Autocorrelation Test Results

Table 6. Autocorrelation Test Result

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,261[a]	,068	,055	,29254	1,944

a. Predictors: (Constant), Kualitas Audit, Komite Audit, Dewan Komisaris

b. Dependent Variable: Penghindaran Pajak

Source: Research Results

Results The results of the autocorrelation test obtained the Durbin-Watson value of 1,944. While the value of the Durbin-Watson table with a sample of 222 (n=222), and the number of independent variables as much as 3 (k=3) is for the upper 68 limit (dU) of 1.78871, the lower limit (dL) of 1.74833, 4-dU is 2.21129 and 4-dL is 2.25167. It can be said that there is no autocorrelation in this research with a d value of 1.944 which is above the upper limit (dU=1.78871) and below the 4-dU value, which is 2.21129.

Results of Multiple Regression Analysis

Tabel 7. Results of Multiple Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-,035	,139		-,254	,800		
	Dewan Komisaris	,022	,022	,079	,981	,328	,668	1,496
	Komite Audit	,040	,021	,148	1,874	,062	,691	1,447
	Kualitas Audit	-,002	,001	-,139	-2,066	,040	,959	1,043

a. Dependent Variable: Penghindaran Pajak

Source: Research Results

Based on table 7, multiple linear regression equations are obtained as follows: ETR = -0,035 + 0.022DEWAN + 0.040KOMITE - 0.002AUDIT + s

Coefficient of Determination Test

Table 8. Coefficient of Determination Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,261[a]	,068	,055	,29254	1,944

a. Predictors: (Constant), Kualitas Audit, Komite Audit, Dewan Komisaris

b. Dependent Variable: Penghindaran Pajak

Source: Research Results

Results Test results the coefficient of determination is indicated by the Adjusted R Square value of 0.055 or 5.5%. This shows that the BOARD, COMMITTEE, and AUDIT affect the implementation of tax avoidance by 5.5%, and the rest is influenced by other variables.

Simultaneous Significance Test Results

Table 9. Simultaneous Significance Test Results

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1,350	3	,450	5,258	,002[b]
	Residual	18,485	216	,086		
	Total	19,835	219			

a. Dependent Variable: Penghindaran Pajak

b. Predictors: (Constant), Kualitas Audit, Komite Audit, Dewan Komisaris

Source: Research Results

Results The f test results obtained a p-value of 0.002, which is smaller than 0.05. it can be said that H0 is rejected and H1 cannot be rejected, meaning that there is a significant influence between the independent variables which include the board of commissioners, audit committee and audit quality on the dependent variable, namely tax avoidance.

Individual Parameter Significance Test Results

Table 10. Individual Parameter Significance Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-,035	,139		-,254	,800
	Dewan Komisaris	,022	,022	,079	,981	,328
	Komite Audit	,040	,021	,148	1,874	,062
	Kualitas Audit	-,002	,001	-,139	-2,066	,040

Source: Research Results

Results The individual parameter significance test results show that the board of commissioners has a p-value of 0.328, greater than the 0.05 significance level, which means that the board of commissioners has no effect on tax avoidance, so that the H1 hypothesis is rejected, the audit committee has a p-value of 0.062, which is greater than the 0.05 significance level, which means that the audit committee has no effect on tax avoidance, so the H2 hypothesis is rejected, and audit quality has a p-value of 0.040 which is smaller than the standard. significance of 0.05 which means that audit quality has an influence on tax avoidance, so hypothesis H3 is accepted.

Discussion

The Effect of the Effectiveness of the Board of Commissioners on Tax Avoidance

Actors as the main actors in institutions are the most important components in institutional logics. Actors who play a role in tax audits are tax inspectors. Analysis of the extent to which symbolic carriers are integrated with actors will help understand what factors influence ACR. The results of the study indicate that there are several factors that affect the performance of the tax examiner which will determine the level of ACR. The factors that influence the actors include the number of tax auditors, competence, and also the motivation of the examiners.

Table 11 shows the perception of the tax examiner based on the questionnaire related to the integration between symbolic carriers and actors as follows:

Table 11. Results of the Questionnaire Related to the Integration of Symbolic Carriers and Actor

Variabel	Sangat Setuju	Setuju	Ragu-Ragu	Tidak Setuju	Sangat Tidak Setuju
Beban Kerja	8%	71%	15%	5%	1%
Kompetensi	38%	59%	3%	0%	0%
Pendidikan dan Pelatihan	16%	63%	6%	5%	0%
Manajemen SDM	9%	37%	36%	14%	1%

Source: Research Results

The Effect of Audit Committee Effectiveness on Avoidance Tax

Based on the results of testing the second hypothesis, the results show that the significance probability value of 0.062 is greater than the 0.05 significance level, so it can be concluded that the audit committee has no significant effect on tax avoidance, so the second hypothesis is rejected. This is in line with research by Alfajri (2016) and Damayanti and Susanto (2015) which state that the audit committee has no effect on tax avoidance because of the small number of audit committee members, tends to act efficiently but also has a weakness due to the lack of member experience. Maharani (2014) revealed that companies that have an audit committee will be more responsible and open in presenting financial reports because the audit committee will monitor all activities that take place within the company. In agency theory, the audit committee will assist the board of commissioners in overseeing every management action and company operational activities. In this study, the increasing number of audit committees has not been able to prove its effect on tax avoidance. The ineffectiveness of the audit committee is due to an indication that the audit committee has not carried out supervision properly so that the audit committee's function is not running effectively which causes better control over the company and financial statements cannot be carried out optimally so that it is unable to prove its effect on tax avoidance. The board of commissioners must form an audit committee of at least three people who are appointed and dismissed and are responsible to the board of commissioners. So it can be concluded that the large or small number of audit committees does not affect the practice of tax avoidance in a company

The Effect of External Auditor Quality on Tax Avoidance

Based on the results of testing the third hypothesis, the results show that the significance probability value of 0.040 is smaller than the 0.05 significance level, so it can be concluded that audit quality has an effect on tax avoidance, so the third hypothesis is accepted. In contrast to the research of Damayanti and Susanto (2015) which states that audit quality has no effect on tax avoidance. This research is in line with the research of Wulandari (2018) and Tehupuring and Rossa (2016) which results in an influence between audit quality and tax avoidance. So the more partners in a KAP (Public Accounting Firm) the more effective it is in conducting an audit on the client company, because the more who participate in it, the division of tasks in dealing with clients will be more effective and the audit quality will be maximized, so that the quality of auditors who audit reports corporate finance will increase tax avoidance. According to agency theory, management as an agent appoints an external auditor to provide an opinion in order to account for the company's performance to the principal. The principal is considered to be more trusting of reports from auditors with large KAP names. However, due to the information asymmetry contained in the relationship between management and shareholder interests, management carries out moral hazard where management tries to avoid taxes so that profits do not get smaller. In this case, management includes the role of an external auditor from a KAP who is believed to have the competence to help achieve management's own goals. The assistance provided by KAP to clients is used by clients to make their taxation more effective. Assisted by a tax accountant whose job is to calculate and analyze many economic events, by applying the accounting knowledge that has been studied previously, with the aim of determining taxation strategies in accordance with tax regulations.

CONCLUSION

Conclusion

The results showed that: The board of comissioners variable has no effect on tax avoidance in non-financial service companies listed on the Indonesia Stock Exchange from 2015 to 2019, the audit committee variable has no effect on tax avoidance in non-financial service companies

listed in the Indonesian Stock Exchange. Indonesia Stock Exchange in the period 2015 to 2019, and the audit quality variable has an influence on tax avoidance in non-financial service companies listed on the Indonesia Stock Exchange in the period 2015 to 2019.

Suggestion

Some of the managerial implications of the research results include: companies with good corporate governance do not need to try to avoid taxes to reduce costs on financial statements including the tax burden, members of the audit committee must be able to read and understand and analyze financial statements that will be published by companies, companies -Companies that have large profits are expected to be able to use their resources to make a good tax planning and the company can manage its assets properly.

Limitations in this study lie in non-financial service companies. Future research is expected to be able to use proxies other than cash ETR to measure corporate tax management activities, use other independent variables that may be more related and influence tax avoidance actions, adding to the sample of companies that do not only come from non-financial service companies.

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