The Influence of Political Connections, and Good Corporate Governanceon Tax Aggressiveness

by Kori Putri Malinda

Submission date: 20-Mar-2023 04:35PM (UTC+0700)
Submission ID: 2041560750
File name: TheInfluenceofPoliticalConnections.pdf (541.44K)
Word count: 11258
Character count: 60835

American International Journal of Business Management (AIJBM)
ISSN- 2379-106X, www.aijbm.com Volume 5, Issue 04 (April-2022), PP 106-110

The Influence of Political Connections, and Good Corporate Governanceon Tax Aggressiveness

Kori Putri Malinda[1], Lis Sintha[2], Agus Munandar[3], Eka Bertuah[4.]
[1]*(Faculty of Business Economics EsaUnggul University Indonesia)*
[2]*(Faculty of Business Economics EsaUnggul University Indonesia)*
[3]*(Faculty of Business Economics EsaUnggul University Indonesia)*
[4]*(Faculty of Business Economics EsaUnggul University Indonesia)*
**Corresponding Author: Kori Putri Malinda[1]*

ABSTRACT : This study aims to obtain empirical evidence about political connections and good corporate governance on tax aggressiveness. The proxy political connection taken is the board of directors, and the board of commissioners, Good Corporate Governance (GCG) taken for this test is the proportion of the structure of the board of commissioners, audit committee, and audit quality to tax aggressiveness. The methodology used in this research is using panel data regression analysis. The study was conducted on 193 manufacturing companies listed on the Indonesia Stock Exchange. Using purposive sampling was used as a research sample with observations for 5 (five) years for the 2016-2020 period. Based on the test results, it was found that the political connection of the board of directors, the structure of the board of commissioners, the audit committee, and audit quality affected tax aggressiveness. Meanwhile, the political connection of the board of commissioners does not affect tax aggressiveness. Furthermore, political connections and good corporate governance simultaneously affect tax aggressiveness (tax aggressiveness).

KEYWORD : Political connection, Good Corporate Governance, Tax Aggressiveness

I. INTRODUCTION

Taxes have a very important role in state life, especially in the implementation of state development in various fields such as infrastructure and public facilities, educational facilities, health facilities, public transportation development, implementation of the security and order sector, and to stabilize the country's economy. Because taxes are the largest source of state revenue used to finance all expenses including development expenditures. In Indonesia, taxes accounted for 70% to 80% of state revenues in the last five years. Therefore, every citizen must fulfill their tax obligations based on applicable regulations. Nature practice of implementing tax sector revenues, one of the parties that provide large storms is the company. However, the government's goal of maximizing tax sector revenues is contrary to the company's goals as a taxpayer. The company assumes that taxes are considered a burden. This leads to a period interest between the firs and the company, where the fissure as the principal (stakeholder) wants the maximum tax revenue while the company as an agent wants the minimum possible payment of taxes to the state. So, in its realization there are still many companies that try to avoid even doing ways to minimize the payment of corporate taxes. One way to minimize taxes is to do tax aggressiveness (Iswari et al., 2019).

The Center for Indonesia Taxation Analysis (CITA) stated that the optimization of receipts must be done without disrupting the economic recovery. This is a challenge in 2022. Optimization is so as not to interfere with the economic recovery. Although in the context of expanding the tax base, optimization needs to be done in sectors that have really recovered. Optimization needs to be done to taxpayers who are not or at least affected by the current covid-19 pandemic. The obstacles faced by the government today one of them is the existence of aggressive tax avoidance activities or commonly called Tax Aggressiveness. Tax aggressiveness is an action to reduce tax obligations carried out by companies. Tax aggressiveness is a legal action that falls into the category of tax avoidance (Hill et al., 2013). Companies can take advantage of permitted deductions and exemptions; hence no regulations are violated (Iswari et al., 2019). Although it harms the country because state revenues are declining, the government cannot prohibit the practice of tax aggressiveness (Hanlon. 2007). However, not all companies that do tax planning are budgeted to do aggressive taxes. Usually, companies as corporate taxpayers take advantage of weaknesses contained in the Law and regulations that regulate tax systems and mechanisms in Indonesia. The weakness is used as a regulatory leeway that is between legal and illegal tax planning or calculation practices. But in reality, companies as taxpayers always try to pay taxes to a minimum (Iswari et al., 2019). As a result, the Government of Indonesia continues to maximize state revenues from the tax sector, by reforming policies and administration of more comprehensive invitations (Iswari et al., 2019). Because of this time the company considers taxes as a burden that reduces net income in a company. In

other words, the higher the income received by the company, the higher the tax imposed. So that the company always tries to pay taxes to a minimum, but to get maximum profit or net income (Iswari et al., 2019).

In practice, tax aggressiveness is influenced by the company's policies. Policies in order to minimize taxpayment's aggressively dare to be done by companies because of political connections with the tax apparatus. Directly, the individuals involved in tax decision making are the board of commissioners, directors, and also corporate tax consultants. The company is assumed to have political connections if the controlling shareholder or chief executive serves as a member of parliament or government, king or president of a country, or leader and member of a political party. In Indonesia, people who have political connections are generally floured to be included inthe company's organizational structure, both serving as directors and board of commissioners (Hardianti, 2014).Companies typicallyuse political connections to profit their business (Francis et al., 2016).In the context of taxation, political connections can provide access for companies to obtain better information about future changes in tax regulations. The information is done by companies to conduct tax evasion more aggressively.

To deal with increasingly dynamic business conditions in this case, the need for a good corporate governance system or commonly called *good corporate governance (GCG). GCG*refers to a set of rules, practices, and processes of corporate control involving the balancing of the interests of corporate stakeholders, such as shareholders, management, consumers, suppliers, financiers, governments, and the public. This is important to apply to ensure the health of the company or business that is running. However, a company or corporation is said to have good governance if every disclosure and transparency process is adhered to. Thus, the information provided to regulators, shareholders, and the general public is precise and accurate, both in financial, operational, and other aspects. With the principles contained in*GCG* such as *fairness*,transparency *(transparentness),accountability,*independence *(independency),*and accountability *(responsibility)*.However, companies that have political connections pay less attention to the GCG principle, because it can cause negative consequences that arise, so it is reduced or even avoided by the existence of political connections. As a result, with their privilege as a company with political connections will tend to have a higher level of courage in committing higher tax aggressiveness.

Previous studies have revealed that political connections owned by the board of commissioners and board of directors positively influence tax aggressiveness, as companies use political connections to benefit their business (Leuz& Oberholzer-Gee, 2006; Agarwal, Duchy, &Soshura, 2012; Balakrishnan, Blouin, &Guay, 2012; Wu, Wu, Zhou, & Wu, 2012; Hill, Kubick, Lockhart, & Wan, 2013; Brown, Drake, & Wellman, 2015; Houston, Jiang, Lin, & Ma, 2014; Butje&Tjondro, 2015; Francis, Hasan, Sun, & Wu, 2016; Kim & Zhang, 2016; Milyo, Primo, & Groseclose, 2017). Unlike previous research, (Zhang, Li, & Jian, 2012; Pranoto& Widagdo,2016; Lestari & Putri, 2017; Iswari, Sudarwono, &Widarjo, 2019) found that political connections had no effect and negatively impacted tax aggressiveness. Because with political connections, companies are relatively more careful in making decisions, especially those related to tax regulation.

The inconsistent of the results of the above study can be influenced by several factors such as regulatory differences between countries and between research periods, different observational variables, and measurements of variables used (especially variable political connections and tax aggressiveness). Most researchers have previously used nominal-scale measuring instruments (dummy variables) to measure connection political variables. While in this study political connections were measured using the proportion between the number of board of commissioners or directors of companies that have political relationships with the government, political parties, and lawmakers, and the overall number of the board of directors or board of commissioners of the company concerned. Furthermore, in previous studies, tax aggressiveness was measured using cash *ETR* and *abnormal book tax differences (ABTD)* estimation models,derived from residual regression values of Book-*Tax Differences*(Tang et al., 2012;Iswari et al, 2019). And this study uses measurements for variable *dependents*(tax aggressiveness) using ETR *(Effective Tax Rate)*. The effectiveness of tax payments made by the company, calculated by dividing the total income tax burden of the company by earnings before income tax. With ETR indicated can be seen them or absence of tax evasion carried out by the company, because not only sourced from income tax but from other tax burdens that can be charged to the company. And there are indications that when the *ETR*value is higher,it shows that the lower the rate of tax avoidance carried out by the company.

Based on mentioned practices and empirical phenomena, researchers are motivated to analyze the relationshipbetween politicalconnections,and good *corporate governance*totax aggressiveness.The data used is from the financial statements of manufacturing sector companies listed on the Indonesia Stock Exchange with observation years 2016 - 2020.Andit aims to look at the influence of political connections on the board of directors and board of commissioners, good corporate *governance* on the proportion of the structure of the board of commissioners, the audit committee, and the quality of audits against tax aggressiveness.

II. LITERATURE REVIEW

Politic Connection

There are two theories used in Political Connections, including *grabbing hand* theory and behavior formation theory. Grabbing Hand theory explains that bureaucrats carry out their government functions to benefit to improve their personal well-being. This theory holds that bureaucrats are controlled by politically connected companies because they benefit from those companies. As a result, bureaucrats whose job it is to ensure compliance with applicable regulations, lose the power to maintain order (Iswari et al., 2019).

The Theory of Behavior Formation is in accordance with the theory of *Lawrence Green* and friends (Notoatmodjo. 2007 states that human behavior is influenced by two main factors, namely behavioral factors (*behavior causes)* and factors outside behavior *(nonbehavioral causes)*. Furthermore, the behavior itself is determined or formed from 2 factors, first the *predisposing factors,* which include knowledge, attitudes, beliefs, beliefs, values and so on. Both reinforcement factors, these factors include laws, regulations, supervision and so on according to Notoatmodjo (2007).

A company is considered to have political connections if at least one of the company's seats (CEO, COO, CFO, president, vice president, or secretary) even the majority shareholder (whoever owns at least 10% of the company's voting rights) is the head of state (president, king, prime minister, or a lawmaker (Francis et al., 2016). A company is considered to have a political relationship if a controlling shareholder or chief executive takes a position in parliament or government, serving as the king or president of the country, leader of a political party, or a member of a political party (Jian et al., 2012). While in research conducted by (Francis et al., 2016), a company has political relations if the CEO of the company is an official who is in office or has served in the central or regional government, or in the military.

Companies that have political connections are companies or conglomerates that have close ties to the government that result in companies obtaining various privileges such as ease of obtaining loans, risk of checking loan taxation, low tax inspection risk, and so on that cause companies tend to aggressively avoid taxes (Fadhilla, 2019).In this study the variables that are used as indicators in political connections are the board of commissioners, and the board of directors who serve as top officials in your organization in the company.

Good Corporate Governance

Good Corporate Governance (GCG) according to the National Committee on Governance Policy (KNKG) is one of the pillars of the market economy system. suggests that good corporate *governance* can be identified as a system that regulates and controls the company to create added value for each *stakeholder*.Indicators of *Good*Corporate *Governance* in this study are projected with the structure of the board of commissioners, audit committee, and audit quality.

Tax *Aggressiveness (Tax Aggressiveness)*

(Hill et al., 2013) It defines tax aggressiveness as manipulation of taxable income through planning taxes, both legally and illegally. Illegal tax planning is called tax evasion (Iswari et al., 2019). Anew tax community is a scheme or plan that aims to avoid taxes (Khairannisa et al, 2019). In line with the above definition establishing tax aggressiveness is behavior to reduce taxes. The effort is legal because it is done by utilizing loopholes in tax regulations. As a result, tax aggressiveness can be used interchangeably with tax avoidance schemes, tax management, and tax protection (Amaral et al., 2013).

The creation of a new alternative to tax aggressiveness activities in tax planning can lead to savings in the amount of taxes paid by the company, so it is expected that companies pay more attention in meeting the tax regulations that have been set. With taxes paid by companies to the state will be used to facilitate the community so as to raise the level of life of the community (Annisa., 2011).

DEVELOPMENT OF HYPOTHESES

Political Connections on the Board of Directors Against Tax Aggressiveness.

Tax aggressiveness can be influenced by political connections (Kim et al, 2016). With corporate political connections will usually get privileges, companies that have political connections tend to prove higher in carrying out tax aggressiveness (Kim et al, 2016). Political relations in the business world is indeed very closely related, especially for the current era, it is undeniable that some activities including the economy today cannot be separated from the nuances of politics even all aspects of life today are associated with politics. The results of research conducted by Fadhilla (2019) showed that political connections have an effect with tax *avoidance*. Companies that have political connections will still carry out tax avoidance actions because companies that are politically connected have low-risk taxes so it is considered that there will not be an examination, and the results of this study show that there are still tax avoidance practices carried out by companies, especially state-owned enterprises.

This research is also supported by research conducted by Fajri (2020) which states that political connections have a positive influence on tax avoidance. The political connections that corporations have are influential in tax avoidance efforts. The higher the political connections a company has, the higher the tax avoidance that occurs. Close relationships (political connections) in question include: Companies whose top

executives or major shareholders have friendly relationships with heads of state, ministers or lawmakers. Connections with officials who have served as head of state or prime minister in the previous period, and companies whose top executives or major shareholders are directly involved in politics (Amaral et al., 2013);(Faccio et al., 2006). From the results of the above research, the hypothesis of this study is:

H1: Political connection on the board of directors affect tax aggressiveness.

Political Connections in the Board of Commissioners Against Tax Aggressiveness.

The board of commissioners is responsible for overseeing and guiding the board of directors. The board of commissioners will ensure that the company is properly managed and prevent actions that have the potential to harm the company. The company will become more careful in carrying out its activities and strive to comply with applicable tax regulations. Thus, the board of commissioners can prevent the occurrence of tax aggressiveness (Iswari et al., 2019). There is a correlation of influence between political connections in the commissioner's deity to tax aggressiveness (Iswari et al., 2019). In everyday life the relationship between political science and economics cannot be separated from one another because the two will still influence each other (Hardianti, 2014). From the results of the above research, the hypothesis of this study is:

H2: Political connections in the board of commissioners affect tax aggressiveness

Proportion of The Structure of the Board of Commissioners Against Tax Aggressiveness.

The structure of the Board of Commissioners is an indicator of *Good Corporate Governance* that is used as research at this time. The supervisory duties are carried out by independent commissioners along with other boards in determining policy strategies related to taxes. With an independent board of commissioners, the formulation of company strategies carried out with company management and *stakeholders* will provide effective results including policies related to tax aggressiveness (Ayu et al., 2017).

An independent commissioner is a member of the board of commissioners who is unaffiliated with the board of directors, other board members and controlling shareholders, and is free from business relationships or other relationships that may affect his or her ability to act independently or act solely in the interests of the company (Hanlon., 2007). The existence of this independent commissioner can hamper the interests of shareholders, because independent commissioners who have supervisory functions and are assumed not to be affected by the interests of shareholders will as much as possible minimize tax cost efficiency measures or tax avoidance (Ayu et al., 2017). From the results of the above research, the hypothesis of this study is:

H3: Proportion of Board of Commissioners Structure affects tax aggressiveness.

Audit Committee on tax aggressiveness.

The Audit Committee is the next indicator of *Good Corporate Governance*that is used as research at this time. An audit committee is defined as a committee that works professionally and independently assisted by the board of commissioners and, as such, its job is to assist and strengthen the function of the board of commissioners (or supervisory board) in carrying out the functions of *supervision (oversight)*of the financial reporting process, risk management, audit implementation and implementation of corporate *governance* in the company.(Hanlon et al, 2010). The audit committee serves to provide insight into issues related to financial policy, accounting and internal control. (Uzaimi et al., 2015). From the results of the above research, the hypothesis of this study is:

H4: The Audit Committee influences tax aggressiveness.

Quality of audits against tax aggressiveness.

Audit Quality is the next indicator of *Good Corporate Governance* which is used as research at this time. Transparency requires accurate disclosure of financial statements that have been audited by KAP. One form of monitoring that can lower agency costs is auditing (Hapsoro et al., 2017). (Hapsoroetal., 2017) state that financial statements audited by KAP the big *four* auditors are considered more qualified because auditors *of the big four* are considered better able to limit profit management practices compared to *non-big four* auditors. There are four *KAP The Big Four* also referred to as Big Four Worldwide *Accounting Firm,*namely: *Price Water House Coopers (PWC), Ernst and Young, The DelloiteToucheThomatsu, and Klynveld Peat Marwick Goerdeler (KPMG)*.From the results of the above research, the hypothesis of this study is:

H5: Audit quality affects tax aggressiveness.

Political Connections, and *Good Corporate Governance* against Tax **Aggressiveness.**

Politicians provides protection to companies that have connections to the government related to taxation, and the risk detected in tax aggressiveness can be lower. There are opinions that career issues can motivate government employees (federal) to be less assertive towards companies that have political connections (Amaral et al., 2013). Companies with political connections can better explore timescale differences in tax laws, or tax courts using complex tax strategies. As a result, companies with political connections become more tax-aggressive than companies that don't have connections (Iswari et al., 2019). Research shows that politically connected companies have better access to debt capital than unconnected companies (Hanlon., 2007).

Political connections can be associated with higher levels of tax aggressiveness due to their impact on lower risk-taking. In the most widely taxed research argues that aggressive tax avoidance is a type of risky investment (Houston et al., 2014);(Amaral et al., 2013). In addition, corruption in Indonesia has long been

discussed and many state officials are involved in various corruption cases. The rise of corruption cases is a concern for the community so that various companies that have close relationships with officials become one that is observed by the community (Faccio., 2010). And companies with political connections will be more courageous in making efforts to minimize their taxes because the risk to be examined will be lower and will not even be examined by the tax examiner agency (Kim et al., 2016).

B is related to the principles of *GCG (Good Corporate Governance)* which prioritizes principles such as *fairness,* transparency *(transparentness), accountability,* independency and accountability *(responsibility).* There is an influence with the application of corporate *governance* to the aggression of tax it as in the company. The better the implementation of corporate *governance,* the more the company's compliance will increase which can be described with a high *ETR (Effective Tax Rate)* value (Ayu et al., 2017). Thus political connections and *goodcorporategovernance* affect tax aggressiveness.

The research framework that can be described from the description above is as follows:

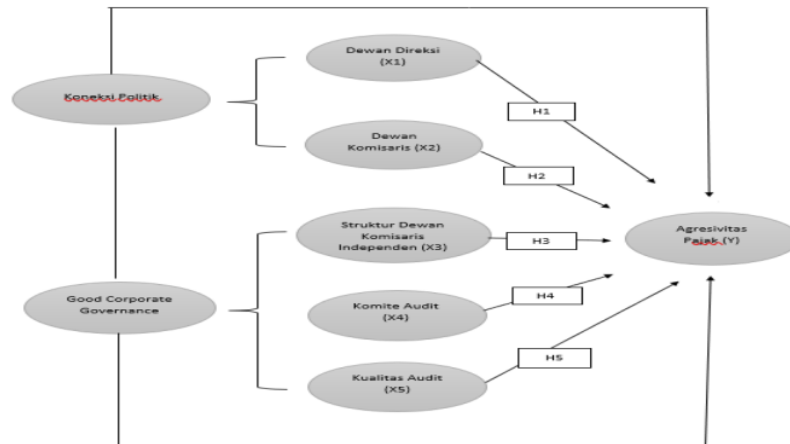

Figure 1. Research Framework

III. METHOD

Research Design

This research data is collected by documenting secondary data obtained from the Indonesia Stock Exchange Site, the Business Entity website or the company's website, and other sites that are linked to research variables. Manufacturing companies are also one of three companies other than trading companies and service companies in terms of business types and ways to earn profits, so the focus of this study is to see the influence of political connections, and good corporate *governance* on tax *aggressiveness* in manufacturing companies.Using the purposive sampling method was used in this study. Criteria used is a Manufacturing Company listed on the Indonesia Stock Exchange and issued a complete annual report in 2016 - 2020. The bound variable or dependent variable in the study is tax aggressiveness. Referring to research (Tang et al., 2012), tax aggressiveness variables are measured using Cash *ETR (Cash Effective Tax Rate)*.While in the study(Iswari et al., 2019)the tax aggressiveness variable was measured using the Difference in Tax

Abnormal Book-Tax (ABTD) obtained from residual regression value*Book-Tax Differences (BTD)* estimation model. And my current research uses measurements for *variable dependents*(tax aggressiveness) using *ETR(Effective Tax Rate)*.The effectiveness of tax payments made by the company, calculated by dividing the total income tax burden of the company by earnings before income tax.With *ETR*indicated can be seen them or absence of tax evasion carried out by the company, because not only sourced from income tax but from other tax burdens that can be charged to the company. And there are indications that as the *ETR* gets bigger, it shows that the lower the rate of tax avoidance by companies.

Population, Sample and Sampling Techniques

The study was conducted by taking the population of manufacturing companies listed on the Indonesia Stock Exchange (BEI) during the period 2016-2020.In this study, the sample taken was to publish annual reports and annual financial statements in 2016-2020that can be accessed through the IDX *(www.idx.co.id)* at au website from the company's official website.The determination of samples in this study was based on purposive sampling. The data used is secondary data in the form of audited annual reports. After obtaining a list of manufacturing businesses during the period 2016-2020, and the website

www.idnfinancials.com 2016-2020, then access the annual report and collect the required data through the www.idx.co.idwebsite. This research is quantitative. The author will use secondary data in performing data analysis. The secondary data in question can take the form of annual reports and other related documents. Research data obtained from the IDX website *(www.idx.co.id)* as well as the company's financial statements, especially related to economic and financial information. Other data is obtained from the websites of each sample company, journals, books and other literature sources that provide the information needed in this study.

The Methodthat the author uses is to use descriptive and quantitative methods by collectingthe necessary data coming from the company and then describing it as a whole that will give an idea of the variables to be studied. In this study, the authors presented the associative analysis method quantitative.The analysis method used in this study is a statistical method that usesa regression analysis model of panel data.

IV. RESULT DISCUSSION

RESULT

Descriptive Statistical Test

In this study, descriptive analysis was used to find out the picture of the value of research variables seenfrom the maximum, minimum, mean and standard deviation values. The following are the results of descriptive statistical analysis that shows the minimum value, maximum, mean and standarddeviationvariablesof politicalconnections of the board of directors, politicalconnectionsof the board of commissioners, the structure of the independent board of commissioners, the audit committee, quality audit, and tax aggressiveness:

Table 1
Descriptive Statistical Test

	AP	KPDD	KPDK	SDK	KA	KUA
Mean	0.318	0.089	0.129	0.414	3.000	0.452
Median	0.250	0.000	0.120	0.400	3.200	0.000
Maximum	3.670	0.710	0.500	1.000	4.000	1.000
Minimum	0.010	0.000	0.000	0.200	3.000	0.000
Std. Dev.	0.416	0.150	0.142	0.126	0.401	0.450

SOURCE EViews Output 10, 2021

Based on the results of descriptiveanalysisin Table5.1, the following analysisresults areobtained:

Based on the results of the analysis in Table 5.1, the results uranalysis show that the variable Aggressiveness Tax has a minimum value of 0.010 and a maximum of 3.670with an average of 0.318, a median of 0.250 and a standard deviation of 0.250.
0.416. The standard deviation value of tax aggressiveness variables is higher than the meanvalue which means that the distribution of tax aggressiveness variable data has a high variance and contains many fluctuations, then the mean value that exceeds the middle value (median) shows that most of the companies studied in this study have tax aggressiveness values that tend to be high in excess of the middle value of tax aggressiveness variable data on a regular basis. sum.

Based on the results of the analysis in Table 5.1, the results of the analysis showed that the Political Connection variable of the Board of Directors (KPDD) has a minimum value of 0.000 and a maximum of 0.710 with an average of 0.089, a median of 0.000 and a standard deviation of 0.150. The standard value of KPDD variable deviation is higher than the mean value of KPDD variable which means that the distribution of KPDD variable data has a variance that is not so high and does not contain many fluctuations, then the mean value that exceeds the middle value (median) shows that most of the companies
studied in this study have KPDD values that tend to be high exceeding the middle value of KPDD variable data as a whole.

Based on the results of the analysis in Table 5.1, the results of the analysis showed that the Political Connection variable of the Board of Commissioners (KPDK) has a minimum value of 0.000 and

maximum of 0.500 with an average of 0.129, a median of 0.120 and a standard deviation of 0.142. The standard value of KPDK variable deviation is higher than the mean value of KPDK variable which means that the distribution of KPDK variable data has a variance that is not so high and does not contain many fluctuations, then the mean value that exceeds the middle value (median) shows that most of the companies studied in this study have KPDK values that tend to be high beyond the middle value of KPDK variable data as a whole.

The Independent Board of Commissioners is a supervisory body that has the duty and responsibility to advise the board of directors if they make a mistake. An independent board of commissioners aims to balance

decision-making particularly in the protection of minority shareholders from other parties concerned. However, the board of commissioners is not allowed to participate in the taking of the company's operational envoy.Based on the results of analysis in Table 5.1, the results of the analysis showed that the Independent Board of Commissioners Structure (SDK)variable had a minimum value of0.200and a maximum of 1,000 with an average 0.414, a median of 0.400 and a standard deviation of 0.126. The standard value of SDK variable deviation is lower than the SDK variable mean value which means that the sdk variable data distribution has a variance that is not so high and does not contain many fluctuations, then the mean value that exceeds the middle (median) value indicates that most of the companies studied in this study have SDK values that tend to be high in excess of the middle value of the SDK variable data as a whole.

An audit committee is a committee formed by the board of commissioners to perform the task of overseeing the management of the company. This committee serves to oversee public companies in the manufacture of financial statements as well as internal supervision of the company, this has been decided by the IDX on the obligation in the establishment of an audit committee chaired by an independent commissioner. Audit committee according to KEP. 29/PM/2004 is a committee formed by the board of commissioners to perform the task of managing the company.The results ofthe analysis in table 5.1 showed that the variable Committee Audit(KA) had a minimum value of3,000 and a maximum of 4,000 with an average of 3,000, a median of 3,200 and a standard deviation of 0.401. The standard deviation value of the audit committee variable is lower than the mean value of the audit committee variable which means that the distribution of ka variable data has a variance that is not so high and does not contain many fluctuations, then the mean value is below the middle value (median) which shows that most of the companies studied in this study use *non-big four* audit committees.

Audit Quality

The most important indication in *corporate governance* is the existence of accurate and reliable disclosure evidence and transparency. This is done as an effort to monitor the reduction in agency costs is an audit. The importance of transparency to shareholders that can be achieved by reporting on matters related to taxation in the capital market as well as meetings between shareholders. The results of the analysis in table 5.1 showed that the variable Quality Audit (KUA) has a minimum value of0.000 and a maximum of 1,000 with an average of 0.452, a median of 0.000and standard deviation of 0.450. The standard deviation value of the audit quality variable is higher than the audit committee variable mean value which means that the distribution of KUA variable data has a high variance and contains many fluctuations, then the mean value exceeds the middle (median) value which shows that most of the companies studied in this study have audit quality that tends to be high.

Analysis of Panel Data Regression Model

In this study, the variable influence of the political connections of the board of directors, the political connections of the board of commissioners, the structure of the independent board of commissioners, the audit committee and the quality of audits on tax aggressiveness will be analyzed using the panel's regression analysis techniques. Step– the stage in the analysis of regret the panel cover the panel regression model test stage, panel regression model selection, and classical assumption test.In the regression analysis panel, there are 3 regression model approaches, namely *Common Effect Model (CEM)*or *Pooled Least Square, Fixed Effect Model (FEM)*and Random Effect Model *(REM)*.To determine the best regression model approach that is in accordance with the research data must be done several tests, namely:

Chow Test *(Redundant Fixed Effect Tests)*

The Chow test is used to determine the best model among *the Common Effect Model (CEM)* and the Fixed Effect *Model (FEM)*.The hypothesis used in this test whereHo: *Common effect Model (CEM)* is the best model approach.

$H_{a:}$ Fixed Effect *Model (FEM)* is the best model approach.

The test is done by looking at the probability value of cross section F test results, if the probability value > 0.05 then Ho is accepted and concluded that *the CEM*or *PLS* model is the best, whereas if the probability value < 0.05 then Ho is rejected and concluded that the *FEM* model is the best.

Table 2.
Chow Test Results

F-Statistics	Probability	Conclusion
2,0237	0.0067	Among *CEM*and *FEM*, *FEM*is the best

SOURCE EViews Output 10, 2021

Based on the results of the chow test obtained a probability value of 0.0067, because the probability value obtained < 0.05 then Ho was rejected and concluded that between *CEM* and *FEM*, *FEM* is the best model and the more appropriate one used.

Hausman Test *(Correlated Random Effect Test)*

The Hausman test is used to determine the best model among *Random models*.

Effect Model (REM) and *Fixed Effect Model (FEM)*.The hypotheses used in this test are as follows:

- *Ho: Random effect model (REM)* is the best model approach.
- Ha: Fixed Effect Mod *(FEM)*is the best model approach.

The test is done by looking at the probability value of *Chi Square*test results, if the probability value > 0.05 then Ho is accepted and concluded that the *REM* model is the best, whereas if the probability value < 0.05 then Ho is rejected and concluded that the *FEM* model is the best.

Table 3.
Hausman Test Results

Chi-Square	Probability	Conclusion
16,3276	0,0060	Between *REM*and *FEM, FEM*is the best.

SOURCE EViews Output 10, 2021

Based on the results of the Chow test obtained a probability value of 0.0060, because the probability value obtained < 0.05 then Ho was not rejected and concluded that between *REM* and *FEM, FEM* is the best model and the more appropriate one used.

LM *Test (Lagrange Multiplier)*

The LM test is used to determine the best models among the Common Effect Model *(CEM)*and the Random Effect *Model (REM)*.The hypotheses used in this test are as follows:

- Ho: *Common effect model (CEM)* is the best model approach.
- H a: Random Effect *Model (REM)* is the best model approach.

The test is done by looking at the probability value *of cross section*F test results, if the probability value > 0.05 then Ho is accepted and concluded that the *CEM*or *PLS* model is the best, whereas if the probability value < 0.05 then Ho is rejected and concluded that the *REM* model is the best.

Table 4.
LM Test Results

F-Statistics	Probability	Conclusion
0,995012	0,1599	Between CEM and REM, CEM is the best

SOURCE EViews Output 10, 2021

Based on the results of the LM test obtained a probability value of 0.1599, because the probability value obtained > 0.05 then Ho was accepted and concluded that between *CEM* and *REM, CEM* is

The best and more appropriate models used.

The following is the overall results of the selection of the panel data regression model, it can be concluded that:

Table 5.
Panel Data Regression Model Selection Results

No.	**Test**	**Test Results**	**Conclusion**	**Selected Models**
1	Chow Test	Prob = 0.0067	Among *CEM*and *FEM*,***fem***selected	***FEM (Fixed Effect Model)***
2	Hausman Test	Prob =0,0060	Between *REM* and *FEM,* selected ***FEM***	
3	LM Test	Prob = 0,1599	Between *CEM*and *REM*,***CEM***is selected	

SOURCE EViews Output 10, 2021

Based on the results of the panel data regression selection test, it can be concluded that the *fixed effect model (FEM)* is the best model and more appropriate for use in regression of panel data and can be used further to estimate the influence of political connections of the board of directors, political connections of the board of commissioners, the structure of the independent board of commissioners, audit committees and audit quality to tax aggressiveness. in manufacturing companies registered with IDX from 2016 to 2020.

Classic Assumption Test
Multicollinearity Test

Table 7.
Multicollinearity Test

Variance InflationFactors
Date: 10/14/21 Time: 13:25
Sample: 1 135
Included observations: 135

Variable	Coefficient Variance	Uncentered VIF	**Centered VIF**
KPDD	0.053918	1.459204	**1.078666**
KPDK	0.060150	1.986412	**1.079514**
SDK	0.073619	12.36812	**1.039305**
KA	0.010425	97.17029	**1.494927**
KUA	0.006535	2.646592	**1.450725**
C	0.121864	109.2179	**NA**

SOURCE EViews Output 10, 2021

Based on the results of the multicollinearity test in the table above, the results of the analysis showed that the VIF value of all free variables < 10 that indicated. There is no multicollinearity in regression models.

Heteroskedasticity Test

Heteroskedasticity tests can be performed using the glister test. In this test the model is stated to contain heteroskedasticity if the probability of Chi Square < 0.05, while if the probability of Chi Square > 0.05 then it is stated that the model does not contain heteroskedasticity. The test results in this study are as follows:

Table 8.
Heteroskedasticity Test

Variable	Prob. Glatzer Test	Prob. Chi Square Glatzer	Information
• KPDD	0.0923	0.0728	There is no heteroskedasticity.
• KPDK	0.1263		
• SDK	0.0721		
• KA	0.8533		
• KUA	0.0702		

SOURCE EViews Output 10, 2021

Based on the results of the heteroskedasticity test in table 5.8 above it can be seen that the probability value of chi square obtained is 0.0728 > 0.05, this means that there is no heteroskedasticity in the regression model. Likewise, the probably value of glitzier test bag on each variable, nothing below 0.05 indicates that there is no such thing as

heteroskedasticity between variables in regression models.

Autocorrelation Test

The Autocorrelation test can be done using the *Lagrange Multiplier (LM) test*. This test is indeed more appropriate to use especially when the sample used is relatively large and the degree of autocorrelation is more than one. The LM test will produce Breusch-Godfrey statistics so that the LM test is also sometimes called the Breusch-Godfrey test (BG test) In this test, the regression model is declared not to contain autocorrelation if the probability value of the test result > 0.05. The test results in this study are as follows:

Table 9
Autocorrelation Test

Breusch-Godfrey Serial CorrelationLM Test:

F-statistic	0.312838	Prob. F (2,127)	0.7319
Obs*R-squared	0.661829	Prob. Chi-Square (2)	0.7183

SOURCE EViews Output 10, 2021

Based on the result autocorrelation test in table 5.9, obtained the probability value of Lagrange multiplier test of 0.7319 > 0.05

It was concluded that there was no autocorrelation in the regression model.

Multiple Linear Regression Test Panel Data

Table 10
Multiple Linear Regression Test Panel Data

Dependent Variable: AP
Method: LeastSquaresPanel
Date: 10/14/21 Time: 13:27
Sample: 2016 2020
Periods included: 5
Cross-sections included: 27
Total panel(balanced) observations:135
Cross-section SUR (PCSE) standarderrors& covariance(def. corrected)

Variable	Coefficient	Std.Error	t-Statistic	Prob.
KPDD	1.564614	0.464437	3.368840	0.0011
KPDK	-0.820955	0.441397	-1.859900	0.0658
SDK	-1.098704	0.551136	-1.993527	0.0488
KUA	-0.195195	0.086383	-2.259649	0.0259
KA	-0.232022	0.113680	-2.040999	0.0438
C	1.571131	0.469573	3.345868	0.0011

Based on the results of table 5.10 above can be formulated linear regression equations multiple panel data in this study as follows:

Y = 1.571131 + 1.564614 (KPDD) – 0.820955 (KPDK) – 1.098704 (SDK) – 0.232022 (KA) – 0.195195 (KUA) + e

Information:
Y = Tax Aggressiveness
a = Constant, i.e. the value of Y if X = 0
β1 β2 β3 β4 β5= Regression coefficient
X1 = Political connections of the board of directors
X2 = Political connections of the board of commissioners
X3 = Board of Commissioners structure
X4 = Audit Committee
X5 = Audit Quality
e = error

Based on the regression equation above can be concluded as follows:

1. Constanta of 1.571131 means that if the political connections of the board of directors ($X_{1)}$, the political connections of the commissioner's board ($X_{2)}$, the structure of the independent board of commissioners ($X_{3)}$ of the audit committee($X_{4)}$, and the quality of the audit (X_5) are maintained constant, then the aggressiveness of the tax (Y) will increase by alarge1.571131.
2. Coefficient regression value of political connections of the board of directors (b) is worth

3. Positive is 1.564614, this can be interpreted as that each increase
4. political connections of the board of directors by 1% then the value of tax aggressiveness will increase by 1.564614.
5. Value coefficient of political connection regression of the board of commissioners (b) negative value of -0.820955 this can be interpreted that every increase in political connections of the board of commissioners by 1% then the value of tax aggressiveness will decrease by 0.820955.
6. Nilai regression coefficient of independent board of commissioner's structure (b) is negative i.e., -1.098704, this can be interpreted that any increase in the structure of the independent board of commissioners by 1% then the value of tax aggressiveness will decrease by 1.098704.
7. The regression coefficient value of the audit committee(b) is negative, namely -0.232022, it can be interpreted that every audit committee increases by 1% then the value of tax aggressiveness will decrease by 0.232022.
8. Nilai audit quality regression coefficient (b) negative value of -0.195195 can be interpreted that any improvement in audit quality by 1% then the value of aggressiveness Tax will decrease by 0.195195.

So that from the above results can be concluded for the framework of research results from the linear regression test multiple panel data from the description above are as follows:

Hypothesis Test Results

Determination Coefficient Test

The coefficient of determination in the panel's regression analysis shows the large simultaneous influence of free variables on

bound variables. Coefficient of determination values on

The results of the estimation of the panel regression model with *OLS* technique can be seen from the results of the estimated panel regressions model with the fixed effect model *technique*.

Table 5.11
Determination Coefficient Test

Cross-section fixed(dummyvariables)			
R-squared	0.444083	Mean dependentvar	0.317556
Adjusted R-squared	0.276769	S.D. dependentvar	0.415513
S.E. ofregression	0.353365	Akaike info criterion	0.960899
Sum squaredreside	12.86129	Schwarz criterion	1.649556
Log likelihood	-32.86066	Hannan-Quinn critter.	1.240750
F-statistic	2.654181	Durbin-Watson stat	2.565629
Prob(F-statistic)	0.000124		

SOURCE EViews Output 10, 2021

Based on the value of R square in Table 5.11 obtained R square amounted to 0.444083, this means independent variables (political connections of the board of directors, political connections of the board of commissioners, the structure of the independent board of commissioners, audit committee and audit quality) jointly have

The contribution of influence on dependent variables (tax aggressiveness) is 44.41%, while the remaining 55.59% variance of other influences on the aggressiveness of tax company is influenced by other factors that are not studied.

5.2.1. Hypothesis T(Partial) Test

Table 5.12
Hypothesis Test T

Dependent Variable: AP
Method: LeastSquaresPanel
Date: 10/14/21 Time: 13:27
Sample: 2016 2020

Periods included: 5
Cross-sections included: 27
Total panel(balanced) observations:135
Cross-section SUR (PCSE) standarderrors& covariance(def. corrected)

Variable	Coefficient	Std.Error	t-Statistic	Prob.
KPDD	1.564614	0.464437	3.368840	0.0011
KPDK	-0.820955	0.441397	-1.859900	0.0658
SDK	-1.098704	0.551136	-1.993527	0.0488
KUA	-0.195195	0.086383	-2.259649	0.0259
KA	-0.232022	0.113680	-2.040999	0.0438
C	1.571131	0.469573	3.345868	0.0011

SOURCE EViews Output 10, 2021

Hypothesis testing is performed by using comparing the significant level (sig) obtained with the degree of signification < 0.05 or 5%. Based on the results of the analysis in the table above, the following results are obtained:

1. Coefficient regression of political connections of the board of directors to tax aggressiveness is positive value of 1.564614, with a probability of 0.0011, which means 0.0011 < 005. So, it can be concluded that Ho was rejected, Ha accepted which means that connection Politic Dewan Direction positively and significantly affect tax aggressiveness, this means that the more political connections on the board of directors the higher the likelihood of tax aggressiveness.
2. The regression coefficient of the political connection of the board of commissioners to tax aggressiveness is negative at -0.820955, with a probability value of 0.0658, which means 0.0658 > 0.05. So, it can be concluded that Ho is accepted, Ha is rejected which means that the Political Connection of the Board of Commissioners has no significant effect on tax aggressiveness, this means that few or many political connections in the board of commissioners have no effect on the occurrence of tax aggressiveness.
3. The regression coefficient of the independent board structure to tax aggressiveness is negative at -1.098704, with a probability value of 0.0488, which means 0.0488 < 0.05. So, it can be concluded that Ho was rejected, Ha accepted which means that the structure of the independent board of commissioners negatively and significantly affects tax aggressiveness, this means that the more proportion of the structure of the independent board of commissioners, the lower the likelihood of tax aggressiveness.
4. The audit committee's regression coefficient against tax aggressiveness is negative at -0.232022, with a probability value of 0.0438, which means 0.0438 < 0.05. So, it can be concluded that Ho was rejected, Ha accepted which means that the audit committee has a negative and significant effect on tax aggressiveness, this means that the more selected sample companies are audited by the Big Four Public Accounting Firm (KAP), the lower the likelihood of tax aggressiveness.
5. The regression coefficient of audit quality against tax aggressiveness is negative at -0.195195, with a probability value of 0.0259, which means 0.0259 < 0.05. So, it can be concluded that Ho was rejected, Ha accepted which means that the quality of the audit has a negative and significant effect on tax aggressiveness, this means that the better the quality of the audit, the lower the likelihood of tax aggressiveness.

Hypothesis Test F (Simultaneous)

Simultaneous tests in regression analysis are used to test the simultaneous influence of five variables on bound variables. In the regression model with owl's technique method can be seen from the estimation of the regression model of the panel and fixed effect model technique, simultaneous tests are carried out using the F test, if the probability value of the test F < 0.05 then there is a significant simultaneous effect, while if the probability of the test F > 0.05 then there are no significant influences together – equally an independent variable tar and dependent variables.

Table 5.13
Hypothesis Test F

F Statistics	Probability	Conclusion
2,654	0,000124	Significant simultaneous influence

SOURCE EViews Output 10, 2021

The results of test F in Table 5.13 show a probability value of 0.000124, meaning that the test value F < 0.05 (0.000124 < 0.05) so that it can be concluded that simultaneously, the political connections of the board of directors, the political system of the board of commissioners, the structure of the independent board of commissioners, the audit committee, and the quality of the audit have a significant effect on tax aggressiveness.

DISCUSSION

Influence of Political Connections of the Board of Directors on *Tax Aggressiveness (Tax Aggressiveness).*

The results of the first hypothesis study and testing state that the political connection of the board and direction positively and significantly affects tax aggressiveness, this has implications if the more political connections occur on the board of directors, the higher the occurrence of tax aggressiveness. The results of this study are in line with research (Kim et al, 2016) which states that political connections affect tax aggressiveness. With the political consequences of the company will get privileges, companies that have political connections tend to prove higher in carrying out tax aggressiveness. Other research also mentions that the political connections of the board of directors have a positive effect on tax aggressiveness. (Iswari et al,2019).

In accordance with Law No. 47 of 2007 on Limited Liability Companies that are closely related to the implementation of Sustainable Finance, in Indonesia implements a two-tiered system that divides authority between management and corporate supervision. The Board of Directors is authorized to manage companies whose activities are supervised by the board of commissioners, so that the directors can provide their maximum performance to be considered very good. The results of the board of directors' performance can be seen from the net performance produced by the managed company. With a high net profit, directors will get incentives in the form of bonuses and remuneration. On the other hand, the high net income of a company also causes the amount of taxes imposed on a company. Therefore, the board of directors seeks to minimize the amount of taxes owed. As the executor or manager of the company, the board of directors retains more information because they are directly involved in the company's activities. The information is set up for aggressive tax avoidance schemes. In (Wicaksono, 2017; Fajri, 2020) also mentioned that political connections are believed to be one of the most valuable sources for companies because with the intertwining of companies with politics is believed to prevent it from tax checks.

The Influence of the Board of Commissioners' Political Connections on *Tax Aggressiveness (Tax Aggressiveness).*

The results of the second hypothesis study and testing state that the board of commissioners' political connections have no significant effect on the age of tax revisit, this has the implication that the few or many political connections that occur in the board of commissioners have no effect on tax aggressiveness. Previous research has shown that companies are becoming more cautious and trying to comply with the tax regulations that rein the running of their activities. Thus, the council of commissaries can prevent the occurrence of tax aggressiveness, (Meilinda et al, (2013). Other research is also justified by Pranoto and Widagdo (2016) who prove the absence of influence between political connections and tax aggressiveness. The board of commissioners is responsible for supervising, advising the board of directors as the executor or manager in the company, and aligning the interests of the board of directors in terms of taxation for the long-term work of the company, (Iswari et al., 2019). The board of commissioners will ensure that the company has been properly managed and prevent actions that could potentially harm the company. Nature of taxation matters for the long-term purpose of the company, the closeness owned by the company when there is a board of commissioners involved in the structure of government agencies makes the company more careful in taking any policies or decisions in order to still get awards from the government as compliant taxpayers. Compliant companies often get various awards from the government that will improve the company's image.

The Influence of the Structure of the Independent Board of Commissioners on *Tax Aggressiveness (Tax Aggressiveness).*

Results from a researcher and testing of the third hypothesis state that the structure of an independent board of commissioners negatively and significantly influences fish against tax aggressiveness, this has the implication that the high or low variation in tax aggressiveness is determined by the proportion of the structure of the independent board of commissioners. In other words, the more proportion of the structure of an independent board of commissioners, the lower the likelihood of tax aggressiveness. However, if the smaller the structure of the board of commissioners independent it will be higher occurred tax aggressiveness. The results of this study are in line with the study (Timothy 2010; Lanis and Richardson 2011; Setiana and Setyowati 2014; Maharani

and Suardana 2014; Postcodes 2014) where the researchers first found that variable proportions of the structure of the board of commissioners independent negatively and significantly affect tax avoidance.
In the Regulation of the Financial Services Authority No.33/POJK.04/2014 the Board of commissaries consists of at least 2 (two)people, 1 (one) of whom is an Independent Commissioner. If Dewan Commissioner consists of more than 2 (two)people, then the number of Independent Commissioners must be at least 30% of the total number of members of the Board of Commissioners. To help the implementation of the duties and responsibilities of the board of directors, the board of commissaries formed committees that acted as a fight at supporting the supervisory function of the commissaries board on the management of the company Press. Independent Commissioners have a role that is to ensure the implementation of the company's strategy, oversee the management of the company in managing the company, and the implementation of accountability. In essence, commissioner independent is an independent mechanism (neutral) supervising and a mechanism to provide guidance and direction to the company manager.

Influence of the Audit Committee on *Tax Aggressiveness.*
The results of the fourth hypothesis study and testing state that the audit committee has a negative and significant effect on tax aggressiveness, this has the implication that the higher low variation in tax aggressiveness is determined by the committee audit. In other words, if the more members of the committee audit, the lower the possibility of tax aggressiveness. But on the back, what if the fewer the number of members of the committee audit then the higher the possibility of tax aggressiveness. The results of this study are in line with previous research (Maharani and Suardana 2014; Dewi and Jati 2014) where previous researchers found that audit committee variables have a negative and significant effect on tax avoidance.
The presence of the Audit Committee is expected to provide insight into issues related to financial policy, accounting and internal control (Mayangsari, 2003). In this study the Audit Committee was measured using the number of committee's audit in company. In accordance with Bank Indonesia Regulation No. 8/14/PBI/2006 on the implementation of good corporate *governance* can be seen from the number of audit committee members in a company of at least 3 people.

The Influence Quality Audit Against Tax *Aggressiveness (Tax Aggressiveness).*
The results of the fifth hypothesis study and testing state that the quality of the audit has a negative and significant effect on tax aggressiveness, this has the implication that the increase in tax aggressiveness is expressed by the quality of audit. In other words, if more and more selected sample companies are audited by the Big *Four* Public Accounting Firm (KAP), the lower the likely hood of tax aggressiveness. But conversely, if a few select sample companies are audited by the Big Four's Public Accounting Firm (KAP), the higher the likelihood of tax aggressiveness. The results of this study are in harmony with (Annisa&Kurniasih, 2012; Maharani &Suardana, 2014; Dewi&Jati, 2014) where previous research proves empirically that the quality variable audit negative and significant on tax avoidance.
Transparency requires accurate disclosure of financial statements that have been audited by KAP. One form of monitoring that can lower agency costs is auditing (Hapsoro et al., 2017). The quality of audits is usually measured based on the size or small size of the Public Accounting Firm (KAP) that conducts audits on a business. If the company is audited by KAP *The Big Four,* twill be more independent and can better withstand the pressure of managers to report violations, (Kurniasih and Sari 2013). Because of the high quality of auditors in conducting auditing, the better the quality of financial statements provided, so as to minimize the possibility of tax aggressiveness.

The Influence of Political Connections, and *Good Corporate Governance* on Tax *Aggressiveness.*
The results of the sixth hypothesis study and testing state that political connections and good corporate governance have a significant effect on tax aggressiveness, this implies that the high or low variation in tax aggressiveness is determined by political connections in both the board of directors and the board of commissioners, the proportion of independent board of commissioners structures, audit committees, and audit quality. (Amaral et al., 2013) says that career issues can motivate government employees to be less assertive toward companies with political connections. So that companies with political connections can better explore the differences in timescales in tax laws, or tax courts by using complex tax strategies. As a result, companies with political connections become more aggressive toward taxes than companies that don't have connections (Iswari et al., 2019). Related to the principles of *GCG (Good Corporate Governance)* which prioritizes principles such as *fairness,* transparency, *accountability,* independency, and accountability. There is an effect on the implementation of reliable financial reporting as the main information, with the maximum implementation of corporate *governance* can minimize the occurrence of tax aggressiveness in the company. Because of the good implementation of corporate *governance,* corporate governance will run in an increased and optimal

manner can be described with a high *ETR (Effective Tax Rate)* value (Ayu et al., 2017). Thus political connections and *good corporate governance* influence simultaneously on tax aggressiveness.

V. CONCLUSION

Conclusion

The results of the first test stated that the more political connections occurred on the board of directors, the higher the occurrence of tax aggressiveness, because i t is authorized to manage companies whose activities are supervised by the board of commissioners, thus demanding that the board of directors can provide maximum performance in order to be judged very well reflected by the net income generated by the managed company. The results of the second test found that the many or few political connections that occurred on the board had no effect on tax aggressiveness. In terms of taxation for the long-term purposes of the company, the proximity owned by the company when there is a board of commissioners involved in the structure of government agencies makes the company more careful in taking any policies or decisions in order to still get awards from the government as compliant taxpayers. Compliant companies often get various awards from the government so that it will improve the company's image. The results of the third test showed that the high or low variation in tax aggressiveness is determined by the proportion of the structure of the independent board of commissioners, because the more proportion of the structure of the independent board of commissioners, the lower the likelihood of tax aggressiveness. The results of the fourth test stated that the high or low variation in tax aggressiveness was determined by the audit committee. So that the greater number of members of the audit committee, the lower the possibility of tax aggressiveness. The results of the fifth test showed that the high or low variation in tax aggressiveness was determined by the quality of the audit. So that the more selected sample companies are audited by the Big *Four* Public Accounting Firm (KAP) the lower the likelihood of tax aggressiveness. And the results of the sixth hypothesis test found that the high or low variation in tax aggressiveness can be determined by political connections of political connections, and good corporate governance by 44.41%.

Limitation

This research has several limitations that can be considered for future research in order to get better result, namely: In the political connection research variable there is still a lack of information about political relations from annual reports and internet publications. This is because there is no official institution in Indonesia publishing data about these political connections. The selection of *Good Corporate Governance* variables as independent variables is only projected by the proportion of the structure of the independent board of commissioners, audit committee, and audit quality so that it does not reflect the overall mechanism *of Corporate Governance*. This study uses a limited research time span from2016 to 2020, so that it can affect the accuracy of the results of the research. The object of the research studied is only manufacturing industry companies that have been registered with the IDX, while there are still many other industries that have not been examined in this study.

Suggestion

It is hoped that further research can find political relationship information by conducting interviews with the company's management to obtain more valid information. Add independent variables that affect tax aggressiveness such as institutional ownership, managerial ownership, and profitability so as to provide a broader explanation of indications of tax aggressiveness in a company. Use other formulas or the latest formulas for the variables in this study because as policy changes, theory development and changes some accounting terms. Can use the approach of corporate governance measurement method with proxy such as using IICG and IICD data in the form of scoring or ASEAN Corporate Governance *Scored (ACGS)* in order to be able to assess the application of GCG thoroughly and accurately. And it can add a sample of research with different types of companies so as to make a difference to the variables that have been done in this study with different types of industries or companies.

Managerial Implications

Paying attention to the results of this study shows a view of political connections to tax aggressiveness. It is expected that companies with political ties to the government can conduct monitoring activities effectively and synchronize the interests of the board to suppress agency conflicts. In addition, the company must also be able to improve the company's performance by paying attention to control of tax aggressiveness loopholes. Bagaialso a healthy company must be able to minimize or avoidthe practice of taxaggressiveness. The application of *good corporate governace* is able to prevent companies from better complying with the laws and regulations so that the practice of tax aggressiveness can be minimized or even not occur, so that companies must pay attention to the implementation of good corporate governance in order to create control and balance in order to abuse the company's resources and still encourage the company's growth. Thus, companies can produce more conservative policies that emphasize on aspects of legitimacy and building a company's image.

BIBLIOGRAPHY

[1.] Alviyani, K. (2016). Influence of Corporate Governance, Executive Character, Corporate Size, and Leverage On Tax Avoidance. *Journal of the Faculty of Economics, University of Riau,3*(1), 2540–2554. https://media.neliti.com/media/publications/124720-ID-pengaruh-corporate-governance-karakter-e.pdf

[2.] Ayu, G., Lestari, W., & Putri, I. G. A.M. A.D. (2017). Influence of Corporate Governance, Political Connections, and Leverage On Tax Avoidance. *E-Journal of Accounting,18*(3), 2028–2054.

[3.] Faccio, M. (2010). Differences between Politically Connected and Nonconnected Firms: A Cross-Country Analysis. *Financial Management*, *39*(3), 905–928. https://doi.org/10.1111/j.1755-053X.2010.01099.x

[4.] Faccio, M., Masulis, R. W., & Mcconnell, J. J. (2006). American Finance Association Political Connections and Corporate Bailouts. *The Journal of Finance*, *61*(6), 2597–2635.

[5.] Francis, B.B., Hasan, I., Sun, X., & Wu, Q. (2016). CEO of political preference and corporate tax sheltering. *Journal of Corporate Finance*, *38*,37–53. https://doi.org/10.1016/j.jcorpfin.2016.03.003

[6.] Hanlon, Michelle, J. S. (2007). *What Does Tax Aggressiveness Signal? Evidence Evidence from Stock Price Reactions to News About Tax Aggressiveness.1*.

[7.] Hanlon, M., & Heitzman, S. (2010). A review of tax research. *Journal of Accounting and Economics,50*(2–3), 127–178. https://doi.org/10.1016/j.jacceco.2010.09.002

[8.] Hapsoro, D., & Suryanto, T. (2017). *Consequences of Going Concern Opinion for Financial Reports of Business Firms and Capital Markets with Auditor Reputation as a Moderation Variable : An Experimental Study*. *XX*(2), 197–223.

[9.] Hardianti, E. P. (2014). Analysis of Tax Avoidance Measures on Companies With Political Connections. *Journal of Educational Technology Students,*1-25.

[10.] Hill, M. D., Kubick, T. R., Brandon Lockhart, G., & Wan, H. (2013). The effectiveness and valuation of political tax minimization. *Journal of Banking and Finance*, *37*(8), 2836–2849. https://doi.org/10.1016/j.jbankfin.2013.04.002

[11.] Houston, J. F., Jiang, L., Lin, C., & Ma, Y. (2014). Political connections and the cost of bank loans. *Journal of Accounting Research,52*(1), 193–243. https://doi.org/10.1111/1475-679X.12038

[12.] Iswari, P., Sudaryono, E. A., & Widarjo, W. (2019). Political connection and tax aggressiveness: A study on the state-owned enterprises registered in Indonesia stock exchange. *Journal of International Studies,12*(1), 79–92. https://doi.org/10.14254/2071-8330.2019/12-1/5

[13.] Jian, M., Li, W., & Zhang, H. (2012). How does state ownership affect tax avoidance? Evidence from China. In *School of Accountancy: Singapore Management University*.

[14.] Khairannisa, D., & Charoline Cheisviyanny. (2019). Analysis of the Role of Tax Consultants on Taxpayer Compliance in Fulfilling Tax Obligations. *Journal of Accounting Exploration,1*(3), 1151–1167. http://jea.ppj.unp.ac.id/index.php/jea/article/view/133

[15.] Kim, C. F., & Kim, C. F. (2016). *Institutional Knowledge at Singapore Management University Corporate political connections and tax aggressiveness Corporate Political Connections and Tax Aggressiveness*. 78-114.

[16.] Leuz, C., & Oberholzer-Gee, F. (2006). Political relationships, global financing, and corporate transparency: Evidence from Indonesia. *Journal of Financial Economics,81*(2), 411–439. https://doi.org/10.1016/j.jfineco.2005.06.006

[17.] *Agriculturae et Silviculturae Mendelianae*Brunensis, *16*(2), 39–55. https://doi.org/10.1377/hlthaff.2013.0625

*Corresponding Author: Kori Putri Malinda[1]
[1](Faculty of Business Economics EsaUnggul University Indonesia)*

The Influence of Political Connections, and Good Corporate Governanceon Tax Aggressiveness

ORIGINALITY REPORT

19%	25%	22%	7%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

#	Source	%
1	www.jois.eu Internet Source	6%
2	repository.stei.ac.id Internet Source	3%
3	jimfeb.ub.ac.id Internet Source	2%
4	eprajournals.com Internet Source	1%
5	Ilham Hidayah Napitupulu, Anggiat Situngkir, Ferry Hendro Basuki, Widyo Nugroho. "Optimizing good Corporate Governance Mechanism to Improve Performance: Case in Indonesia's Manufacturing Companies", Global Business Review, 2020 Publication	1%
6	Kim, Chansog Francis, and Liandong Zhang. "Corporate Political Connections and Tax Aggressiveness", Contemporary Accounting Research, 2015. Publication	1%

7	ejbmr.org Internet Source	1%
8	jau.vgtu.lt Internet Source	1%
9	irceb.org Internet Source	1%
10	core.ac.uk Internet Source	1%
11	digilib.esaunggul.ac.id Internet Source	1%
12	www.ijirss.com Internet Source	1%
13	www.bankwoorisaudara.com Internet Source	1%

Exclude quotes	On	Exclude matches	< 1%
Exclude bibliography	On		