

ABSTRACT

This study examines the effect of political connections in increasing tax avoidance. It also investigates the moderating role of ownership structure in the relationship between political connections and tax avoidance.

The data collection method used in this research is the documentation by collecting the annual reports of companies listed on LQ 45 in Indonesian Stock Exchange during 2016-2020. The data was also collected from the Bloomberg database.

The results show that political connections has a significant positive effect on tax avoidance. The result also show that ownership structure as proxied by institutional ownership is able to strengthen the relationship between political connections and tax avoidance. However, the ownership structure that is proxied by managerial ownership failed to moderate the relationship between political connections and tax avoidance.

Keywords: Political connections, tax avoidance, ownership structure, company size, leverage, industry.