

ABSTRACT

For the state, taxes are a crucial instrument in the revenue structure. However, from the perspective of business entities, taxes are often viewed as a cost that affects profitability, thereby triggering tax avoidance efforts. This research empirically investigates the influence of Good Corporate Governance and profitability levels on such practices in the Indonesian market context. This analysis is built on the foundation of agency theory, which examines how the differing interests between agents (managers) and principals (owners) influence aggressive and risky tax policies for the organization.

This research applies a quantitative approach by utilizing panel data regression analysis techniques. The focus of the examination lies on the independent variables in the form of Good Corporate Governance mechanisms, proxied thru the structure of managerial and institutional ownership, the board of directors, the board of commissioners, as well as the audit committee, and the profitability variable measured using the Return on Assets ratio. The research object includes companies in the food and beverage subsector listed on the Indonesia Stock Exchange. Based on the results of the assumption tests thru the Chow test and the Hausman test, this study establishes the fixed effect model as the most representative estimation model for analyzing the data.

The findings of this study indicate that simultaneously, all the independent variables tested have an impact on the phenomenon of tax avoidance. Partially, managerial ownership, institutional ownership, the board of directors, the board of commissioners, the audit committee, and profitability have been proven to have a significantly positive influence on tax avoidance practices. These findings indicate that strong governance and high profit levels encourage companies to engage in more efficient tax planning to legally enhance company value and internal cash flow.

Keywords: Managerial Ownership, Institutional Ownership, Board of Directors, Board of Commissioners, Audit Committee, Return on Assets, Tax Avoidance.