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The Impact of Political Connections, Transfer Pricing, and Corporate Governance on Tax Avoidance

FAIQ TAJ AL FALAH[1a], HARRY BARLI[1b], WIWIT IRAWATI[1c]
[1] Bachelor of Accounting Study Program, Pamulang University, South Tangerang, Indonesia
***Email:** faiqtaj002@gmail.com ; dosen01058@unpam.ac.id ; wiwitira@unpam.ac.id*

ABSTRACT

This study aims to analyse the influence of political connections, transfer pricing, and corporate governance, represented by managerial ownership, institutional ownership, and independent board of commissioners, on tax avoidance. The population of this study consists of coal sector mining companies listed on the Indonesia Stock Exchange between 2018 and 2022. This study applied a quantitative method with *purposive sampling technique,* involving a population of 41 companies, and produced 8 company samples. The results of this study show that political connections affect tax avoidance, while *transfer pricing,* managerial ownership, institutional ownership, and independent board of commissioners have no partial effect on tax avoidance. Simultaneously, all independent variables affect tax avoidance.

Keywords: *Political Connection, Transfer Pricing, Corporate Governance, Tax Avoidance*

ABSTRAK

Penelitian ini bertujuan untuk menganalisis pengaruh koneksi politik, *transfer pricing*, dan tata kelola perusahaan, yang diwakili oleh kepemilikan manajerial, kepemilikan institusional, dan dewan komisaris independen, terhadap penghindaran pajak. Populasi penelitian ini terdiri dari perusahaan pertambangan sektor batu bara yang terdaftar di Bursa Efek Indonesia antara tahun 2018 dan 2022. Penelitian ini menerapkan metode kuantitatif dengan teknik *purposive sampling,* melibatkan populasi sebanyak 41 perusahaan, dan menghasilkan 8 sampel perusahaan. Hasil penelitian ini menunjukkan bahwa koneksi politik mempengaruhi penghindaran pajak, sedangkan *transfer pricing,* kepemilikan manajerial, kepemilikan institusional, dan dewan komisaris independen tidak berpengaruh parsial terhadap penghindaran pajak. Secara bersamaan, semua variabel independen memengaruhi penghindaran pajak.

Kata Kunci: Keterkaitan Politik, Penetapan Harga Transfer, Tata Kelola Perusahaan, Penghindaran Pajak

* Corresponding author's e-mail: dosen01058@unpam.ac.id
http://openjournal.unpam.ac.id/index.php/JIA

1. PENDAHULUAN

The largest state wealth in Indonesia comes from the tax sector, as stated by Finance Minister Sri Mulyani Indrawati, who revealed that the country's real wealth reaches Rp1,957.2 trillion. The realization of national growth in 2019 reached 0.7% compared to the 2018 target. The realization of national growth amounted to Rp1,545.3 trillion, representing 86.5% of the 2019 State Budget goals. In the daily life of a country, taxes play a crucial role in strengthening the economy and reducing development risks. The government believes that taxpayers can fulfil their obligations in accordance with current tax regulations, which reflect the welfare of the nation (Juliana & Stiawan, 2022).

PT Adaro Energy Tbk, which facilitates transfer pricing through affiliated companies located in Singapore, was included in one of the significant taxation phenomena in Indonesia in 2019. PT Adaro Energy Tbk admits it has sought to reduce the tax liabilities it pays to the public sector by shifting profits and profits to other countries, according to Global Witness's analysis. According to Global Witness, this strategy will ultimately provide Coaltrade Services Global, Adaro's new company in Singapore, with more competitive pricing options. According to the group's analysis, Global Witness found that the Indonesian government may need to impose a tax of $125 million—a more logistical estimate than they had previously predicted. In addition, Global Witness assisted with a national initiative that allowed Adaro to reduce its annual tax liability to the state by approximately $14 million. According to (Friana, 2019) Thus, companies strive to minimize and avoid tax liabilities that can reduce state tax revenue.

Tax revenues can be influenced by transfer pricing, corporate governance, and political relations. Tax revenue can be influenced by businesses related to politics. Companies that have political connections, or close ties to the government, will get several advantages, such as easier access to loans and lower risk of tax impacts, thus continuing to contribute to tax revenue (Ubaidillah, 2022). Transfer pricing, which is done by setting the selling price and comparing the company's price to a reasonable tax rate, can affect tax revenue. This can be detrimental to the government because, although the government should pay higher taxes than the average company in Indonesia, revenue actually reduces the country's tax potential. If some companies use transfer pricing, the state will lose money. The company's leaders are supported by managerial ownership, institutional ownership, and independent commissioners.

2. LITERATURE REVIEW

Agency Theory

According to agency theory, also known as agency theory, the authorizer (principal) and the authorized recipient (agent) work together. In the accounting literature, the relationship between managers and employees is called "agency theory". This theory says that when an individual, or rather a principal, assigns a task to another person, or an agent, to provide a particular service, then the

* Corresponding author's e-mail: dosen01058@unpam.ac.id
http://openjournal.unpam.ac.id/index.php/JIA

responsibilities and obligations of both parties are transferred to the agent in the context of profitable employment (Jensen & Meckling, 1976).

In agency theory, the agent manages the company, while the principal acts as a shareholder (K. Sari & Somoprawiro, 2020). An agent can change the accounting figures in the financial statements with this information. This is due to shareholders not striving to maximize their own profits. There is a possibility of conflict between the principal and the agent due to the asymmetry of information. Agents are usually satisfied with the financial challenges and additional benefits they derive from their agency relationships. With long working hours, favourable working conditions, and flexible work schedules, you have many advantages. An agent in this situation is considered to be acting opportunistly.

Upper Echelon Theory

The Upper Echelon Theory is the structure that supports top management as the company's primary strategic approach. As a result, the performance of the organization is completely influenced by the manager's strategic plan. To determine the top management style, one should consider factors such as the social status, financial status, and educational background of the senior manager. Top management, which consists of directors and committee members, is a social event influenced by political and individual relationships. As a result, they have more reasonable expectations and contribute a greater tax burden to achieving business financial goals (Asadanie & Venusita, 2020).

The Influence of Political Connections on Tax Avoidance

Businesses leverage political relationships to achieve specific goals, such as ease of transaction capital and tax risk reduction; Political relations also encourage aggressive tax planning and reduce the transparency of financial statements. Government intervention as the main source of funding can reduce investor reluctance due to non-transparent financial statements. In addition, businesses that have political ties to the ruling government have a higher rate of tax avoidance than other businesses that do not have political ties (Kim, 2015).

H1: Alleged political connections have no effect on tax avoidance

The Effect *of Transfer Pricing* on Tax Avoidance

One method to increase business profits is transfer pricing, which looks at the profitability of companies in different countries, especially countries with higher tax rates. Transfer pricing can be analysed through transaction behaviour between entities with which an affiliate relationship is located; The prices set in transactions with these companies often set unclear prices, which can be leveraged. The study conducted by (D. Sari, Utama, Fitriany, & Rahayu, 2021) provides evidence that the Specific Anti Avoidance Rule (SAAR) diminishes the occurrence of Transfer Pricing in sales transactions.

H2: It is suspected that transfer *pricing* has an effect on tax avoidance

* Corresponding author's e-mail: dosen01058@unpam.ac.id
http://openjournal.unpam.ac.id/index.php/JIA

The Influence of Managerial Ownership on Tax Avoidance

The majority of shareholders are entities that own the company and can vote at shareholders' meetings. They also own the company but are not involved in its management. The increasing number of stock investors shows that they can better understand and assess the company's policies and how they can benefit them. Management skills will increase employee awareness and commitment to investing in stocks, which means fewer opportunities. Shareholding by management will be a reason for management to focus more on increasing bonuses and dividends rather than increasing tax aggressiveness (Lubis, Suryani, & Anggraeni, 2018). The existence of managerial ownership will encourage the manager to act in line with the wishes of the shareholders by improving performance and responsibility in achieving shareholder prosperity (Fadel & Annisa, 2024).

H3a: It is suspected that managerial ownership has an effect on tax avoidance.

The Effect of Institutional Ownership on Tax Avoidance

An institutional investment is a financial proposal made by an external entity of a company's investment division. Institutional investment is applied in the decision-making and management process of the company. Institutional investments can generate profits or vice versa. Institutional ownership plays an important role in monitoring management activities more optimally (Ariawan & Setiawan, 2017; Rahmawati & Irawati, 2023).

H3b: It is suspected that institutional ownership has an effect on tax avoidance.

The Influence of the Board of Independent Commissioners on Tax Avoidance

If, among other things, its committees work in accordance with applicable regulations, the company can be considered to have good governance. To enable the Board of Commissioners to make effective, timely, and efficient decisions, and to be able to work independently, the structure should be designed to enhance their ability to carry out their duties critically and independently, both in interaction with the Board of Directors and with members. The number of independent Board of Commissioners is increasing in line with the strictness and effectiveness of supervision, which can reduce taxes and show that the Board of Commissioners has an oversight role over business management. With a percentage of independent commissioners of more than 30%, companies will be able to control management activities, including in order to save taxes, reduce agency costs (Rahmayani, Riyadi, & Ginanjar, 2021).

H3c: Alleged independent board of commissioners has no effect on tax evasion

The Simultaneous Influence of Political Connections, *Transfer Pricing* and *Corporate Governance* on Tax Avoidance

Companies have political ties that allow them to get special treatment, such as less risk of tax audits and ease of access to borrowed capital. This encourages companies to become more aggressive in tax planning, which results in a decrease in the transparency of financial statements (Butje & Tjondro, 2014). In addition, businesses that have political ties to the government can show higher rates of tax

* Corresponding author's e-mail: dosen01058@unpam.ac.id
http://openjournal.unpam.ac.id/index.php/JIA

avoidance than businesses that do not have political ties. International transfer pricing is set with three main objectives: determining the tax burden while ignoring other objectives. Price transfer operations aim to boost employee morale, encourage performance transparency, and provide incentives to employees. The increasing number of major shareholders indicates that they better understand the company's policies and can ensure that they do not adversely affect them. Studies show a significant positive relationship between company management, transfer pricing, and tax political relationships. Thus, the hypotheses proposed are as follows:
H4: It is suspected that political connections, transfer *pricing* and *corporate governance* simultaneously affect Tax Avoidance.

3. RESEARCH METHODS

The influence of the variables of political connections, transfer pricing, and corporate governance on the dependent variable, namely tax avoidance, was evaluated through a quantitative approach in this study. A sample of coal mining companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2022 was included in this study. The study collected data from each company's www.idx.co.id, www.idnfinancial.com, and website. Financial statements and annual reports of coal mining companies listed on the Indonesia Stock Exchange are secondary data sources used in this study. According to (Sugiyono, 2016), secondary data is information obtained through certain documents or intermediaries. Meanwhile population is a generalized area consisting of subjects or objects with certain qualities and characteristics that the researcher chooses to describe and conclude. Every coal mining company listed on the Indonesia Stock Exchange from 2018 to 2022 was included in the study population. In this study, the purposive sampling method was used; It is a sampling method that is done for a specific purpose, i.e. selecting a sample that represents a specific attribute or criterion of a population. In this study, the sample criteria used are as follows: (1) coal mining companies listed on the Indonesia Stock Exchange between 2018 and 2022; (2) coal mining companies that have complete financial statements during the period; (3) coal mining companies that recorded profits during the period; and (4) coal mining companies that transacted in U.S. currency during the period.

Research Variables

Three independent variables and one dependent variable were used in this study. Independent variables include political connections, price transfers, and company management. These variables are measured through managerial ownership, institutional ownership, and independent board of commissioners. Tax avoidance is a dependent variable.

Tax Avoidance

Tax avoidance is a dependent variable in this study. Tax avoidance is an attempt to avoid and/or reduce tax obligations without breaking the law. This is

* Corresponding author's e-mail: dosen01058@unpam.ac.id
http://openjournal.unpam.ac.id/index.php/JIA

the result of the imperfections of the tax system that can be taken advantage of by taxpayers. Because taxpayers can reduce their tax liability by complying with tax provisions, tax avoidance does not violate tax regulations. To avoid, reduce, or limit legal tax liabilities according to law, taxpayers in this context can commit tax avoidance. To avoid taxes, you can move tax entities and objects to countries that offer tax incentives or special tax treatment.

Effective Tax Rate (ETR) is a comparison of a company's tax burden to pre-tax earnings, which shows the sacrifices a company makes to meet its tax obligations. ETR is used to calculate tax avoidance. The company must pay any taxes currently owed and deferred taxes. According to (Putri & Irawati, 2019) the ETR formula is as follows:

$$ETR = \frac{\text{Tax Expense}}{\text{Profit Before Tax}}$$

Political Connections

Political connection is when a political party or entity has a relationship with political interests to achieve certain goals that benefit both parties (Purwanti & Sugarti, 2017). The dummy variable in this study was used to operationalize political connections; This variable is worth 1 if a company meets one of the political connection requirements, and 0 if it does not (Butje & Tjondro, 2014; Juliana & Stiawan, 2022).

Transfer Pricing

Dependent variables change due to price transfer as independent variables. Transfer pricing is a systematic technique for changing prices with the aim of avoiding taxes and protecting a particular country by creating the impression that a company is at a loss. For the purpose of this study, the value ratio of affiliated companies is used. Setting the transfer price for any company that conducts transactions with an affiliated entity. Measurements from previous studies were used in this study (Panjalusman, Nugraha, & Setiawan, 2018), which are described as follows.

$$\text{TP} = \frac{\text{Accounts Receivable from Related Parties}}{\text{Total Receivables}}$$

Corporate Governance

In this study, independent board of commissioners, institutional ownership, and managerial ownership were used to assess corporate governance. The percentage of shares owned by the company's managers and board of commissioners is referred to as managerial ownership, which refers to the number of shares owned by the management of the company's total share capital under management. This formula is used to calculate management ownership (Hendrianto & Hidayati, 2022).

$$\text{Managerial Ownership} = \frac{\text{Total Managerial Share Ownership}}{\text{Company Share Capital}}$$

* Corresponding author’s e-mail: dosen01058@unpam.ac.id

The total shares owned by an institution are called institutional ownership, and shareholders are entities that have a significant role in the company's financial decision-making. According to (Rahmawati & Irawati, 2023), this formula can be used to measure institutional ownership:

$$\text{Institutional Ownership} = \frac{\text{Number of Institutional Shares}}{\text{Number of Shares Outstanding}}$$

The independent board of commissioners oversees management policies, provides advice to the board of directors, and bears responsibility for the company's losses. The independent board of commissioners does not work with the board of directors or other board of commissioners (Ariawan & Setiawan, 2017). The calculation for the independent board of commissioners in this study was carried out using the formula:

$$\text{The Board of Commissioners is independent} = \frac{\text{Number of Independent Commissioners}}{\text{Number of Commissioners}}$$

Data Analysis Techniques

Data analysis was carried out after sample data collection, according to (Sugiyono, 2016). Data analysis includes grouping data by variable, creating tables by variables, spreading the variables being studied, calculations to answer questions, and calculations to test hypotheses made. The data analysis method used in this study is a test of the panel data regression equation model using Microsoft Excel and the E-Views Series 9 application.

4. RESULTS AND DISCUSSION

Descriptive Analysis

In descriptive statistics, minimum, maximum, mean, and standard deviations were obtained from the research variables using the E-Views 9 application. Political connections, transfer pricing, and corporate management are independent variables measured through managerial ownership proxies, institutional ownership, and independent boards of commissioners; Tax avoidance is a descriptive variable. The results of descriptive statistical analysis conducted using E-Views 9 are shown here.

Tabel 1. Descriptive Statistical Test

	Tax Avoidance	Political Connection	Transfer Pricing	Managerial Ownership	Institutional Ownership
Mean	0.161124	0.600000	0.162836	0.085492	0.717832
Median	0.147695	1.000000	0.102830	0.002325	0.807290
Maximum	0.779930	1.000000	0.623220	0.676120	1.000000
Minimum	0.000220	0.000000	1.90E-05	6.00E-07	0.100000

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Std. Dev	0.161675	0.496139	0.170434	0.199592	0.217848
Skewness	1.424955	-0.408248	1.168725	2.469491	-1.149584
Kurtosis	6.285097	1.166667	3.559170	7.425631	3.328642
Jarque- Bera	31.52309	6.712963	9.627240	73.44727	8.990305
Probability	0.000000	0.034858	0.008118	0.000000	0.011163
Sum	6.444950	24.00000	6.513459	3.419661	28.71329
Sum Sq Dev	1.019415	9.600000	1.132857	1.553642	1.850859
Observations	40	40	40	40	40

Source: Results of e-views version 12 output processed by researchers, 2024

Based on descriptive statistical analysis, the average tax avoidance value was 0.161124 and the standard deviation was 0.161675, which exceeded the average value. The maximum value recorded was 0.779930, owned by PT Indo Straits Tbk in 2021, while the minimum value of 0.000220 was owned by PT Harum Energy Tbk in 2020.

Political connections have an average value of 0.600 and a standard deviation of 0.496, which is lower than their average value. Political relations use dummy variables, with a maximum value of 1 and a minimum value of 0.

Transfer pricing yields an average value of 0.162836 with a standard deviation of 0.170434, which exceeds the average value. The maximum value recorded at 0.623220 is owned by PT Indo Straits Tbk in 2022, while the minimum value of 0.000019 is owned by PT IMC Pelita Logistik Tbk in 2018.

Corporate governance measured through managerial ownership proxies has an average value of 0.085492 and a standard deviation of 0.199592, with values exceeding these averages. The maximum value recorded was 0.676120, which was attributed to PT Bayan Resources Tbk in 2021, while the minimum value was 0, due to the absence of managerial ownership in a particular company.

Corporate governance as measured through institutional ownership has an average value of 0.717832 and a standard deviation of 0.217848, with a lower-than-average value. The maximum value recorded was 1.000000, allocated to PT Bayan Resources Tbk in 2021, while the minimum value was 0.100000, also from PT Bayan Resources Tbk in 2022. The company's governance according to the independent board of commissioners resulted in an average value of 0.378094 with a standard deviation of 0.085247 which is lower than the average value. The maximum value recorded is 0.500000, while the minimum value is 0.200000, with attribution to PT Golden Energy Mines Tbk in 2020.

Simultaneous Significance Test (Statistical Test F)

The statistical test F determines whether all independent variables in the study affect the dependent variables as a whole. This is a thorough sample regression evaluation. The significant value of f, calculated with a significance level of 0.05, was used as the basis for this study's decision. A significance value of less than 0.05 indicates that the hypothesis is accepted, and a regression model can be used to predict the dependent variable, which will show the relationship

* Corresponding author's e-mail: dosen01058@unpam.ac.id

between each of the independent variables as a whole and the dependent variable. The following table shows the simultaneous significance test (statistical test F):

Tabel 2. Statistical Test F

R-squared	0.570620	Mean dependent var	0.161124
Adjusted R-squared	0.507476	S.D. dependent var	0.161675
S.E. of regression	0.113464	Akaike info criterion	-1.377186
Sum squared resid	0.437716	Schwarz criterion	-1.123855
Log likelihood	33.54373	Hannan-Quinn criter	-1.285590
F-Statistic	9.036784	Durbin-Watson stat	2.152088
Prob (F-statistic)	0.000015		

Source: Results of e-views version 12 output processed by researchers, 2024

Based on the results of the simultaneous significance test (statistical test F), a probability value of 0.000015 and an F-calculation value of 9.036784 were obtained. The F-table value for the sample was 40 with a significance level of 0.05% and the total variable (k) was 6 was df1 = k – 1 = 6 – 1 = 5, df2 = n – k = 40 – 6 = 34. From this calculation, an F-table value of 2.49 was obtained. The F-calculated value is greater than the F-table value, which is 9.036784 > 2.49, and the probability value is smaller than the significance level of 5%, which is 0.000015 < 0.05. In conclusion, political connections, transfer pricing, managerial ownership, institutional ownership, and an independent Board of Commissioners simultaneously affect tax avoidance.

Individual Parameter Significance Test (Statistical Test t)

To measure the influence of each independent variable on its dependent variable, a t-test is used. This is done by comparing the calculated t-value with the table t-value at a significance level of 0.05. The hypothesis is accepted if the significance value of t is less than 0.05, which indicates that one of the independent variables has a significant influence on its dependent variable. The following table shows the results of the significance test of individual parameters (statistical test t):

Table 3. Statistical Test t

Variable	Coefficient	Std.Error	t-Statistic	Prob
C	-0.034626	0.123860	-0.279559	0.7815
Political Connections	0.229916	0.040190	5.720755	0.0000
Transfer Pricing	0.019028	0.127516	0.149220	0.8823
Managerial Ownership	-0.071459	0.109950	-0.649925	0.5201
Institutional Ownership	-0.087807	0.102011	-0.860762	0.3954

Source: Results of e-views version 12 output processed by researchers, 2024

The Effect of The Political Connection on Tax Avoidance

Based on the table of individual parameter significance tests (t-statistical test) above, the political connection shows a t-calculated value of -0.279559,

* Corresponding author's e-mail: dosen01058@unpam.ac.id

which is bigger than the t-table value of 2.03224, as well as a probability value of 0.0000, which is smaller than the significance value of 0.05. The test results showed that political connections had a significant influence on tax avoidance. The result is in line with the research result by (Asadanie & Venusita, 2020) which is stated there is a negative significant effect political connection on tax avoidance. The findings of this study are different from the findings of (Rahmiati, 2024) who argue that companies with political connections are more vulnerable to being in the public spotlight thereby increasing the likelihood of tax evasion practices; As a result, they prioritize improving the company's image over tax evasion.

The Effect of Transfer Pricing on Tax Avoidance

Based on the results of the transfer pricing test, a t-calculation value of 0.149220 was obtained, which is smaller than the t-table value of 2.03224, and a probability value of 0.8823, which is greater than the significance value of 0.05. The test results showed that the transfer price had no effect on tax avoidance. The findings of this study corroborate the research conducted by (Falbo & Firmansyah, 2018) which used the Difference Book Tax anomaly as a proxy for transfer pricing. Since most of the samples do not have many transactions with related parties abroad that have different rates, transfer pricing does not affect tax avoidance measures. The research also in line with the result of (Panjalusman et al., 2018) which is stated that transfer pricing does not affect tax avoidance.

The Effect of Managerial Ownership on Tax Avoidance

The results of the managerial ownership test showed a t-calculated value of -0.649925, which was lower than the t-table value of 2.03224, as well as a probability value of 0.5201 which exceeded the significance value of 0.05. The test results showed that managerial ownership had no effect on tax avoidance. The findings of this study corroborate the research of (Hendrianto & Hidayati, 2022) (Putri & Irawati, 2019) which shows that management prioritizes maintaining the company's image, so that it tends to avoid actions that can harm the company, ultimately not affecting tax avoidance behaviour. But the result is not in line with the research by (Lubis et al., 2018) which is state that the managerial ownership has a significant positive effect against tax aggressiveness.

The Effect of Institutional Ownership on Tax Avoidance

The results of the institutional ownership test showed a t-calculated value of -0.860762, which is lower than the t-table value of 2.03224, and a probability value of 0.3954, exceeding the significance value of 0.05. The test results show that the second hypothesis is rejected, so it can be concluded that institutional ownership has no effect on tax avoidance. The results of the test of the Independent Board of Commissioners showed a t-calculated value of 0.327543, lower than the t-table value of 2.03224, and a probability value of 0.1823, which exceeded the significance value of 0.05. The test results show that an independent board of commissioners has no effect on tax avoidance. This result is inline with the result of (Faizah & Adhivinna, 2017; Rahmawati & Irawati, 2023; Reinaldo,

* Corresponding author's e-mail: dosen01058@unpam.ac.id

2017), this study shows that companies with institutional ownership have owners who supervise managers to prevent tax avoidance and ensure decisions align with shareholder welfare, focusing on earnings management instead of tax planning to improve performance and bonuses.

Coefficient of Determination Test (R2)

The value of the determination coefficient (R2), which ranges from zero to one, is used to determine how well the model can explain the variation between independent variables. A value of R2 = 0 indicates that there is no relationship between an independent variable and a dependent variable, while a value of R2 = 1 indicates that an independent variable conveys almost all the information needed to predict the variation of dependent variables.

Table 4. Coefficient of Determination Test (R2)

R-squared	0.570620	Mean dependent var	0.161124
Adjusted R-squared	0.507476	S.D. dependent var	0.161675
S.E. of regression	0.113464	Akaike info criterion	-1.377186
Sum squared resid	0.437716	Schwarz criterion	-1.123855
Log likelihood	33.54373	Hannan-Quinn criter	-1.285590
F-Statistic	9.036784	Durbin-Watson stat	2.152088
Prob(F-ststistic)	0.000015		

Source: Results of e-views version 12 output processed by researchers, 2024

Based on the results of the analysis of the determinant coefficient (R^2) above, an adjusted R-square value of 0.507476 was obtained, which is equivalent to 50%. Therefore, it can be concluded that independent variables contribute to dependent variables by 50%. Thus, the variables of political connection, transfer pricing, managerial ownership, institutional ownership, and independent board of commissioners simultaneously affect tax avoidance by 50%.

5. CONCLUSIONS AND SUGGESTIONS

The study looks at how political connections, transfer pricing, and corporate management—demonstrated by institutional, managerial, and independent boards of commissioners—affect corporate taxes in the banking sector listed on the Indonesia Stock Exchange from 2018 to 2022. According to the company's governance, which consists of an independent board of commissioners, managerial ownership, and institutional ownership, the results are as follows: managerial ownership does not affect tax avoidance; institutional ownership does not affect tax avoidance; and the transfer price does not affect tax avoidance.

Researchers have made several recommendations to expand the research with the population because they realize that this research is far from perfect: (1) Researchers should expand their research to other fields, such as business,

* Corresponding author's e-mail: dosen01058@unpam.ac.id
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finance, manufacturing, and others. Researchers can also add or change variables that can affect tax avoidance actions and add years of research with the latest data. (2) Because these actions have an impact on investors' views of the company because they do not provide actual data, the company under scrutiny does not engage in tax avoidance. In addition, tax avoidance can have a negative impact on state revenue and tax sanctions and fines. (3) Investors and external parties should be careful when looking at financial statements, especially those related to profits, so that they can make the right decisions. (4) The government and the authorities should establish stricter regulations on tax avoidance so that companies are discouraged from taking such actions.

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* Corresponding author's e-mail: dosen01058@unpam.ac.id

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* Corresponding author's e-mail: dosen01058@unpam.ac.id

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* Corresponding author's e-mail: dosen01058@unpam.ac.id