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The Impact of Firm Size and Governance on Corporate Tax Avoidance Strategies

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Abstract

This study investigates the impact of firm size and corporate governance on tax avoidance strategies in property and real estate companies listed on the Indonesia Stock Exchange (IDX) between 2020 and 2022. Tax avoidance, although legal, raises concerns about tax fairness, transparency, and state revenue sustainability. Using a quantitative approach with multiple linear regression analysis, the study examines the roles of firm size, board of directors, independent commissioners, and audit committees in influencing tax avoidance behavior. Data were collected from 58 companies, resulting in 174 firm-year observations. The findings reveal that firm size has a significant negative effect on tax avoidance, indicating that larger firms tend to avoid aggressive tax planning, possibly due to higher public scrutiny and reputational risks. In contrast, the board of directors, independent commissioners, and audit committees show no significant influence on tax avoidance practices. These results suggest that traditional corporate governance mechanisms may be insufficient in curbing tax avoidance in Indonesia's property sector, highlighting the need for more targeted regulatory interventions and enhanced governance practices. This study contributes to the growing literature on corporate tax behavior in emerging markets by offering empirical evidence from the real estate industry, which is often characterized by asset intensity and unique regulatory treatment. The findings have practical implications for policymakers and regulators seeking to strengthen tax compliance through firm-level characteristics and governance reforms. Future research is encouraged to explore additional moderating variables such as profitability, leverage, and ownership structure to gain a more comprehensive understanding of corporate tax avoidance behavior in the Indonesian context.

1. Introduction

Corporate tax avoidance strategies have been a topic of increasing interest in recent years, with researchers exploring the factors that contribute to these practices. Tax avoidance, defined as the legal minimization of tax liabilities, often involves complex financial structures and compliance strategies that exploit loopholes in tax laws (Dyreng et al., 2019; Beer et al., 2020). Research indicates that firms engaging in tax avoidance may face tax uncertainty, which can lead to increased precautionary cash holdings, thereby affecting their financial reporting (Guenther et al., 2019).

Tax avoidance, characterized by the legal minimization of tax liabilities, often employs intricate financial structures that exploit loopholes in tax legislation. Research indicates that firms engaging in such practices may encounter tax uncertainty, which can compel them to maintain higher precautionary cash reserves, ultimately influencing their financial reporting. This phenomenon is particularly concerning as it can undermine government revenue and challenge the equity of the tax system (Beer et al., 2020).

Indonesia's tax ratio is lower compared to other countries, which raises concerns. This lower ratio suggests that firms may be engaging in tax avoidance strategies, with significant implications for the country's fiscal policies and overall tax fairness. The OECD has reported Indonesia's tax ratio at approximately 11%, which is a concerning issue that can undermine government revenues and challenge the equity of the tax system (Iwanty & Surjandari, 2022). This situation suggests that firms may be employing tax avoidance strategies, which can undermine the fairness of the tax system and complicate fiscal policy (Sari & Ramli, 2023).

Research indicates that tax avoidance is prevalent among multinational corporations operating in Indonesia, with many failing to meet their corporate income tax obligations. The implications of such avoidance are profound, as it not only diminishes state revenue but also perpetuates inequities within the tax system, potentially leading to increased public discontent and reduced trust in governmental institutions (Iwanty & Surjandari, 2022; Johannesen et al., 2020). Furthermore, the relationship between corporate governance and tax avoidance highlights the need for enhanced regulatory frameworks to mitigate these practices and ensure a more equitable tax environment (Handoyo et al., 2022; Widiatmoko & Mulya, 2021).

Accordingly, this research paper aims to explore the impact of firm size and corporate governance on tax avoidance strategies in the context of Indonesia. Property and real estate are often utilized in tax avoidance strategies due to their unique financial characteristics and regulatory frameworks. Furthermore, the research will examine how these factors influence tax avoidance practices in the Indonesian property and real estate sector, as firms in these industries may have additional opportunities to minimize their tax liabilities. Companies in the property sector can leverage depreciation and capital gains treatment to minimize taxable income effectively. Research indicates that leverage, sales growth, and capital intensity significantly influence tax avoidance in real estate firms, as these factors allow for strategic financial planning that optimizes tax liabilities (Ilmiyono & Agustina, 2020; Oktaviyani & Munandar, 2017; Sumantri et al., 2022; Nailufaroh et al., 2022).

Moreover, the real estate sector often faces different tax regulations compared to other industries, which can create opportunities for tax planning (Wahyuni et al., 2017; Sopiyana, 2022). The relationship between firm size and tax avoidance is also notable, as larger firms tend to have more resources to engage in sophisticated tax strategies (Ekaristi et al., 2022; Prapitasari & Safrida, 2019). Additionally, the inherent uncertainties in tax regulations can lead firms to adopt aggressive tax avoidance measures, particularly in high-stakes environments like real estate (Dyreng et al., 2018; Guenther et al., 2018).

This study aims to examine how firm size and corporate governance influence corporate tax avoidance practices. The goal is to provide a deeper understanding of the factors driving firms to engage in tax minimization strategies. The relationship between firm size, corporate governance, and tax avoidance strategies is complex. Larger firms often have more resources and capabilities to engage in tax planning, which can lead to increased tax avoidance (Drake et al., 2019; Ilmiyono & Agustina, 2020). Larger firms often engage in sophisticated tax planning due to their greater resources and capabilities, which can lead to increased tax avoidance.

Research indicates that larger firms possess more opportunities for tax planning, as evidenced by their ability to navigate complex tax regulations and implement strategies that minimize tax liabilities effectively (Drake et al., 2019). The relationship between firm size and tax avoidance is further supported by findings that larger firms tend to have lower effective tax rates, reflecting their capacity to exploit tax benefits more aggressively (Wahyuni et al., 2017; Ekaristi et al., 2022).

Moreover, the willingness of larger firms to accept tax uncertainty as part of their tax strategies can enhance their tax avoidance outcomes, as they are better equipped to manage the associated risks (Dyreng et al., 2019; Guenther et al., 2019). This dynamic illustrates how the interplay of resources, strategic planning, and risk management in larger firms facilitates more aggressive tax avoidance practices compared to smaller firms, which may lack similar capabilities (Barros & Sarmento, 2020).

Conversely, the role of corporate governance in mitigating tax avoidance strategies is also well-documented. Effective corporate governance mechanisms, such as strong board oversight, independent directors, and robust internal controls, can constrain managerial discretion and limit the firm's propensity to engage in aggressive tax avoidance. Effective corporate governance plays a crucial role in mitigating tax avoidance strategies employed by firms. Strong governance mechanisms, such as independent directors and robust internal controls, limit managerial discretion, thereby reducing the inclination towards aggressive tax avoidance practices. Research indicates that firms with effective governance structures are less likely to engage in tax avoidance, as these structures enhance accountability and transparency (Kovermann & Velte, 2019)(Hsu et al., 2018).

Furthermore, the presence of an audit committee significantly influences tax strategies, as it ensures that tax-related decisions align with the firm's overall governance framework (Tjondro & Olivia, 2018). Additionally, the diversity of the board can further constrain tax avoidance behaviors, as varied perspectives lead to more comprehensive oversight (Riguen et al., 2020). Thus, the interplay between corporate governance and tax avoidance underscores the importance of governance in fostering ethical tax practices and enhancing firm reputation (Bird & Davis-Nozemack, 2018; Goerke, 2019). This research examines the influence of independent directors, board of directors, and audit committees on corporate tax avoidance strategies.

Effective corporate governance mechanisms, such as strong board oversight, independent directors, and robust internal controls, can constrain managerial discretion and limit the firm's propensity to engage in aggressive tax avoidance. Specifically, this study will investigate how the composition and functioning of the board of directors, the presence of independent directors, and the existence of an audit committee can impact a firm's decision to pursue tax avoidance strategies. The goal is to provide insights into the role of corporate governance in shaping ethical tax practices and promoting transparency within organizations.

While existing research suggests that larger firms are more likely to engage in tax avoidance strategies, this study will also consider the opposing argument. Smaller firms may have fewer resources and capabilities to navigate complex tax regulations, potentially leading them to adopt more aggressive tax minimization practices in order to remain competitive. The relationship between firm size and tax avoidance is nuanced and warrants further investigation, particularly in the context of the Indonesian property and real estate sector.

This research examines how firm size and corporate governance influence tax avoidance strategies. It aims to provide a deeper understanding of the factors driving firms to engage in tax minimization practices, which have significant implications for state revenue, tax equity, and public trust in governmental institutions. By investigating the relationship between firm size, corporate governance, and tax avoidance in the Indonesian property and real estate sector, the study offers insights that can inform regulatory frameworks and promote more ethical tax practices. Ultimately, the findings will contribute to a more equitable tax environment and enhanced transparency in corporate governance.

2. Literature Review

This section contains a literature review that serves as a support for the research concept.

2.1 Agency Theory

This study is grounded in agency theory and resource-based theory. Agency theory posits that the separation of ownership and control in modern corporations can lead to conflicts of interest between managers and shareholders, as managers may act in their own interests rather than those of the owners. Agency theory highlights the conflicts of interest that arise when managers prioritize personal benefits over shareholder interests, particularly in the context of tax avoidance strategies. This behavior can lead to significant tax uncertainties, as firms may adopt aggressive tax avoidance tactics that, while potentially beneficial in the short term, can result in long-term financial risks and reputational damage (Dyreng et al., 2019; Guenther et al., 2019).

Research indicates that managerial decisions, influenced by personal incentives, can exacerbate these agency problems, leading to a culture of tax avoidance that may not align with shareholder value maximization (Dyreng et al., 2010; Khurana et al., 2018). Furthermore, the resource-based view suggests that firms with strong governance structures, such as independent audit committees, can mitigate these agency issues by promoting transparency and accountability, thereby reducing the likelihood of aggressive tax avoidance (Hsu et al., 2018; Tjondro & Olivia, 2018). Ultimately, the interplay between agency theory and resource-based theory underscores the importance of aligning managerial incentives with shareholder interests to foster sustainable tax practices (Damayanti & Wulandari, 2021; Khan et al., 2017).

2.2 Resource-based Theory

Resource-based theory suggests that firms have unique resources and capabilities that can provide a competitive edge. These resources, such as technological expertise and specialized knowledge, allow larger firms to develop and implement more complex tax planning strategies compared to smaller competitors. Larger firms have greater flexibility and resources to engage in aggressive, yet legal, tax avoidance practices. In contrast, smaller firms may lack the necessary resources and expertise to navigate the complex tax environment, leading them to adopt more straightforward, but potentially less effective, tax minimization strategies. According to resource-based theory, firms leverage their unique resources and capabilities to gain advantages, especially in tax planning.

Larger firms, with their technological expertise and specialized knowledge, can engage in more sophisticated tax avoidance practices than their smaller counterparts. This advantage is often reflected in their ability to navigate tax uncertainties, as firms willing to accept such risks can achieve lower effective tax rates (Dyreng et al., 2019). Moreover, the flexibility afforded by their resource base allows these firms to implement aggressive yet legal tax strategies, optimizing their financial outcomes (Drake et al., 2019).

Research indicates that factors such as leverage, profitability, and firm size significantly influence tax avoidance behaviors, with larger firms typically exhibiting greater capacity for tax planning (Wahyuni et al., 2017; Ekaristi et al., 2022). Additionally, corporate governance structures, including the composition of audit committees, play a crucial role in shaping tax strategies, further emphasizing the importance of organizational capabilities in tax management (Hsu et al., 2018; Tjondro & Olivia, 2018).

2.3 Hypothesis

Larger firms have more resources and expertise, which allows them to engage in complex tax planning strategies that reduce their effective tax rates. Smaller firms often lack the capabilities to navigate the intricate tax environment, leading them to adopt simpler but potentially less effective tax minimization approaches. The greater resources and expertise of larger firms enable them to employ more sophisticated tax avoidance strategies and effectively navigate complex tax regulations, resulting in lower effective tax rates compared to smaller firms, which are limited by their resources and resort to simpler tax minimization methods (Drake et al., 2019; Ilmiyono & Agustina, 2020).

Research indicates that firm size is a significant determinant of tax avoidance, with larger firms having a higher likelihood of employing aggressive tax planning techniques (Ernawati et al., 2019; Shubita, 2024). Moreover, larger firms can absorb the risks associated with tax avoidance, such as tax uncertainty, which smaller firms might find prohibitive (Dyreng et al., 2019; Guenther et al., 2019). Consequently, the disparity in tax avoidance strategies between large and small firms underscores the influence of firm size on tax planning capabilities (Drake et al., 2019; Ernawati et al., 2019). Based on this background, the following hypotheses are proposed:

H_1: Firm size has positive effect on tax avoidance.

Independent directors oversee and monitor firms, which can limit managers from pursuing aggressive tax avoidance strategies that prioritize personal interests over shareholder value. They play a key role in corporate governance by providing oversight that can reduce aggressive tax avoidance. Their presence on boards is linked to lower tax avoidance behaviors, as they tend to prioritize shareholder value over managers' personal interests (Shin & Park, 2019; Barros & Sarmento, 2020). Research indicates that firms with independent boards exhibit lower levels of tax aggressiveness, particularly in competitive markets where oversight is more pronounced (Shin & Park, 2019).

Furthermore, effective corporate governance mechanisms, including independent directors, can enhance transparency and accountability, thereby discouraging opportunistic behaviors that may lead to aggressive tax strategies (Kovermann & Velte, 2019). This oversight is essential in aligning managerial decisions with the long-term interests of shareholders, ultimately fostering a culture of compliance and ethical tax practices (Barros & Sarmento, 2020)(Kovermann & Velte, 2019). Based on this background, the following hypotheses are proposed:

H_2: Board of directors have a negative effect on tax avoidance.

The presence of independent commissioners on corporate boards is critical in mitigating aggressive tax avoidance strategies that may prioritize personal interests over shareholder value. Research indicates that firms with independent boards tend to exhibit lower levels of tax aggressiveness, particularly in competitive markets where oversight is more pronounced (Amalia & Firmansyah, 2022)(Kovermann & Velte, 2019). Independent commissioners enhance corporate governance by fostering transparency and accountability, which discourages opportunistic behaviors that could lead to aggressive tax strategies (Lanis et al., 2021).

Furthermore, effective governance mechanisms, including independent oversight, align managerial decisions with the long-term interests of shareholders, promoting a culture of compliance and ethical tax practices (Faradisty et al., 2019)(Kovermann & Velte, 2019). This oversight is essential in ensuring that tax strategies are not solely driven by short-term personal gains of managers but are instead aligned with the broader objectives of the firm and its stakeholders (Amalia & Firmansyah, 2022)(Kovermann & Velte, 2019). Based on this background, the following hypotheses are proposed:

H_3: Independent board of commissioners have a negative effect on tax avoidance.

Audit committee members with expertise in tax planning and financial reporting can significantly impact a firm's tax avoidance strategies. Their expertise allows them to provide valuable advice and oversight to monitor managers' decisions. Directors with financial expertise can enhance the effectiveness of tax planning initiatives while also monitoring managerial decisions. Research shows that financial experts on audit committees are linked to lower levels of tax avoidance, as they can better assess the risks and implications of aggressive tax strategies (Hsu et al., 2018)(Tjondro & Olivia, 2018). Furthermore, the presence of such expertise can lead to more conservative accounting practices, which may mitigate tax risks and enhance the reliability of financial reporting

(Suleiman, 2020). Additionally, the relationship between audit committee expertise and tax avoidance is complex, as firms may engage in tax avoidance to optimize their financial performance while balancing the associated risks (Bédard & Paquette, 2021)(Qi et al., 2019). The ability of audit committees to navigate these challenges is crucial, as they play a pivotal role in shaping corporate governance and ensuring compliance with tax regulations (Zheng et al., 2019). Thus, the integration of financial expertise within audit committees is essential for fostering effective tax strategies that align with overall corporate governance objectives. Based on this background, the following hypotheses are proposed:

H_4: Audit committee have a negative effect on tax avoidance.

3. Research Methods

3.1 Research Scope

This study focuses on companies in the property and real estate sector listed on the Indonesia Stock Exchange (IDX) during the 2020–2022 period. The selection of this sector is based on its growing market absorption and the increasing number of listed companies each year. Property and real estate assets also tend to have significant value on financial statements, making the sector relevant for examining tax avoidance behavior.

3.2 Population and Sample

The research population includes all 79 property and real estate companies listed on the IDX consistently from 2020 to 2022. A purposive sampling method was used to select companies that met specific criteria: (1) companies must have published audited financial statements for three consecutive years (2020–2022), and (2) companies must have complete data for all research variables within the study period. The sample selection process is shown in Table 1.

Table 1. Sample Selection Criteria

Criteria	Number of Companies
Property and real estate companies listed on IDX (2020–2022)	79
Companies that did not publish financial statements	(6)
Companies with incomplete data on research variables	(15)
Final sample of companies	58
Total observations (58 companies × 3 years)	174

As shown in Table 1, the final research sample consists of 58 companies, yielding 174 firm-year observations for the period of analysis.

3.3 Data Collection

The study uses secondary data obtained from audited financial reports published on the official website of the Indonesia Stock Exchange (www.idx.co.id). The financial statements were analyzed to extract relevant variables, including firm size, corporate governance mechanisms, and tax avoidance indicators.

3.4 Data Analysis

The data are analyzed using SPSS version 25.0. Descriptive statistical analysis is conducted to summarize the characteristics of the sample. Prior to hypothesis testing, classical assumption tests are performed, including tests for normality, multicollinearity, heteroscedasticity, and autocorrelation to ensure the reliability of the regression model. Multiple linear regression analysis is then used to examine the influence of firm size, board of directors, independent commissioners, and audit committee on tax avoidance behavior.

4. Results and Discussion

Before using multiple linear regression analysis, researchers conduct a classical assumption test as a first step to ensure that the regression coefficient is consistent and unbiased and has a fixity in estimation. The classic assumption tests used in this study include normality, multicollinearity, heteroscedasticity, and autocorrelation tests.

4.1 Research Results

The multiple regression analysis method in this study aims to determine the effect of company size, board of directors, independent board of commissioners and audit committee on tax avoidance. The results of multiple analysis can be seen in Table 2 below.

Table 2. Multiple Regression Analysis Test Results

Variable	Beta value	Sig.
(Constant)	9.819	0.003
Firm Size	-0.748	0.006
Board of directors	-0.012	0.264
Independent Commissioner Independent board of commissioners	0.010	0.668
Audit Committee	0.028	0.254

Based on the results of multiple regression analysis in Table 2, a multiple regression model equation can be made, namely as follows:

$$Y = 9.819 - 0.748\ X_1 - 0.012X_2 + 0.010\ X_3 + 0.028\ X_4$$

Where:
Y = Tax avoidance
X1= Firm size
X2= Board of directors
X3= Independent board of commissioners
X4 = Audit committee

1) The Effect of Company Size on Tax Avoidance

Based on Table 2 shows the results of testing the first hypothesis regarding the effect of company size on tax avoidance, the t test results on the company size variable have a coefficient value of -0.748, with a significance value of 0.006<0.05. These results indicate that company size has a negative and significant effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange for the 2020-2022 period. This indicates that the increasing company size in property and real estate companies will have a significant impact on reducing tax avoidance practices in property and real estate companies.

2) The effect of the board of directors on tax avoidance

Based on Table 2, it shows the results of testing the second hypothesis regarding the effect of the board of directors on tax avoidance, the results of the t test on the board of directors' variable have a coefficient value of -0.012, with a significance value of 0.264> 0.05. These results indicate that the board of directors has no significant effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange for the period 2020 to 2022. This indicates that the increasing board of directors in property and real estate companies will not have a significant impact on tax avoidance practices in property and real estate companies.

3) Effect of independent board of commissioners on tax avoidance

Based on Table 2, it shows the results of testing the third hypothesis regarding the effect of the independent board of commissioners on tax avoidance, the t test results on the independent board of commissioner's variable have a coefficient value of 0.010, with a significance value of 0.668 > 0.05. These results indicate that the independent board of commissioner's variable has no significant effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange for the period 2020 to 2022. This indicates that the increasing number of independent commissioners in property and real estate companies does not have a significant effect on tax avoidance practices in property and real estate companies.

4) **Effect of audit committee on tax avoidance**

Based on Table 2, it shows the results of testing the fourth hypothesis regarding the effect of the audit committee on tax avoidance, the results of the t test on the audit committee variable have a coefficient value of 0.028, with a significance value of 0.254 > 0.05. These results indicate that the audit committee variable has no significant effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange for the period 2020 to 2022. This indicates that the increasing audit committee in property and real estate companies will not have an impact on tax avoidance practices in property and real estate companies.

4.2 Research Discussion

Based on Table 2, it shows the results of testing the first hypothesis regarding the effect of company size on tax avoidance. These results indicate that company size has a significant negative effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange for the 2020-2022 period. This indicates that as firm size increases, these companies are less likely to engage in aggressive tax planning practices. The findings suggest that larger firms are less likely to engage in aggressive tax avoidance. This is consistent with agency theory, which posits that larger firms face greater scrutiny and have more resources for tax compliance, disincentivizing them from pursuing risky tax minimization strategies. Larger firms also confront heightened reputational and regulatory risks from tax avoidance, providing an incentive to maintain more conservative tax practices.

The observed negative relationship between firm size and tax avoidance aligns with this agency theory perspective, where increased firm size correlates with a reduced inclination towards risky tax minimization activities in the property and real estate sector in Indonesia (Lestari & Solikhah, 2019; Ilmiyono & Agustina, 2020; Gallemore et al., 2014). This is particularly evident in property and real estate companies in Indonesia, where increased firm size correlates with a reduced inclination towards risky tax minimization activities (Ilmiyono & Agustina, 2020)(Oktaviyani & Munandar, 2017). Furthermore, the findings suggest that larger firms prioritize maintaining a positive public image and regulatory compliance over potential tax savings, reinforcing the notion that agency costs influence tax behavior (Rudyanto & Pirzada, 2020)(Gallemore et al., 2014)(Bird & Davis-Nozemack, 2018).

Firm size has been shown to have a negative effect on tax avoidance due to several interrelated factors. Larger firms often possess more resources and capabilities, which can lead to increased scrutiny from tax authorities and a greater likelihood of public backlash against aggressive tax strategies (Sopiyana, 2022). This heightened visibility can deter larger corporations from engaging in tax avoidance practices that might be perceived as unethical or socially irresponsible (Drake et al., 2019). Additionally, as firm size increases, the complexity of tax planning and compliance also escalates, which can result in a more conservative approach to tax avoidance (Lestari & Solikhah, 2019).

Based on Table 2, it shows the results of testing the second hypothesis regarding the effect of the board of directors on tax avoidance. These results indicate that the board of directors has no significant effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange for the period 2020 to 2022. The findings suggest that the composition and characteristics of the board of directors do not play a significant role in influencing the tax avoidance strategies of these firms during the study period.

The lack of a significant relationship between board of directors and tax avoidance may be attributed to the complex and multifaceted nature of corporate governance mechanisms. While the board of directors is responsible for overseeing and monitoring the company's strategic decisions, including tax planning, the effectiveness of their influence on tax avoidance may be contingent upon other factors, such as the board's independence, expertise, and level of involvement in tax-related matters. Additionally, the relative importance of the board's role in tax avoidance may be diminished in the presence of other strong corporate governance mechanisms, such as the audit committee or external auditors, which can also play a significant role in shaping the company's tax strategies.

Based on Table 2, it shows the results of testing the third hypothesis regarding the effect of the independent board of commissioners on tax avoidance. These results indicate that the independent board of commissioner's variable has no significant effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange for the period 2020 to 2022. The lack of a significant relationship between the independent board of commissioners and tax avoidance suggests that the composition and independence of the board may not play a crucial role in influencing the tax planning strategies of these firms during the study period.

The findings indicate that the independent board of commissioners does not significantly influence tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange during the period from 2020 to 2022. This conclusion aligns with previous research that highlights the limited impact of corporate governance structures, such as the board of commissioners, on firm value and financial performance in various sectors, including real estate. For instance, Ismantara and Handojo's study found that while certain governance factors affect firm value, the board of commissioners did not show a significant effect (Ismantara & Handojo, 2022).

Similarly, Rahma's research emphasized the role of corporate governance in financial performance but did not establish a direct link to tax avoidance (Rahma et al., 2023). These insights suggest that the effectiveness of independent boards in mitigating tax avoidance may be contingent upon other factors, such as firm size and profitability, rather than governance structure alone (Saputri & Bahri, 2021).

Based on Table 2, it shows the results of testing the fourth hypothesis regarding the effect of the audit committee on tax avoidance. These results indicate that the audit committee variable has no significant effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange for the period 2020 to 2022. The findings suggest that the presence and composition of the audit committee do not play a significant role in influencing the tax avoidance strategies of these firms during the study period. The lack of a significant relationship between the audit committee and tax avoidance may be due to the fact that the audit committee's primary focus is on financial reporting, internal control, and risk management, which may not necessarily translate into direct influence over the company's tax planning decisions (Handoyo et al., 2022).

The results indicate that the audit committee variable has no significant effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange during the period from 2020 to 2022. This finding aligns with existing literature that suggests the effectiveness of audit committees in influencing corporate financial practices, including tax strategies, is often limited. For instance, research has shown that while audit committees are essential for corporate governance, their direct impact on tax avoidance is not consistently supported by empirical evidence (Rahma et al., 2023; Fitriyah et al., 2020).

Additionally, studies indicate that other factors, such as firm size and profitability, may play a more substantial role in shaping tax behavior than the presence of an audit committee (Nurhandari et al., 2023)(Margono

& Gantino, 2021). This suggests that the relationship between audit committees and tax avoidance is complex and may be influenced by various contextual factors beyond governance structures alone.

5. Closing

5.1 Conclusion

This study finds that the composition and characteristics of the board of directors, independent commissioners, and audit committee do not significantly influence tax avoidance strategies in property and real estate companies listed on the Indonesia Stock Exchange during the 2020–2022 period. These results suggest that corporate governance mechanisms may have limited impact on tax planning decisions in this sector. Instead, firm size and profitability appear to play more significant roles. The complex nature of corporate governance and its contextual dependencies might explain the lack of significant relationships. Further research is needed to explore how corporate governance, firm characteristics, and tax avoidance strategies interact in the real estate industry.

5.2 Suggestion

Based on these findings, companies in the property and real estate sector should focus more on firm-specific factors such as size and profitability when addressing tax planning strategies, rather than relying solely on corporate governance structures. For policymakers and regulators, efforts to improve tax compliance might benefit from emphasizing firm characteristics and external monitoring mechanisms. Future research should investigate additional variables and contextual factors that could influence the relationship between corporate governance and tax avoidance, possibly incorporating qualitative methods to better capture the underlying dynamics.

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