

The Influence of Leverage and Good Corporate Governance on Tax Avoidance in Pharmaceutical Sub-sector Companies Listed on the Indonesia Stock Exchange

Novia Anggraini¹, Rosalina Pebrica Mayasari², Sasiska Rani³

Faculty of Economics and Business, Tridianti University Palembang, Indonesia^{1,2,3}

rosalina_pebrica_mayasari@univ-tridianti.ac.id²

Abstract

Purpose: This study aims to analyze the effect of leverage and good corporate governance on tax avoidance in pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange (IDX).

Methodology/approach: This research employs a quantitative approach, utilizing multiple linear regression analysis. The sample consists of 10 companies selected through purposive sampling.

Results/findings: The F-test results indicate that leverage and good corporate governance have a significant effect on tax avoidance simultaneously. Partially, leverage, managerial ownership, institutional ownership, independent commissioners, and the audit committee each have a significant effect on tax avoidance. The coefficient of determination (R^2) is 0.239, indicating that the model explains 23.9% of the variation in tax avoidance, while the remaining 76.1% is influenced by other factors not included in the study.

Conclusions: These findings suggest that companies with higher debt levels and specific governance structures are more likely to engage in tax avoidance. Therefore, stronger oversight and improved corporate governance practices are necessary to enhance tax compliance.

Limitations: The research variables are still limited, and the quantitative approach also has limitations, as well as constraints associated with the Good Corporate Governance indicator used in this study.

Contribution: For regulators and tax authorities, the results of this research can serve as input in designing more effective tax supervision and regulatory policies, especially for companies with high leverage structures and suboptimal corporate governance. Regulators may consider strengthening regulations on tax reporting transparency and increasing audit and audit capacity to detect potential tax avoidance practices early.

Keywords: *Leverage; Good Corporate Governance; Tax Avoidance; Effective Tax Rate; Audit Committee*

1. Introduction

From an accounting perspective, taxes are considered an expense that will reduce net profit, contrary to the primary goal of any business entity striving to achieve maximum profit (Oktaviani & Anggraeni, 2023). This conflict of interest prompts taxpayers to seek ways to reduce their tax obligations through both legal and illegal means. In Indonesia, taxes account for over 70% of total state revenue, which is vital to maintaining economic and social stability (Anwar Syadat et al., 2022). Therefore, tax compliance from all elements of society, including business entities, is crucial to ensure the sustainability of national development.

Indonesia's tax ratio growth from 2020 to 2023 has been significant in the last three years. In 2020, the tax ratio was relatively low, at around 8.3%, whereas in 2021, it increased to 10.21%. This figure increased in 2022 to around 13% with a target achievement of about 92%, and rose again in 2023 to approximately 14.2% with an achievement close to 98%. This increase reflects an improvement in the tax system and a rise in the per capita income of the population. According to Tax Observer from the Center for Indonesia Taxation Analysis (CITA), Fajr Akbar stated that the low per capita income is indeed one of the causes of the low tax ratio. The tax ratio is an indicator that compares tax revenue to Gross Domestic Product (GDP) in a specific year.

Research by Hanum et al. (2024), Khairunnisa et al. (2023), and Fadhila & Andayani (2022) found that the influence of Leverage and Good Corporate Governance (GCG) on tax avoidance is significant, while components of GCG, such as institutional ownership and independent commissioners, also affect tax avoidance. To understand the extent of tax avoidance practices carried out by pharmaceutical companies, measurement is required through the ETR value indicators. ETR reflects the tax burden the company pays as a percentage of its pre-tax profit. The lower the ETR value, the higher the indication of tax avoidance practices. Therefore, it is important to present ETR data from each company as a basis for analysis in this research.

One of the factors suspected of influencing the level of tax avoidance is leverage, which refers to the proportion of debt to equity in a company's capital structure. High leverage enables companies to deduct interest expenses from taxable income, thereby encouraging them to use debt to reduce their tax liabilities (Sihvola et al., 2022). This aligns with positive accounting theory, which advocates for using high debt (leverage) to obtain tax benefits from interest expenses. In this condition, the higher the company's leverage, the greater the potential tax savings that can be obtained, as interest expenses are deductible costs from taxable income. Therefore, the use of debt is viewed as a managerial strategy to mitigate tax burdens, allowing leverage to contribute to the tax avoidance practices employed by companies. The Positive Accounting Theory aligns with research by Hertanto et al. (2023) that leverages the effects of tax evasion. The higher the level of leverage, the greater the likelihood that a company will engage in tax evasion. Companies with high tax burdens can implement this strategy by increasing the amount of debt they hold. Several studies have examined the impact of leverage on tax avoidance. However, the findings indicate that leverage affects tax avoidance, as noted by Putra (2022), Hartono & Laksito (2022), and Khairunnisa et al. (2023). They found that leverage does not affect tax avoidance according to Rinata (2024), Rahmi Oktavia et al. (2022), and Sundberg & Holmström (2023).

The next factor influencing tax avoidance is GCG, which has four indicators: managerial ownership, institutional ownership, an independent board of commissioners, and an audit committee (Bernhard & Veny, 2024). GCG is a professional system developed by companies to regulate and supervise the principles of transparency, accountability, responsibility, and protection, thereby optimizing corporate value for shareholders and stakeholders. These four indicators are interconnected and create an effective oversight mechanism; therefore, companies that apply strong GCG principles tend to have a more transparent and accountable tax decision-making system. However, in some contexts, the dynamics and implementation of each indicator may produce varying impacts on tax avoidance (Nursavitri & Aina Zahra Parinduri, 2023).

This research focuses on pharmaceutical sub-sector companies listed on the Stock Exchange. The researcher is interested in studying the pharmaceutical sub-sector because it plays a strategic role in providing public health needs and faces fairly strict regulations from the government. Additionally, pharmaceutical companies typically have large profit margins and complex financial structures, which can create greater opportunities for tax avoidance. Therefore, it is essential to understand how leverage and GCG impact tax avoidance in this sector (Hanum et al., 2024).

2. Literature review and hypothesis/es development

Leverage is a factor that affects tax avoidance. With a high level of debt or leverage, it can lead to increased tax avoidance practices, as the higher the debt, the greater the tax burden. Managerial Ownership, Institutional Ownership, an Independent Board of Commissioners, and an audit committee play a role in increasing transparency and seniority in company rules, thereby reducing the occurrence of tax avoidance practices. Companies can utilize the debt burden to reduce their tax liability. So that GCG or Corporate Governance plays a role in limiting the occurrence of aggressive strategies in tax avoidance, but the use of debt can be a driving factor for tax avoidance (Khairunnisa et al., 2023). Based on research by Sundberg & Holmström (2023), it is stated that Institutional Ownership, Audit

Committee, and Audit Quality affect tax avoidance. Still, the Proportion of independent commissioners on the board does not affect tax avoidance. Then, based on research by Fadhila & Andayani (2022), it is stated that Leverage has a positive effect on Tax Avoidance.

H1: Leverage and good corporate governance have an effect on Tax Avoidance in the Pharmaceutical Sub-Sector listed on the IDX.

Leverage plays a role as a factor that affects tax avoidance. Leverage is a ratio used to assess the extent to which a company funds its operations with debt. In relation to taxes, a company with a high tax liability tends to have a larger amount of debt. This encourages companies to engage in tax avoidance as a strategy to reduce the tax burden they must bear (Prsetya & Muid, 2022). From the perspective of Positive Accounting Theory, this finding aligns with the research of Bernhard & Veny (2024) and Hanum et al. (2024), which suggests that leverage has a positive influence on tax avoidance. This means that the higher the leverage ratio, the greater the proportion of company funding that comes from third-party debt. This leads to an increase in interest costs on these debts, which ultimately encourages companies to engage in tax avoidance as a strategy to reduce the tax burden they must pay. Based on research by Putra (2022) and Fadhila & Andayani (2022), it is stated that leverage has a positive effect on tax avoidance, as posited by positive accounting theory. Previous research also indicates that leverage has a positive impact on tax avoidance.

H2: Leverage Affects Tax Avoidance in the Pharmaceutical Sub-Sector Listed on the IDX.

According to the findings of a study conducted by Setiawan & Hunein (2024), management ownership has a beneficial and substantial influence on a company. According to the research findings by Anisah & Hartono (2022), management ownership has a positive impact on organizations. According to a study conducted by Hutagaol et al. (2025), based on agency theory, management ownership is said to have a beneficial and considerable influence on a company. This suggests that the company's value will rise in proportion to the level of management ownership it has. Based on research by Dewi & Abundanti (2020) and Fana & Prena (2021), good corporate governance, as proxied by managerial ownership, has an effect on tax avoidance according to agency theory. Previous research indicates that good corporate governance has a positive impact on tax avoidance.

H3: Good Corporate Governance proxied with Managerial Ownership has an effect on Tax Avoidance in the Pharmaceutical Sub-Sector Listed on the IDX.

Institutional ownership plays a crucial role in mitigating agency conflicts between managers and shareholders. Institutional investors serve as an effective supervisory mechanism for managerial decisions, as they are involved in strategic decision-making, making them more aware of potential profit manipulation. This finding aligns with the results of research by Setiawan & Hunein (2024), which suggests that the greater the institutional ownership in a company, the stricter the supervision of managers' decisions, ultimately suppressing tax avoidance practices. Based on research by Suryandani (2022), good corporate governance, coupled with institutional ownership, has an effect on tax avoidance according to agency theory. Previous research has also stated that good corporate governance has a positive impact on tax avoidance.

H4: Good Corporate Governance proxied with Institutional Ownership has an effect on Tax Avoidance in the Pharmaceutical Sub-Sector Listed on the IDX.

The Board of Commissioners is the entity that holds the highest authority in internal control and is collectively responsible for supervising and providing input to the Board of Directors. Additionally, the board of commissioners plays a crucial role in ensuring that the company adheres to the principles of good corporate governance. With the existence of a board of commissioners, tax avoidance practices can be minimized more effectively (GCG in Jawas & Sulfitri, 2022). This aligns with the argument of Hanum et al. (2024), who suggest that the more independent commissioners a company has, the greater

their influence on tax avoidance practices. Their influence in supervising management performance is also greater. According to research by Paramitha & Setyadi (2022), good corporate governance, promoted by an independent corporate board, has an impact on tax avoidance in accordance with agency theory. Previous research has noted that good corporate governance has a positive impact on tax avoidance.

H5: Good Corporate Governance promoted by the Board of Independent Commissioners has an effect on Tax Avoidance in the Pharmaceutical Sub-Sector Listed on the IDX.

This is supported by the findings of research by Hutagaol et al. (2025), which indicate that audit committees have a positive impact on tax avoidance. This shows that during the study period, the greater the ratio of audit committees in a company, the greater the influence on tax avoidance practices. The existence of an audit committee that oversees and evaluates operational performance can ensure that the company's governance mechanisms function effectively. In addition, the audit committee also plays an active role in formulating policies related to tax burden that are closely related to tax avoidance activities. According to research by Hutagaol et al. (2025), good corporate governance, promoted by an audit committee, has a positive impact on tax avoidance. This finding aligns with agency theory and previous research, which suggests that good corporate governance has a positive impact on tax avoidance.

H6: Good Corporate Governance promoted by the Audit Committee has an effect on Tax Avoidance in the Pharmaceutical Sub-Sector Listed on the IDX.

3. Methodology

This research uses quantitative research methods. Quantitative research methods are grounded in positivist philosophy and are employed to analyze a specific population or sample. Data is collected using research instruments and analyzed quantitatively to test the established hypotheses. In this study, the data used are secondary data from the financial statements and annual reports of companies in the Pharmaceutical Sector listed on the Indonesia Stock Exchange. The financial statements were obtained from the Indonesia Stock Exchange website (www.idx.co.id). The data collection technique carried out in this research is documentation. The documentation consists of financial and annual reports of companies in the Pharmaceutical Sub-Sector listed on the Indonesia Stock Exchange. The sample of this research consists of ten financial statements and annual reports from pharmaceutical sub-sector companies listed on the IDX that meet the specified criteria.

In this study, the independent and dependent variables are used. The independent variables in this research are: Leverage (X1), Managerial Ownership (X2), Institutional Ownership (X3), Independent Board of Commissioners (X4), and Audit Committee (X5). The dependent variable in this study is: Tax Avoidance (Y). The data analysis technique employed in this research is a quantitative approach, which involves numerical calculations used to inform decisions and solve problems, and can be systematically measured using SPSS 25. This technique also provides explanations based on the results of these numerical calculations. This research's quantitative data analysis technique involves descriptive statistical and classical assumption tests, including normality, heteroscedasticity, multicollinearity, and autocorrelation tests. The analysis employed in this study involves multiple regression analysis, which utilizes the F-test, t-test, and coefficient of determination test.

4. Results and discussion

Descriptive statistics for 40 research datasets. ETR has an average (tax effectiveness rate) of 26.84 with a standard deviation of 10.82, a minimum value of 12.25, and a maximum value of 83.79. The leverage variable averages 21.34, with a standard deviation of 14.65, a minimum value of 2.64, and a maximum value of 62.24. The managerial ownership variable has an average of 0.79, a standard deviation of 3.68, a minimum value of -8.41, and a maximum value of 7.47. The institutional ownership variable has an

average value of 62.47 with a standard deviation of 15.57, a minimum value of 33.51, and a maximum value of 92.17. The independent board commissioner variable has an average of 39.01, a standard deviation of 11.60, a minimum value of 12.65, and a maximum value of 58.84. In contrast, the audit committee variable has an average value of 80.04 with a standard deviation of 18.54, ranging from a minimum value of 43.61 to a maximum value of 107.68.

The results of the normality test show that the Asymp Sig. Value of $0.082 > 0.05$ indicates that the residual data is normal. The results of the classical assumption test show no heteroscedasticity, multicollinearity, or autocorrelation in the research data. Multiple linear regression analysis aims to determine the direction of the relationship between independent and dependent variables, whether each independent variable has a positive or negative relationship, and to estimate the value of the dependent variable when the values of the independent variable increase or decrease. Below are the results of the multiple linear regression analysis in this study:

Table 1: Multiple Linear Regression Analysis Results

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	33.868	13.652		2.481	.000
LTDAR	2.040	.544	.354	2.276	.008
KM	1.737	.496	.251	1.488	.046
KI	1.091	.235	.231	.677	.003
DKI	.999	.303	.213	.657	.016
KA	.777	.186	.132	.413	.018

a. Dependent Variable: ETR

source: data processing (2025)

$$Y = 33.868 + 2.040 LV + 1.737 KM + 1.091 KI + 0.999 DKI + 0.777 KA + \Sigma$$

Based on the linear regression equation above, it can be interpreted as follows;

1. Constant (α) = 33.868. If all independent variables are zero, the tax avoidance value (ETR) is predicted to be 33,868. This value is the basis or starting point before considering the influence of other variables.
2. Leverage = 2.040, Sig. = 0.008. This means that if the leverage increases by one unit, the tax avoidance (ETR) will increase by 2,040, assuming the other variables are constant. Since the significance value is < 0.05 , this influence is significant.
3. Managerial Ownership = 1.737, Sig. = 0.046. Each increase of one unit of managerial ownership will result in a 1,737-unit increase in tax avoidance, assuming all other variables remain constant. This influence is also statistically significant because it is significant (Sig. < 0.05).
4. Institutional Ownership = 1.091, Sig. = 0.003. If institutional ownership increases by one unit, tax avoidance will increase by 1,091. A p-value < 0.05 indicates a statistically significant influence.
5. Independent Board of Commissioners = 0.999, Sig. = 0.016. For every addition of one unit of the independent board of commissioners' proportion, tax avoidance will increase by 0.999. This influence is statistically significant at $p < 0.05$.
6. Audit Committee = 0.777, sig. = 0.018. If the number or proportion of audit committees increases by one unit, then tax avoidance will also increase by 0.777. This influence is significant because the significance value is < 0.05 .

F-test has a significance level of $0.012 < 0.05$ (Sig $0.012 < 0.05$). This means that all independent variables simultaneously affect dependent variables. The *leverage* variable has a t-value of 2.276 with a significance value of $0.008 < 0.05$. Therefore, it can be concluded that the *leverage* variable is proven to affect tax avoidance (**H1 is accepted**). The variable managerial ownership has a t-value of 1.488 with a significance value of $0.046 < 0.05$. Therefore, it can be concluded that the variable of managerial ownership is proven to affect tax avoidance (**H2 accepted**). The institutional ownership variable has a t-value of 0.677 with a significance value of $0.003 < 0.05$. Therefore, it can be concluded that the institutional ownership variable is proven to affect tax avoidance (**H3 accepted**). The independent board of commissioners has a t-value of 0.657 with a significance value of $0.016 < 0.05$. Therefore, it can be concluded that the variable of the independent board of commissioners is proven to affect tax avoidance (**H4 accepted**). The audit committee variable has a t value of 0.413 with a significance value of $0.018 < 0.05$. Therefore, it can be concluded that the audit committee variable is proven to affect tax avoidance (**H5 is accepted**).

The value of the determination coefficient can be seen in the R square column of 0.239 or 23.9% of the variable Tax Avoidance (Y) which is fulfilled by *Leverage* (X1), Managerial Ownership (X2), Institutional Ownership (X3), Independent Board of Commissioners (X4) and Audit Committee (X5) while the remaining 76.1% is influenced by other factors not seen in this study. Based on the results of the F test, a significance value of 0.012 was obtained, which was smaller than the significance level of 0.05, so it can be concluded that the variables of leverage and good corporate governance, proxied by managerial ownership, institutional ownership, independent board of commissioners, and audit committees, simultaneously had a significant effect on tax avoidance. These results support the agency theory, which posits a difference in interests between the principal and the management (agent), potentially leading to conflicts that encourage management to adopt specific policies, including taxation. In addition, these results are also in line with positive accounting theory, which explains that companies tend to choose accounting policies and financial strategies that can minimize tax burden. This aligns with research developed by Sundberg and Holmström (2023), which also states that *leverage* and *good corporate governance* simultaneously influence tax avoidance, as measured by the Effective Tax Rate (ETR).

The t-test revealed that leverage, measured by the Long-Term Debt to Assets Ratio (LTDAR), had a significant impact on tax avoidance, with a p-value of $0.008 < 0.05$. This means that the higher the long-term debt-to-asset ratio, the more likely the company is to evade taxes. The results of this study align with those of Putra (2022) and Fadhila & Andayani (2022), which suggest that leverage influences tax avoidance based on the positive accounting theory. Previous research has also found that leverage has a positive impact on tax avoidance. *Leverage* plays a role as a factor that affects tax avoidance. *Leverage* is a ratio used to assess the extent to which a company funds its operations with debt. Regarding taxes, a company with a high tax liability tends to have a larger amount of debt. This encourages companies to engage in tax avoidance to reduce the tax burden they must bear. This is because interest on debt is a cost that can reduce taxable income, so companies with high *leverage* tend to take advantage of this to reduce their tax burden. These findings align with positive accounting theory, particularly the debt covenant hypothesis, which posits that companies with high debt levels are incentivized to choose accounting policies or strategies that can reduce their fiscal liability.

Based on the t-test, managerial ownership has a significant effect on tax avoidance, with a significance value of $0.046 < 0.05$. These results indicate that the greater the proportion of shares owned by management, the higher the company's tendency to engage in tax avoidance. This study's results align with research by Dewi and Abundanti (2020), which concluded that managerial ownership has a significant impact on tax avoidance. Managerial ownership has a positive effect on the organization. According to the findings of a study conducted (Hutagaol et al., 2025), Based on agency theory, management ownership has a favorable and considerable influence on a company. This suggests that the company's value will rise in proportion to the level of management ownership. Managers who own

shares in the company will have a dual motivation, namely as managers and owners. In these conditions, management tends to make decisions that can optimize net profit after tax, including legitimate tax avoidance strategies.

The institutional ownership variable also significantly influenced tax avoidance, with a significance value of $0.003 < 0.05$. This indicates that the larger the proportion of share ownership held by the institution, the greater its impact on the company's tax burden regulation. Institutional ownership is often associated with tighter oversight of management. However, in some cases, institutions are also interested in maximizing profits, so a legitimate tax avoidance strategy is considered a way to improve companies' financial efficiency in agency theory. This study's results align with research by Setiawan and Hunein (2024) and Suryandani (2022), which concluded that institutional ownership has a significant impact on tax avoidance. Research by Suryandani (2022) suggests that good corporate governance, as measured by institutional ownership, influences tax avoidance in accordance with agency theory. Previous research has also found that good corporate governance has a positive impact on tax avoidance. This study's results align with research by Setiawan & Hunein (2024), which concluded that institutional ownership has a significant impact on tax avoidance. Institutional ownership plays a crucial role in mitigating agency conflicts between managers and shareholders. Institutional investors serve as an effective supervisory mechanism for managerial decisions, as they are involved in strategic decision-making, which makes them more aware of potential profit manipulation. This is in line with the results of Setiawan & Hunein (2024), Stating that the greater the institutional ownership in a company, the stricter the supervision of managers' decisions, which can ultimately suppress tax avoidance practices.

The preliminary test results showed that the independent board of commissioners had a significant influence on tax avoidance, with a significance value of $0.016 < 0.05$. This suggests that an independent board of commissioners can affect management decisions related to tax policy. In this context, an independent commissary board can play a dual role. On the one hand, as a supervisor of the company's financial practices, it can also support a legitimate tax avoidance strategy if it is considered financially beneficial. This aligns with the findings of Hanum et al. (2024), who noted that the number of independent commissioners in a company influences tax avoidance practices. Their influence in supervising management performance is also greater. Research by Paramitha & Setyadi (2022) suggests that good corporate governance, promoted by an independent board of commissioners, affects tax avoidance based on agency theory. Previous research has also indicated that good corporate governance has a positive impact on tax avoidance. This study's results align with the research developed by Paramitha & Setyadi (2022), which concludes that the independent commission for the independent board of commissioners affects tax avoidance. The Board of Commissioners is the entity that holds the highest authority in internal control and is collectively responsible for supervising and providing input to the Board of Directors. Additionally, the board of commissioners plays a crucial role in ensuring that the company adheres to the principles of *good corporate governance*. With the presence of a commissioner, the practice of tax avoidance can be minimized more effectively. KKNK in (Jawas & Sulfitri, 2022).

The t-test revealed that the audit committee had a significant impact on tax avoidance, with a p-value of $0.018 < 0.05$. These findings suggest that the audit committee plays a role in shaping corporate tax policies, either directly by overseeing financial statements or indirectly by evaluating the effectiveness of the tax burden. Although the audit committee is generally expected to increase transparency and accountability, it can also support the optimization of corporate taxes, provided that it is done in a legally compliant manner. According to research by Hutagaol et al. (2025), good corporate governance, promoted by an audit committee, is found to affect tax avoidance in accordance with agency theory. Previous research has also found that *good corporate governance* has a positive effect on tax avoidance. This study's results align with the research conducted by Hutagaol et al. (2025), which concludes that the audit committee affects tax avoidance, as noted by Kep. On 29/PM/2004, the audit committee was formed by the board of commissioners, who appointed and dismissed its members. In addition, the audit committee serves as an independent committee tasked with overseeing the preparation of the company's financial statements to prevent fraud by management. The audit committee serves as a supervisory tool

aimed at enhancing the effectiveness and optimization of management performance supervision, particularly in relation to tax avoidance practices. Paramitha & Setyadi, (2022).

5. Conclusion

5.1. Conclusion

Based on the results of data analysis and discussion in this study, the following conclusions were obtained:

1. Leverage and Good Corporate Governance simultaneously have a significant effect on tax avoidance in pharmaceutical sub-sector companies listed on the Indonesia Stock Exchange. These results show that a combination of internal factors of the company plays a role in determining the level of tax compliance through tax avoidance practices.
2. Leverage has a significant effect on tax avoidance. The higher the level of leverage (which is measured through the long-term debt-to-assets ratio), the greater the tendency of a company to engage in tax avoidance. This is because the interest burden from debt can reduce taxable profits, so it becomes an incentive for companies to take advantage of debt financing as a tax-saving strategy.
3. Managerial ownership has a significant effect on tax avoidance. This means that the level of share ownership by management does not directly affect the company's decision to carry out tax avoidance. This can be caused by a low proportion of shares owned by management or weak motivation for tax incentives.
4. Institutional ownership has a significant effect on tax avoidance. The larger the portion of shares owned by the institution, the higher the external supervision of the management, which has an impact on the tax avoidance rate. Institutional investors tend to demand high transparency and accountability in tax practices.
5. An independent board of commissioners has a significant impact on tax avoidance. Although in theory the existence of independent commissioners is expected to strengthen the supervisory function, in practice, it is not effective enough to control management decisions related to tax avoidance in the pharmaceutical sector.
6. The audit committee has a significant effect on tax avoidance. These findings suggest that the existence of audit committees as part of the oversight mechanism has not played a maximum role in reducing tax avoidance practices, possibly due to a lack of independence or effectiveness in the implementation of internal oversight tasks.

5.2. Limitation

The number of samples is limited to pharmaceutical sub-sector companies for a period of 4 years, so the results of this study may not be generalized to other industry sectors. The tax avoidance proxies in this study only use the Effective Tax Rate (ETR), which has limitations because it cannot capture the entire practice of tax avoidance.

5.3. Suggestion

Further research is recommended to expand the scope of the sample both in terms of sectors and the number of years of observation, so that the results are more representative and can be generalized. Researchers are then advised to use more than one proxy for tax deduction, such as Cash ETR and Book-Tax Difference, so that the measurement results are more accurate and comprehensive and try to use a mixed method calculation so that the research results can be analyzed more deeply.

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