THE INTERPLAY OF GOOD CORPORATE GOVERNANCE MECHANISMS ON TAX AVOIDANCE WITH TAX AUDIT COVERAGE RATIO AS THE MODERATING VARIABLE

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Abstract

This study examines the impact of Good Corporate Governance (GCG) on Tax Avoidance, with the Tax Audit Coverage Ratio as a moderating variable. GCG is measured using three proxies: Managerial Ownership, Independent Commissioners, and Audit Committee. This quantitative research utilizes secondary data from 42 publicly listed companies on the Indonesia Stock Exchange (2019–2023). The study employs purposive sampling and multiple linear regression analysis using SPSS. Findings reveal that Managerial Ownership reduces Tax Avoidance, Independent Commissioners have no significant effect, and Audit Committee increases Tax Avoidance. Additionally, the Tax Audit Coverage Ratio strengthens the negative influence of Managerial Ownership on Tax Avoidance. However, it does not moderate the relationship between Independent Commissioners or Audit Committee and Tax Avoidance.

Keyword: *Good Corporate Governance, Tax Avoidance, Tax Audit Coverage Ratio*

INTRODUCTION

As a business expands, its revenue increases, which subsequently affects the amount of tax obligations the entity must fulfill. Serving as the largest source of state revenue, taxes are collected from both individuals and corporations to contribute to the national treasury, support national development, and ultimately ensure societal welfare. This aligns with the primary function of taxation, which is budgetary acting as a key funding source for the State Budget (APBN). Given this critical role, maximizing tax revenue collection remains a top priority for the government. From 2019 to 2023, Indonesia's tax revenue fluctuated, with a sharp decline in 2020 due to the economic impact of the COVID-19 pandemic, raising concerns of a potential crisis. The mining sector was severely affected, with mining investment falling from 39% in 2019 to just 5.86% by July 2020, according to the Ministry of Energy and Mineral Resources. The Indonesia Investment Coordinating Board (BKPM) also reported a decline in foreign direct investment (FDI) in mining, from USD 1.28 billion in H1 2019 to USD 874.3 million in H1 2020.

The pandemic's financial impact on the mining sector was also reflected in corporate earnings. PwC's audit of mining issuers on the Indonesia Stock Exchange in Q1 2020 showed that revenue for several companies declined by up to 10% annually, while net profit dropped by up to 40% compared to 2019. Globally, the top 40 mining companies also faced setbacks, with a 6% projected decline in revenue for 2020 and a 20% reduction in capital expenditure (Judith, 2020). The government implemented policies to stabilize Indonesia's economy, including a Corporate Income Tax (PPh Badan) reduction under Perppu No. 1/2020 to ease the burden on Taxable Entrepreneurs (PKP) during the Covid-19 pandemic. The National Economic Recovery (PEN) program also provided tax incentives, such as reduced PPh 25 installments and import duty exemptions. However, these policies risked misuse by taxpayers. In 2021, Finance Minister Sri Mulyani Indrawati reported a 19.7% decline in tax revenue from 2020, though it improved from the estimated 21% contraction (Kurniati, 2021).

Declining tax revenue directly impacts the tax ratio (Moeljono, 2020). According to the Ministry of Finance, Indonesia's tax ratio fell from 9.77% in 2019 to 8.33% in 2020, largely due to the Covid-19 pandemic. A major contributing factor is corporate tax avoidance, driven by a fundamental conflict between government and business objectives. While the government aims to maximize tax revenue, corporations seek to minimize tax expenses to increase profits. This misalignment encourages tax aggressiveness, where companies engage in legal tax avoidance or, in some cases, illegal tax evasion to reduce taxable income. Several companies have been implicated in tax avoidance practices, employing various strategies to minimize their tax liabilities. One notable case is PT Coca Cola Indonesia Tbk, which, between 2002 and 2006, underreported its gross income. While the Directorate General of Taxes (DJP) calculated the company's actual earnings at IDR 603.48 billion, PT Coca Cola only declared IDR 492.59 billion. As a result, the company underpaid taxes by IDR 14.2 billion. Following a Supreme Court ruling in 2017, PT Coca Cola was required to settle the outstanding tax amount. Similarly, PT Kalbe Farma Tbk was found to have engaged in tax avoidance practices. In 2017, the company received a Tax Assessment Letter (SKPKB) for IDR 527.85 billion related to VAT and income tax for the 2016 fiscal year. The DJP suspected that PT Kalbe Farma had deliberately minimized its tax obligations by not fully complying with tax regulations (Oktaviana & Kholis, 2021).

To prevent tax avoidance, effective Good Corporate Governance (GCG) is essential in ensuring that management's tax planning complies with legal provisions. GCG was developed to protect shareholders' interests and uphold their rights, becoming particularly significant in the 1980s when corporate governance played a key role in shaping business performance (Maharani & Suardana, 2014). During this period, U.S. President Ronald Reagan introduced the laissez-faire policy, granting private sector companies greater autonomy in managing their organizations and capital. This policy allowed flexibility in share repurchases and capital restructuring. However, its implementation often disadvantaged shareholders, highlighting the need for governance mechanisms to protect their interests. In response, the Organization for Economic

Co-operation and Development (OECD) introduced GCG guidelines in 1999. These efforts were further reinforced in 2015 when the Group of Twenty (G-20) Finance Ministers and Central Bank Governors officially legitimized the GCG framework.

GCG was introduced in Indonesia in 1998 following the economic crisis. The Indonesia Stock Exchange (IDX) responded by requiring companies to appoint independent commissioners and establish audit committees. Recognizing the need for strong corporate governance, the Indonesian government formed the National Committee on Governance Policy (KNKG) under the Coordinating Ministry for Economic Affairs. KNKG is responsible for setting GCG guidelines and standards to promote accountability, transparency, and sustainability. These guidelines outline measures to establish checks and balances, ensure corporate responsibility, and support long-term business viability (Nanda Widiiswa & Baskoro, 2020).

Conducting this research is essential because taxes serve as the primary source of state revenue, funding national development and ensuring societal welfare. However, many companies still attempt to minimize their tax liabilities through tax avoidance practices. The conflicting interests between the government, which seeks to maximize tax revenue, and corporations, which aim to reduce tax expenses, often lead to aggressive tax avoidance. This, in turn, contributes to a lower tax ratio and potential imbalances in the tax system. GCG plays a crucial role as a control mechanism to ensure that corporate tax policies are conducted ethically and in compliance with regulations. By examining the influence of GCG through managerial ownership, independent commissioners, and audit committees on tax avoidance, this study provides insights into how strong corporate governance can help mitigate tax avoidance practices. Additionally, by incorporating the Tax Audit Coverage Ratio (TACR) as a moderating variable, this research explores the effectiveness of government tax oversight in strengthening or weakening the impact of GCG on tax avoidance.

The sample for the mining sector was selected based on its relevance and significance to the overall economy and tax compliance analysis. The mining sector is one of the key contributors to Indonesia’s economy, with a significant portion of national revenue derived from taxes in this industry. It is also highly regulated and subject to stringent tax audits due to the large-scale operations and the complex nature of mineral extraction, trade, and export activities. Discrepancies in previous studies highlight inconsistencies in the relationship between corporate governance mechanisms and tax avoidance. For instance, by Niandari et al. (2020), concluded that managerial ownership positively influences tax avoidance, whereas Hendrianto & Hidayati (2022) found no such effect. Similarly, Putranto et al. (2023) reported that the presence of an independent board of commissioners does not impact tax avoidance, while Nanda Widiiswa & Baskoro (2020) suggested that independent commissioners have a positive influence on tax avoidance. Further inconsistencies arise concerning the role of the audit committee. Putranto et al. (2023) found that the audit committee negatively affects tax aggressiveness, while Kamul & Riswandari (2021) reported no significant impact. Regarding the moderating variable, TACR, research on this aspect remains limited. Nanda Widiiswa & Baskoro (2020) found that TACR reinforces the negative influence of independent commissioners and external auditors on tax avoidance. However, TACR does not moderate the relationship between the audit committee, institutional ownership, and tax avoidance.

The novelty of this research lies in its comprehensive approach to reconciling the diverse and often conflicting findings of previous studies. By systematically analyzing multiple factors, including pre-pandemic and post-pandemic periods, industry sector variations, differences in sample years, and the use of operational variables, this study offers a more refined understanding of the relationship between GCG and tax avoidance. Furthermore, the inclusion of TACR as a moderating variable introduces a new dimension to the analysis, given the limited research on this variable. The findings of this study are expected to contribute to regulators, tax authorities, and corporations in designing more effective policies to enhance tax compliance and prevent excessive tax avoidance. Furthermore, this research can serve as a reference for investors and stakeholders in assessing GCG as an indicator of tax compliance and corporate risk management.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory

Agency theory, introduced by Jensen & Meckling (1976), examines the relationship between principals (shareholders) and agents (managers) within a corporation. The theory highlights an inherent conflict of interest: while shareholders delegate decision-making authority to managers, the latter may prioritize personal gains over shareholder value due to differing objectives and information asymmetry. In the context of corporate governance and tax avoidance, agency theory suggests that managers may engage in tax avoidance strategies to serve personal interests. For instance, they might exploit tax law loopholes to reduce corporate tax burdens, thereby boosting short-term profits and potentially increasing performance-based compensation. However, such actions can undermine long-term shareholder value and violate ethical or legal boundaries. To address these conflicts, GCG mechanisms are implemented to align managerial and shareholder interests. Tools such as independent commissioners, audit committees, and managerial ownership help mitigate agency problems and reduce the likelihood of opportunistic tax avoidance.

Tax Avoidance

Tax avoidance refers to managerial actions that reduce tax burdens or taxable income while remaining within the boundaries of fiscal regulations (Arieftiara, 2022). According to the IAI (2015), tax management aims to minimize tax obligations through either tax avoidance or tax evasion, with the primary distinction being their legal status. Tax avoidance is considered legal as it exploits loopholes in tax regulations, whereas tax evasion is illegal, involving fraudulent activities that violate tax laws and may result in criminal liability. There are three main approaches to tax avoidance. First, abstinence occurs when taxpayers deliberately avoid taxable activities. Second, relocation involves shifting operations or residency to jurisdictions with lower tax rates. Third, legitimate tax planning entails using legal provisions and ambiguities in tax laws to minimize tax liabilities. Many countries differentiate between acceptable and unacceptable forms of tax avoidance. Acceptable tax avoidance, also referred to as tax planning or mitigation, is legal as it aligns with tax regulations, serves a legitimate business purpose, and avoids artificial transactions. In contrast, unacceptable tax avoidance involves transactions that exist solely to evade taxes without any genuine economic intent. These transactions may violate tax laws, create artificial losses, or undermine the spirit of tax regulations. By adhering to legislative intent and ethical tax planning practices, businesses can reduce tax burdens while maintaining compliance with the law.

Corporate Governance

Brown & Caylor (2006) define corporate governance as a framework for managing and controlling business entities to enhance shareholder value. In Indonesia, the concept of GCG emerged in the 1990s through studies and seminars involving the government, private sector, and academics. Following the 1998 economic and trust crisis, it gained further significance as a guideline for both public and private sectors to implement sound governance practices. In the business context, GCG serves as a management mechanism that engages stakeholders across economic, social, and political activities while adhering to the principles of accountability, transparency, efficiency, fairness, and equity. Its primary function is to regulate interactions between decision-makers and supervisory bodies to mitigate conflicts of interest between principals and agents.

According to Rusdiyanto et al. (2019), GCG mechanisms are categorized into internal and external mechanisms. Internal mechanisms focus on governance structures within the company, while external mechanisms involve outside influences such as investors and certification institutions. This study highlights internal governance, specifically managerial ownership, the independent board of commissioners, and the audit committee. First, managerial ownership refers to the percentage of shares held by executives and directors. Higher ownership aligns management interests with shareholders, reducing agency costs and enhancing governance. Second, the independent board of commissioners oversees the board of directors, ensuring a balance of power with the CEO while maintaining transparency and accountability. Independent commissioners must remain neutral and unaffiliated with management. Third, the audit committee, appointed by the board of commissioners, supervises operations and governance, acting as a bridge between shareholders, the board, and management to ensure internal control.

Tax Audit Coverage Ratio (TACR)

The Tax Audit Coverage Ratio (TACR) is a key metric used by the Directorate General of Taxes (DJP) to enhance the effectiveness of tax audits and optimize tax revenue collection. A higher TACR is associated with increased state revenue, primarily due to its deterrent effect on taxpayer compliance. The deterrence principle, as outlined by Sutherland et al. (2018), emphasizes the role of punishment in discouraging unlawful behavior. When individuals face penalties for offenses, it serves as a warning to others, reducing the likelihood of similar violations. Additionally, Ratto et al. (2005) highlight that the deterrent effect of tax audits indirectly promotes voluntary taxpayer compliance, encouraging adherence to tax regulations. According to DJP's 2018 Performance Report, TACR is calculated as the proportion of audited taxpayers relative to the total number of taxpayers obligated to submit an Annual Tax Return (SPT).

The Influence of Managerial Ownership on Tax Avoidance

Managerial ownership refers to the proportion of a company's shares held by its management, specifically those actively involved in decision-making (Mahulae et al., 2016). Research by Srimindarti et al. (2022) suggests that managerial ownership negatively impacts tax avoidance. Managers who hold shares in the company are more likely to adopt cautious decision-making strategies to protect the firm’s long-term interests. Ownership aligns their incentives with sustainable company performance, thereby reducing their willingness to engage in aggressive tax avoidance practices that could expose the firm to legal and financial risks. Based on this premise, the following hypothesis is proposed:

H1: Managerial ownership has a negative effect on tax avoidance.

The Influence of Independent Commissioners on Tax Avoidance

The board of independent commissioners consists of commissioners who are external to the company and have no affiliations or interests related to the company’s stakeholders (KNKG, 2006). Their primary role is to provide independent oversight of management, ensuring the protection of minority shareholders’ interests and maintaining objective monitoring of the company’s performance. Research by Nihayah & Oktaviani (2022) suggests that the proportion of independent commissioners has a negative impact on tax avoidance. A higher proportion of independent commissioners enhances management oversight, thereby reducing the likelihood of tax avoidance practices. Based on this rationale, the following hypothesis is proposed:

H2: Independent commissioner has a negative effect on tax avoidance.

The Influence of Audit Committee on Tax Avoidance

The audit committee plays a critical role in supporting the independent board of commissioners by ensuring the accuracy of financial reports, assessing the effectiveness of internal control systems, and overseeing the implementation of both internal and external audits in compliance with applicable regulations. Furthermore, the committee is responsible for addressing audit findings and ensuring appropriate corrective actions are taken (Nanda Widiiswa & Baskoro, 2020). Previous research by Sholikhah & Nurdin (2022) found that the presence of an audit committee negatively impacts tax avoidance due to enhanced oversight of the company’s financial and operational performance. Based on these findings, the following hypothesis is proposed:

H3: Audit committee has a negative effect on tax avoidance.

The Moderating Effect of TACR on the Influence of Managerial Ownership on Tax Avoidance

A study by Nanda Widiiswa & Baskoro (2020) suggests that an increase in TACR can be achieved by leveraging its deterrent effect. This deterrent effect enhances the effectiveness of tax audits conducted by DJP, thereby improving tax compliance. In this context, the deterrent effect of TACR is expected to moderate the relationship between managerial ownership and tax avoidance. A higher TACR reflects more intensive tax oversight and audit activities, which can discourage firms from engaging in tax avoidance practices. This perspective leads to the formulation of the following hypothesis:

H4: TACR strengthens the effect of managerial ownership on tax avoidance.

The Moderating Effect of TACR on the Influence of Independent Commissioners on Tax Avoidance

Independent commissioners, as part of a company's GCG framework, play a crucial role in overseeing tax-related decisions. Their oversight can potentially mitigate aggressive tax avoidance strategies. However, the presence of TACR as a moderating factor further strengthens this relationship. By increasing the frequency and effectiveness of tax audits, TACR reduces opportunities for tax avoidance, even when independent commissioners exert influence. Based on this rationale, the following hypothesis is proposed:

H5: TACR moderates the effect of independent commissioners on tax avoidance.

The Moderating Effect of TACR on the Influence of Audit Committee on Tax Avoidance

The audit committee is responsible for ensuring transparency and compliance with tax regulations, but its effectiveness can be influenced by external regulatory oversight. As DGT's oversight intensifies through a higher TACR, the audit committee's ability to mitigate tax avoidance is expected to be reinforced. This occurs because stricter audits create a more stringent compliance environment, amplifying the audit committee's role in discouraging unethical tax practices. Based on this rationale, the following hypothesis is proposed:

H6: TACR moderates the effect of the audit committee on tax avoidance.

RESEARCH METHODOLOGY

This study examines mining subsector companies listed on the IDX from 2019 to 2023. A purposive sampling method is applied, selecting companies based on specific criteria. The final sample consists of 42 entities that meet the condition of having published complete financial statements and annual reports for the relevant years. The study uses secondary quantitative data from IDX and DGT financial reports, collected through documentary analysis. Two regression models are applied: the first tests hypotheses H1 to H3 (without moderation), and the second tests H4 to H6 (with moderation). The two regression models used are as follows:

Model 1 (without moderation):
TaxAvo = α1 + ß1KMjr + ß2KInd + ß3KAud + ß4TACR + ß5Size + ß6Lev + ß7ROA + ß8YCov+e

Model 2 (with moderation):
TaxAvo = α1 + ß1KMjr + ß2KInd + ß3KAud + ß4TACR + ß5KMjr*TACR + ß6KInd*TACR + ß7KAud*TACR + ß8Size + ß9Lev + ß10ROA + ß11YCov+e

Information:
TaxAvo : Tax Avoidance
KMjr : Managerial Ownership
KInd : Independent Commissioners
KAud : Audit Committee
TACR : Tax Audit Coverage Ratio
$\beta_1\beta_2\beta_3$: Regression Coefficient
Size : Company Size
Lev : Leverage
ROA : ROA
YCov : Years Covid
α : Constants
e : error

This study employs a quantitative approach using multiple linear regression in SPSS. The analysis follows a structured process to ensure reliability and validity. First, a descriptive analysis provides an empirical overview of the dataset. Then, classical assumption tests validate the regression model, including normality, multicollinearity, heteroscedasticity, and autocorrelation checks. Model fit and significance are assessed using the coefficient of determination (R^2), T-test for individual variable effects, and F-test for overall model significance.

Research Variables

Table 1. *Variables and Measurements*

No	Variable	Proxy	Formula
1	Tax Avoidance	Book Tax Difference (BTD)	$\frac{\text{EBIT} - \text{Earning After Tax}}{\text{Total Aset}}$
2	Managerial Ownership	Managerial Ownership	$\frac{\text{Total Management Sharholding}}{\text{Total Outstanding Share}}$
3	Independent Commisisioners	Independent Commisisioners	$\frac{\text{Number of Independent Commissioners}}{\text{Total Number of Commissioners}}$
4	Audit Committee	Audit Committee	Total Number of Audit Committees
5	Tax Audit Coverage Ratio (TACR)	Tax Audit Coverage Ratio (TACR)	$\frac{\text{Number of Audited Corporate Taxpayer}}{\text{Total Number of Taxpayer on the Register}}$
6	Company Size	Natural Logarithm (Ln) of Asset	Ln (Total Asset)
7	Leverage	Debt-to-Equity Ratio (DER)	$\frac{\text{Total Debt}}{\text{Total Equity}}$

8	Return on Asset	Return on Asset (ROA)	$\frac{\text{Operating Profit}}{\text{Total Asset}}$
9	Covid Year	Dummy Variable	1: Covid Year 0: Non-Covid Year

RESULT AND DISCUSSION

Descriptive Statistics

Table 2. *Descriptive Statistics*

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
TaxAvo	210	-0,53	0,52	0,0414	0,12455
KMjr	210	0,00	2,30	0,1066	0,34604
KInd	210	0,18	0,80	0,3904	0,09702
Kaud	210	3,00	5,00	3,1619	0,39431
TACR	210	0,0198	0,0323	0,0259	0,00426
Size	210	12,81	18,57	15,4524	1,49305
Lev	210	0,0004	0,56	0,0941	0,09299
ROA	210	-0,43	0,50	0,0426	0,11820
Ycov	210	0,00	1,00	0,4000	0,49107
Valid N (listwise)	210				

Source: Processed Output Data from SPSS (2025)

The descriptive statistics table shows that the TaxAvo variable ranges from -0.5342 to 0.5202, with a mean of 0.0414 and a standard deviation of 0.12455, indicating uneven data distribution. The KMjr variable has a minimum of 0, signifying no management ownership, and a maximum of 2.30 (230%), suggesting shareholding exceeds 100%. With an average of 0.1066 (11%) and a standard deviation of 0.34604, the high dispersion reflects significant variability in management ownership. The KInd variable ranges from 0.18 to 0.80, indicating that independent commissioners in sample companies constitute between 18% and 80%, with an average of 39% and a standard deviation of 0.09702.

The KAud variable, representing audit committee members, varies from 3 to 5. The TACR variable has values between 0.0198 and 0.0323, with a mean of 0.0259 and a standard deviation of 0.00426. Data from the DJP Performance Report shows the lowest TACR in 2021 (0.0198) and the highest in 2020 (0.0323), with a normal dispersion. Total assets range from IDR 365,959 million to IDR 116,281,017 million, averaging IDR 15,347,958 million, but with a high standard deviation of IDR 235,356,910 million, suggesting abnormal dispersion. Leverage varies from 0.0004 to 0.56, with a mean of 0.0941 and a standard deviation of 0.09299, indicating normal dispersion. The ROA variable spans from -0.4254 to 0.4983, with an average of 0.0426 and a standard deviation of 0.11820, reflecting a non-normal distribution. Lastly, the YCov dummy variable distinguishes between pre-COVID-19 (value of 0) and COVID-19 years (value of 1), where 2019 and 2023 fall into the former category, while 2020, 2021, and 2022 belong to the latter.

Classical Assumption Test

Normality Test

The author used the One-Sample Kolmogorov-Smirnov test to assess normality. With a significance value of 0.000 (below 0.05) for 210 samples (Table 3), the data is non-normally distributed.

Table 3. *Normality Test Result*

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		210
Normal Parameters[a,b]	Mean	0,000000000000000012
	Std.Deviation	0,0318904934144269
MostExtreme Differences	Absolute	0,25926162622279
	Positive	0,255458763421932
	Negative	-0,25926162622279
Test-Statistic		0,25926162622279
Asymp.Sig.(2-tailed)[c]		**0,000[c]**

Source: Processed Output Data from SPSS (2025)

Multicollinearity Test

The Multicollinearity Test uses VIF values, with values below 10 indicating no issues. Table 4 confirms all variables have VIF values under 10, ensuring no multicollinearity.

Table 4. *Multicollinearity Test*

Coefficients[a]			
Model		Collinearity-Statistics	
		Tolerance	VIF
1	(Constant)		
	KMjr	0,905	1,105
	Kind	0,913	1,095
	Kaud	0,808	1,237
	Size	0,806	1,241
	Lev	0,881	1,135
	ROA	0,771	1,297
	Ycov	0,962	1,039

Source: Processed Output Data from SPSS, 2025

Heteroscedasticity Test

A variable is heteroscedasticity-free if its significance exceeds 0.05; below this threshold indicates an issue. The test found heteroscedasticity only in the control variable, Leverage (0.0000108 < 0.05), while independent and moderating variables remained unaffected.

Table 5. *Heteroscedasticity Test*

Coefficients[a]						
Model		Unstandardized-Coefficients		Standardized -Coefficients	T	Sig.
		B	Std- Error	Beta		
1	(Constant)	-0,028	0,112		-0,245	0,807
	KMjr	0,019	0,033	0,225	0,576	0,565
	Kind	0,053	0,126	0,174	0,417	0,677
	Kaud	-0,013	0,031	-0,172	-0,418	0,676
	TACR	-0,154	4,486	-0,022	-0,034	0,973
	KMjr_TACR	-0,830	1,273	-0,254	-0,652	0,515
	KInd_TACR	-0,309	4,982	-0,029	-0,062	0,951
	KAud_TACR	0,273	1,225	0,147	0,223	0,824
	Size	0,002	0,001	0,102	1,379	0,170
	Lev	0,100	0,022	0,318	4,516	0,0000108
	ROA	0,036	0,019	0,147	1,923	0,056
	Ycov	0,004	0,006	0,067	0,671	0,503

Source: Processed Output Data from SPSS, 2025

Autocorrelation Test

The Autocorrelation Test detects issues with residuals using the Durbin-Watson test. Two regression models are applied: one without and one with the moderation variable. The results are as follows:

Table 6. *Autocorrelation Test for Model 1*

Jumlah Sampel	**Jumlah Variabel**	**Du**	**DW**	**4-Du**
210	9	1,8632	1,941	2,1368

Source: Processed Output Data from SPSS, 2025

Autocorrelation is absent when the Durbin-Watson test satisfies Du < Dw < 4-Du. For Model 1, Du < DW < 4-Du indicates no autocorrelation issues.

Table 7. *Autocorrelation Test for Model 2*

Jumlah Sampel	Jumlah Variabel	Du	DW	4-Du
210	12	1,8967	1,944	2,1033

Source: Processed Output Data from SPSS, 2025

The Durbin-Watson test result for regression Model 2, with the moderating variable, yields the same conclusion as that of regression Model 1, without the variable, indicating no autocorrelation issues.

Coefficient Determination Test (R2)

A value near 1 indicates strong explanatory power of the independent variable, while a low value suggests limited influence. This study employs two regression models: Model 1 (without moderation) and Model 2 (with moderation). Below are the coefficient of determination test results.

Table 8. *Coefficient Determination Test for Model 1*

Model Summary[b]				
Model	R	R-Square	Adjusted-Rsquare	Std. Errorof the Estimate
1	,096[a]	0,093	0,093	0,03280

Source: Processed Output Data from SPSS, 2025

Model 1's analysis without the moderation variable shows an adjusted R-squared of 0.093, indicating that independent variables explain 9.3% of dependent variable, with 90.7% due to other factors.

Table 9. *Coefficient Determination Test for Model 2*

Model Summary[b]				
Model	R	R-Square	Adjusted-Rsquare	Std. Errorof the Estimate
2	,094[a]	0,091	0,091	0,03285

Source: Processed Output Data from SPSS, 2025

The adjusted R-squared of 0.091 in Model 2 shows that independent variables explain 9.1% of the variance in the dependent variable, with 90.9% attributed to other factors.

F-Test

Data testing includes the F-statistic test (ANOVA), where the F value should not exceed 0.05 (5% significance level). The results of the F-test are as follows:

Table 10. *F-test for Model 1*

ANOVA[a]						
Model		Sum of Squares	Df	Mean-Square	F	Sig.
1	Regression	1,671	9	0,310	1495,684	,000[b]
	Residual	0,011	92	0,000		
	Total	1,683	101			

Source: Processed Output Data from SPSS, 2025

The F-test (ANOVA) for model 1 shows a significance of 0.000 (<0.05), indicating all independent variables affect the dependent variable.

Table 11. *F-test for Model 2*

ANOVA[a]						
Model		Sum of Squares	Df	Mean-Square	F	Sig.
1	Regression	2,572	12	0,214	2100,504	,000[b]
	Residual	0,012	116	0,000		
	Total	2,583	128			

Source: Processed Output Data from SPSS, 2025

The F-test (ANOVA) with the moderating variable shows a significance value of 0.000 (<0.05), indicating that all independent variables still affect the dependent variable.

Hypothesis Test

This study employs significance criteria of 1%, 5%, and 10% in hypothesis testing. A hypothesis is accepted if the t-test significance value is less than 0.01, 0.05, or 0.1. Conversely, if the significance value exceeds 0.1, the hypothesis is rejected.

Table 12. *Hypothesis Test for Model 1*

Coefficients[a]						
Model.		Unstandardized-Coefficients		Standardized-Coefficients	T	Sig.
		B.	Std-Error	.Beta		
1	(Constant)	-0,022	0,021		-1,044	0,299
	KMjr	-0,001	0,000	-0,017	-1,814	0,073
	KInd	0,006	0,005	0,010	1,113	0,269
	KAud	0,018	0,014	0,013	1,291	0,200
	TACR	0,486	0,383	0,016	1,268	0,208
	Size	-0,001	0,001	-0,008	-0,893	0,374
	Lev	-0,009	0,016	-0,006	-0,575	0,567

	ROA	1,032	0,011	0,997	97,228	0,000
	YCov	-0,002	0,003	-0,007	-0,547	0,586

Source: Processed Output Data from SPSS, 2025

The KMjr variable had a significance value of 0.073, which, when divided by two, became 0.0364 (<0.05), with a B value of -0.017, indicating a significant negative effect on Tax Avoidance. This supports the acceptance of the first hypothesis (H1). Meanwhile, the KInd and KAud variables are insignificant with significance values of 0.1343 and 0.10, respectively (>0.05). As a result, both variables do not affect tax avoidance, leading to the rejection of hypotheses H2 and H3.

Table 13. *Hypothesis Test for Model 2*

Coefficients[a]						
Model.		Unstandardized-Coefficients		Standardized-Coefficients	T	Sig.
		B.	Std-Error	.Beta		
1	(Constant)	0,045	0,395		0,114	0,909
	KMjr	0,008	0,003	0,028	2,319	0,023
	KInd	0,082	0,089	0,054	0,921	0,359
	KAud	-0,015	0,029	-0,036	-0,498	0,620
	TACR	-0,687	3,404	-0,023	-0,202	0,841
	KMjr_TACR	-0,002	0,001	-0,040	-3,185	0,002
	KInd_TACR	-0,027	0,036	-0,054	-0,741	0,461
	KAud_TACR	0,062	0,100	0,087	0,614	0,541
	Size	-0,000086	0,001	-0,001	-0,115	0,909
	Lev	-0,001	0,014	-0,001	-0,093	0,926
	ROA	1,041	0,011	1,006	96,419	0,00007
	Ycov	-0,001	0,003	-0,004	-0,327	0,745

Source: Processed Output Data from SPSS, 2025

Before moderation with TACR, KMjr had a significance value of 0.073, which dropped to 0.002 after moderation (KMjr_TACR), indicating a stronger moderating effect. The B value also declined from -0.001 to -0.002, reinforcing the negative impact on Tax Avoidance, supporting Hypothesis 4 (H4). For KInd, significance increased from 0.288 to 0.461 after moderation (KInd_TACR), remaining above 0.05, indicating no significant moderation by TACR and rejecting Hypothesis 5 (H5). Similarly, the KAud variable saw an increase in significance from 0.203 to 0.541 after moderation (KAud_TACR), remaining non-significant, leading to the rejection of Hypothesis 6 (H6).

Managerial Ownership Has a Negative Influence on Tax Avoidance

Research findings suggest that a higher proportion of managerial ownership in a company reduces the likelihood of engaging in tax avoidance. Managers with significant ownership stakes have a vested interest in the company's long-term reputation and sustainability, making them more likely to adopt ethical financial strategies. Since tax avoidance, if detected, can harm corporate credibility and stakeholder trust, they are incentivized to avoid practices that could jeopardize the firm's stability.

These findings are consistent with the research of Wongsinhirun et al. (2023) and Srimindarti, et al. (2022), which highlights the influence of managerial share ownership on corporate decision-making, managerial ownership helps align the interests of managers and shareholders, minimizing agency conflicts. When managers have a financial stake in the company, they are more inclined to act in ways that maximize firm value rather than pursue short-term personal gains. Consequently, they are less likely to engage in tax avoidance or other high-risk financial decisions that could undermine long-term success.

Independent Commissioners Has No Influence on Tax Avoidance

The result indicates that the presence of independent commissioners on a company's board does not necessarily enhance governance effectiveness or constrain aggressive tax planning strategies. This finding is consistent with prior studies by Carrie & Susanty (2024) and Andira et al. (2024). One potential explanation is that not all independent commissioners exhibit genuine independence. Consequently, their oversight function may be compromised, limiting their ability to effectively monitor corporate behavior. Moreover, the primary role of independent commissioners is supervisory and advisory, focusing on monitoring management, providing strategic counsel to the board of directors, and ensuring regulatory compliance. However, given that they are not directly involved in operational decision-making, their capacity to influence corporate tax strategies remains constrained.

Audit Committee Has No Influence on Tax Avoidance

The research findings indicate that the audit committee does not significantly influence tax avoidance practices. This suggests that its mere presence does not automatically prevent tax avoidance, as decisions in this regard depend not only on the number of members but also on their quality and independence in overseeing financial policies (Hsu et al., 2018; Yohanes & Sherly 2022). Additionally, Ariella & Rasmini (2024) highlight that companies often have more than three audit committee members solely to comply with Financial Services Authority (OJK) regulations. However, regulatory compliance alone does not ensure effective oversight, which largely depends on the competence, experience, and independence of committee members.

Tax Audit Coverage Ratio Moderates the Influence of Managerial Ownership on Tax Avoidance

The hypothesis testing results indicate that TACR reinforces the negative relationship between managerial ownership and tax avoidance practices. This occurs because, as tax authorities intensify their monitoring efforts, managers with substantial ownership stakes are more likely to comply with tax regulations to minimize the risks of penalties and reputational damage. As a result, the negative correlation between managerial ownership and tax avoidance becomes more pronounced under stronger tax audit coverage. Furthermore, research by

Setyaningsih & Syamsiah (2024) suggests that a higher TACR enhances detection and law enforcement, which in turn complements GCG practices in reducing tax avoidance.

Tax Audit Coverage Ratio Does Not Moderate the Influence of Independent Commissioners on Tax Avoidance

The hypothesis testing results indicate that TACR does not have a significant moderating effect on the relationship between independent commissioners and tax avoidance. These findings are not consistent with those of Nanda Widiiswa & Baskoro (2020) and Setyaningsih & Syamsiah (2024). This discrepancy may be attributed to several factors, such as the insignificant deterrent effect of TACR and the limited scope of audits. Additionally, differences in sample characteristics used in this study compared to previous research may also contribute to the variation in results. Factors such as company size, industry sector, or research period could influence the findings.

Tax Audit Coverage Ratio Does Not Moderate the Influence of Audit Committee on Tax Avoidance

The results of this study indicate that TACR does not serve as a moderating variable in the relationship between the audit committee and tax avoidance. In other words, higher tax oversight does not strengthen or weaken the influence of the audit committee on corporate tax avoidance practices. These findings are consistent with those of Nanda Widiiswa & Baskoro (2020) and Setyaningsih & Syamsiah (2024). Furthermore, the findings of Engel et al. (2010) suggest that the audit committee does not explicitly add value to the scope of tax audits in this context or that other factors may influence tax audit outcomes.

CLOSING

This study examines the impact of GCG mechanisms, represented by managerial ownership, independent commissioners, and audit committees on tax avoidance. It also explores the moderating effect of the TACR, using control variables such as size, leverage, ROA, and the Covid year, with a sample of mining companies listed on the IDX from 2019-2023. The results show that managerial ownership negatively affects tax avoidance, while independent commissioners, and audit committees do not have significant impacts. The TACR strengthens the effect of managerial ownership on tax avoidance but does not moderate the influence of independent commissioners or audit committees. This research provides valuable academic insights into GCG and tax avoidance practices in companies. For businesses, it emphasizes the importance of effective management and control through GCG while ensuring tax compliance. For the government, the study highlights the need for stronger oversight, particularly over multinational corporations engaged in tax avoidance.

The study faces several limitations, including the use of only three proxies for GCG, despite the availability of additional proxies. Furthermore, the research was limited to the mining sector. Future studies should expand to include other sectors for broader applicability and incorporate additional GCG variables beyond those used in this research. The use of alternative proxies for tax avoidance, such as Effective Tax Rate (ETR), is recommended, along with exploring other moderating variables related to taxpayer compliance.

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