

FINANCIAL DISTRESS, AUDIT COMMITTEE, INDEPENDENT COMMISSIONER, AND AUDIT QUALITY'S IMPACT ON BANKING TAX AVOIDANCE

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ABSTRACT

Since both tax avoidance and tax planning use legal means to lower or eliminate tax obligations, tax avoidance is defined as a tax reduction activity. It can range from profitable tax investments (like tax-exempt communal bonds) to aggressive strategies that might not be defended if challenged. In reality, tax evasion is a complicated issue as, while it does not violate any laws, the government opposes tax collectors having the authority to control taxes. As a result, studies on tax evasion across a range of corporate industries and nations yield varying conclusions. The aim of this study is to provide empirical evidence regarding the effects of Independent Commissioners, Audit Committees, and Audit Quality on tax avoidance actions taken by public bank managers. The research methodology is quantitative description utilizing annual report data, and the research sample is the banking industry during the period 2019–2022. The Eviews 12 software program is utilized to support this research. The study's findings demonstrate that financial distress, audit quality, and independent commissioners can all reduce the amount of tax avoidance behavior carried out by banking management. However, the number of audit committees owned by banks cannot both increase or decrease the tax avoidance behavior of banking management. With the goal of lowering potential tax avoidance behavior by management, the contribution to this study gives stakeholders—including shareholders and the government (Directorate General of Taxes)—insight into the significance of the board of commissioners' and audit committee's roles, audit quality, and the financial difficulties that banks face.

Keywords: *Independent Commissioner, Audit Committee, Audit Quality, Tax Avoidance*

1. INTRODUCTION

Tax avoidance has been around for a long time, still attracts a lot of attention, and is still a “hot topic” to discuss. According to Dyreng et al. (2019), tax avoidance is typically characterized in the literature to encompass a range of tax-reducing practices, from aggressive tactics that might not be defended if challenged to tax-profitable investments (such as tax-exempt communal bonds). Since both tax planning and tax avoidance employ legal strategies to lower or completely eliminate tax responsibilities, they are frequently linked. Tax avoidance is a complicated issue in practice because, while it does not break the law (Amidu et al., 2019), the government does not want tax collectors to control its taxes (Bimo et al., 2019). Therefore, research on tax avoidance in several corporate sectors and in several countries provides different results which will be discussed further. Tax avoidance carried out by manufacturing company management studied by Rizqia and Lastisti (2021) proved that the role of independent commissioners in preventing tax avoidance was not carried out properly. The reason is because even though they function as a legislative body (Putranti and Setiawanta, 2015), independent commissioners face significant challenges in carrying out direct internal supervision because management continues to make decisions, including about the presentation of financial statements and decisions about tax avoidance practices (Rizqia and Lastisti, 2021). Independent commissioners have a negative effect on tax avoidance activities; the more independent commissioners there are, the fewer corporations dodge taxes, according to a study by

Subagiastra et al. (2017). The audit committee that the firm owns can also have an impact on tax avoidance; in fact, research by Liestiyana et al. (2019) and Tjondro & Olivia (2018) has demonstrated that the more audit committees there are, the less tax avoidance there is in Indonesian manufacturing enterprises. Jaeni et al. (2018) and Ardillah & C. Prasetyo (2021) demonstrated, however, that the number of audit committees had little bearing on tax avoidance. The sheer number of audit committees does not ensure that they can stop the company from evading taxes (Jaeni et al., 2018; Ardillah & C. Prasetyo, 2021). The installation of corporate governance is unrelated to the company's tax evasion activities, as the audit committee was authorized to oversee and evaluate the organization's functional performance. The sheer number of audit committees does not ensure that they can stop the company from evading taxes (Jaeni et al., 2018; Ardillah & C. Prasetyo, 2021).

A company's audit quality can have an impact on tax avoidance in addition to the number of audit committees it has. How well an auditor conducts an audit of the company's financial statements in compliance with the public accountants' code of ethics and professional standards is known as audit quality (Monika & Noviari, 2021). Businesses with excellent audits won't do illegal things to evade taxes. Lestari & Nedy (2019) discovered that tax evasion is negatively impacted by audit quality. But according to Vidiyanti & Shonhadji (2017), audit quality has no bearing on tax avoidance. Tight financial conditions or financial distress experienced by the company can also have an impact on tax avoidance. For example, research conducted by Monika and Noviari (2021) on Indonesian mining companies showed that tax avoidance was negatively impacted by the financial distress experienced by mining companies. Businesses that are having financial difficulties are viewed as too dangerous to engage in tax avoidance. This is due to the fact that financing the business will become more and more challenging.

This study also supports the notion of planned behavior, which holds that a person's actions in response to an event are impacted by intentions that may emerge from their perceptions of the outcomes of their actions. In this instance, management thinks that tax evasion may damage the company's reputation when it faces financial difficulties (Cita and Supadmi, 2019); (Monika and Noviari, 2021). Contrary findings, however, were demonstrated by Richardson et al. (2015) and Sadjarto et al. (2020), who found that financial distress positively affects tax avoidance. Richardson et al. (2015) also claimed that tax evasion is positively impacted by financial hardship. Businesses in financial distress will benefit more from tax avoidance strategies than from cutting other businesses' expenses. As a result, they are forced to take more risks and become more aggressive with taxes. It is crucial for businesses to improve their financial situation because tax expenditures represent a sizable cash outflow for businesses in depression (Richardson et al., 2015)

The conclusion of several research results is that there are inconsistent research results on independent commissioners, audit committees, audit quality, and financial distress regarding tax avoidance actions carried out by company management due to several situations and conditions of the company. This is the basis for conducting further research with a focus on banking sector companies whose data uses the 2019-2023 period. One of the reasons why the banking sector was chosen as a sample is because the Indonesian banking industry has never experienced tax avoidance problems, which are carried out on various legal aspects of taxation with the aim of minimizing tax burdens and payments or maximizing after-tax profits. Apart from that, there was also a case of tax evasion committed by PT. BCA Tbk. in 2003-2004 and PT. Panin Tbk. in 2021.

The following are the research questions posed in light of the previous description of the study problem: 1) Does tax avoidance suffer as a result of independent commissioners? 2) Does tax

avoidance have a negative relationship with audit committees? 3) Does audit quality have a negative relationship with tax avoidance? 4) Does tax avoidance have a negative relationship with financial distress?

Our Contribution

This study provides insight to stakeholders such as shareholders and the Government regarding the importance of the role of the board of commissioners, audit committee, audit quality, and financial distress faced by banks, with the intention of decreasing any potential tax avoidance by management.

Tax Avoidance

Tax is defined as a contribution from the people to the state that has a coercive nature and does not receive direct returns (Sumitro, 1979). Although tax has a coercive or mandatory nature, not everyone is willing to voluntarily fulfill their tax obligations. Thus, taxpayers try to avoid many taxes. Pohan said that tax avoidance can be defined as an effort to save taxes that comes from general tax reduction methods and aims to reduce the Company's tax obligations (2016). On the other hand, tax avoidance can be defined as a legal action, not violating the rules, with the aim of reducing the company's tax obligations Hoque (2017). The level of legality of this effort to reduce tax obligations is still questionable.

Annur et al. (2014) stated that the benefit of implementing tax avoidance measures by companies is the cash that can be saved for avoided tax obligations. According to Bird and Nozemack (2016), companies have used various methods to avoid taxes, including inversions, transfer price manipulation, and the use of tax facilities to optimize their profits. Tax avoidance can interfere with the interests of investors and managers. This can be due to the fact that tax avoidance reduces investor profits because it converts personal costs into company operating costs (Oktaviani et al., 2019). Another agency conflict related to tax avoidance is the difference in interests between company owners and the state (tax authorities), which is responsible for paying corporate taxes (Akbar et al., 2020). The tax paid will depend on the amount of profit earned by the company, and the amount of profit given to the owner will be reduced by the tax.

A tax avoidance case has occurred in the banking world, namely PT Bank PAN Indonesia (Panin) Tbk is one of several tax avoidance cases revealed in 2021. From the risk analysis, the potential tax for Bank Panin taxpayers for the tax year was IDR 81.65 billion. From the results of the examination in the form of a general ledger, interest calculations, calculations of allowances for productive asset write-offs, it was found that there was an underpayment of tax of IDR 926.2 billion, so that the amount of Bank Bank's tax for the 2016 tax year reached 1.3 trillion (CNN Indonesia). This indicates tax aggressiveness carried out by Bank Panin (Guritno & Prabowo, 2020). This study uses the ETR measurement proxy to calculate tax avoidance, where the formula is (Sunarto et al., 2021):

$$ETR = \frac{\text{Income Tax Expense}}{\text{Profit Before Tax}}$$

The value of income tax expense or Income Tax (PPH) which is included in the cost components charged in commercial financial statements, and profit before tax is the value of profit before tax obtained from the profit and loss statement (Sunarto et al., 2021).

Independent Commissioner

According to Article 120, paragraph (1) of the PT Law, independent commissioners are those who are chosen by the General Meeting of Shareholders (GMS) and have no connection to the

primary shareholder, the board of directors, or other commissioners. Furthermore, independent commissioners are defined as those appointed by the company's articles of organization under Article 120, paragraph (2) of the PT Law. The independent board of commissioners performs a crucial role as a supervisor and controls the business's operations in compliance with relevant laws, according to research by Gunawan et al. (2021).

Alfina dan Wijayanti (2018) found that independent commissioners serve as a middleman between business owners and management when it comes to deciding on policies or strategies to avoid breaking relevant laws, such as tax avoidance. Other studies have demonstrated that the independent board of commissioners has no effect on tax evasion (Sunarto et al., 2021). This is due to the fact that independent commissioners solely serve to adhere to BEI rules (Sunarto et al., 2021).

Furthermore, independent commissioners have a negative and significant influence on tax avoidance since fewer corporation's dodge taxes when there are more independent commissioners, according to study by Sandy and Lukviarman (2015). Because it can lessen agency conflicts between shareholders and firm management, this can aid in the explanation of agency theory. Due to rigorous oversight by independent commissioners, management is generally more cautious when making choices, including those pertaining to taxes.

So, with more independent commissioners, tax avoidance actions can be reduced (Dewi and Oktaviani, 2021). The measurement proxy used to measure independent commissioners is the number of independent commissioners in banking divided by the total number of independent commissioners.

Audit Committee

The purpose of the Audit Committee is to support the Board of Commissioners in overseeing and guaranteeing the efficiency of the internal control system and the execution of the responsibilities of internal and external auditors (SEOJK.05/2013). It is anticipated that the Audit Committee's presence will enhance the caliber of the business's internal oversight and enhance the checks and balances system, which is ultimately meant to offer the best possible protection to stakeholders and shareholders (IKAI, n.d.).

The audit committee has a negative impact on tax avoidance behavior, so when the audit committee becomes more efficient, tax avoidance behavior declines. This implies that when the audit committee becomes more efficient, management behavior related to tax avoidance will also decrease (Listiyana et al., 2019). However, Dang and Ngyuen's (2021) study of Vietnamese non-financial firms revealed that many audit committees failed to adequately oversee management, allowing them to engage in more tax avoidance.

Audit Quality

Audit quality according to Arens (2017) is defined as a method used by auditors to notify auditors of non-conformities in financial statements. Meanwhile, according to IAPI (2018:3), it shows indicators of good audit quality that KAP and Public Accountants must conduct quality audits by following professional standards, codes of ethics, and legal provisions. The more difficult it is to implement tax avoidance policies, companies audited by The Big Four of Public Accounting Firms (KAP) usually have better audit quality. Therefore, companies tend not to do anything if their audit quality improves. Research by Mulyani et al. (2018) indicates that audit quality significantly influences tax avoidance. To put it another way, businesses with higher cash effective tax rates also have fewer proxies for tax avoidance. However, Ardillah

and C. Prasetyo (2021) shown that the effectiveness of tax avoidance is unaffected by audit quality.

In other words, the company's cash effective tax rate and tax avoidance are positively correlated with audit quality. However, as shown by Ardillah and C. Prasetyo (2021), audit quality has no impact on the effectiveness of tax avoidance. These results also show that, during the financial statement audit process involving four large or small public accounting firms, both carried out the audit process and produced the same audit results. Both the four large and small public accounting firms have been recognized as having carried out good financial audits of the company in accordance with the audit quality control standards set by the Accounting Professional Standards Board.

Financial Distress

Financial distress is an event of a continuous decline in a company's financial performance over a certain period of time (OCBC NISP, 2023). One of the most frequent reasons why businesses file for bankruptcy is financial difficulties. Because, in contrast to the typical drop in profits, a nominal loss brought on by financial crisis can be substantial and interfere with the business's ability to run smoothly (OCBC NISP, 2023). The causes of a company's financial distress are poor planning, problematic cash flow, a capital structure that is too risky, and financial losses (OCBC NISP, 2023).

Financial difficulties suffered by mining firms has been shown to have a detrimental impact on tax avoidance, according to research findings by Monika and Noviari (2021), who used Indonesian mining corporations as their research objects. Businesses that are having financial difficulties are viewed as too dangerous to engage in tax evasion. This is due to the fact that financing the business will become more and more challenging. The theory of planned behavior, which holds that a person's actions in response to something are impacted by intentions that may emerge from beliefs about the outcomes of their actions, is also supported by this study. In this instance, management thinks that tax evasion may damage the company's reputation when it faces financial difficulties (Cita and Supadmi, 2019); (Monika and Noviari, 2021). Contrary findings, however, were demonstrated by Ricahrdson et al. (2015) and Sadjiarto et al. (2020), who found that financial distress positively affects tax avoidance.

The coverage ratio, sometimes referred to as the coverage ratio, is used to gauge how hard it is for a business to get out of financial trouble (financial hardship), according to Fahmi (2014). Businesses with an interest coverage ratio below one are likewise seen as being in financial trouble (Fahmi, 2014).

Gunawan et al. (2021) research shows that independent commissioners perform an important function as supervisors and regulate company operations in accordance with applicable regulations. According to research by Alfina nda Wijayanti (2018); H. Lionita and Kusbandiyah (2017), independent commissioners function as intermediaries between company management and company owners when making strategic or policy decisions to avoid violating applicable regulations, including decisions to carry out tax avoidance. So, the hypothesis proposed is:

H1: Independent Commissioner has a negative effect on tax avoidance

The existence of the Audit Committee is expected to improve the quality of the company's internal supervision, and optimize the checks and balances mechanism, which is ultimately intended to provide optimum protection to shareholders and other stakeholders for management actions (tax avoidance) (IKAI, n.d.). Tax avoidance behavior is negatively influenced by the

audit committee, which means that an increase in the efficiency of the audit committee will be followed by a decrease in management behavior in carrying out tax avoidance (Tan and Hastuti, 2024; Listiyana et al., 2019; Fauzan et al., 2019)

H2: Audit Committee has a negative effect on tax avoidance

Companies audited by The Big Four of Public Accounting Firms (KAP) have better audit quality, as evidenced by the research results of Mulyani et al. (2018); Lestari & Nedy, 2019) that good audit quality (KAP The Big Four) makes company management not take manipulative actions to avoid taxes with tax avoidance actions. So, the hypothesis proposed is: H3: Audit quality has a negative effect on tax avoidance

Based on the research results of Monika and Noviyari (2021) by taking Indonesian mining companies as the object of their research, it has been proven that financial distress experienced by mining companies has a negative effect on tax avoidance, because companies experiencing financial distress are considered too risky to take tax avoidance so that it becomes increasingly difficult in company funding activities and worsens the company's image (Cita and Supadmi, 2019). So, the hypothesis proposed is:

H4: Financial distress has a negative effect on tax avoidance

2. RESEARCH METHOD

Purposive sampling technique states that sampling is based on data sources and considerations (Sugiyono, 2015). Meanwhile, according to Fraenkel et al.(2012), purposive sampling is a sample selection technique consisting of individuals who have special qualifications. The purposive sampling approach is used to identify the sample, which consists of banking businesses listed on the Indonesia Stock Exchange (BEI) for the 2019–2023 period. The goal is to obtain a sample that meets the predefined criteria.

The following are several criteria that will be used as research samples, namely:

(a)Registered on the IDX continuously during the 2019-2023 period, (b)Not experiencing losses in the 2019-2023 period, (c)The financial reports use the rupiah currency, (d) Not carrying out mergers in the 2019-2023 period, (e) Not conducting an IPO in the 2019-2023 period, (f) Not experiencing delisting from the IDX in the 2019-2023 period

Based on the criteria outlined above, it was concluded that the number of observation data that could be processed was 154 observations from 31 Bank annual reports with a research period of five years.

The research model uses panel data regression analysis with the following panel data regression equation:

$$\text{TAXAV}_t = a_{it} + b\text{INCOM}_t + c\text{AUCOM}_{cit} + d\text{AUQUAK}_{it} + e\text{FINDIS}_{it} + \dots(1)$$

Notes:

TAXAV = *Tax Avoidance*
INDCOM = *Independent Commissioner*
AUCOM = *Audit Committee*
AUQUA = *Audit Quality*

Table 1. Operationalization of Variables

Variables	Proxies
1. Dependent	
<p><i>Tax Avoidance</i></p> <p>{Sunarto, Sunarto, Budiadi Widjaja, Rachmawati Meita Oktaviani (Journal of Asian Finance, Economics and Business, 8(3), tahun 2021)}</p> <p>{Hanlon, Michelle., & Heitzman, Shane. (2010). A Review of Tax Research. <i>Journal Of Accounting and Economics</i>, 50(issue 2-3), 127-178}</p>	$ETR = \frac{\text{Income Tax Expense}}{\text{Profit Before Tax}}$
2. Independent	
<p><i>Independent Commissioner</i></p> <p>{Sunarto, Sunarto, Budiadi Widjaja, Rachmawati Meita Oktaviani}</p> <p>Journal of Asian Finance, Economics and Business, 8(3), tahun 2021}</p>	<p>Measured by dividing the proportion of the member of independent commissioners by the number of the members of the board of commissioners</p>
<p><i>Audit Committee</i></p> <p>(Omar Al Farooque, Wonlop Buachoom, Lan Sun)</p> <p><i>Pacific Accounting Review</i>, 32(1), tahun 2020</p>	$KA = \sum \text{Audit Committee Member}$
<p><i>Audit Quality</i></p>	<p>Measured with a dummy variable where 1 for Big 4 KAP and 0 for Non-Big 4 KAP</p>
<p><i>Financial Distress</i></p> <p>Irhani Fahmi. (2014). <i>Analisis Kinerja Keuangan</i>. Bandung: Penerbit Alfabeta.</p>	$\text{Interest Coverage Ratio} = \frac{\text{Earnings before income tax}}{\text{Interest expense}}$

Research using panel data regression techniques which according to Hsiao (2003) has several advantages, namely: a) Panel data can solve the problem of a larger spectrum and unbiased, which cannot be solved using cross-sectional or time series data alone; b) It generates more degrees of freedom and reduces the level of collinearity between explanatory variables, resulting in increased estimation efficiency. So, with these virtues, the classical assumption test on the panel data model does not have to be done (Gujarati & Porter, 2015; Ekananda, 2016).

Four models are employed in panel data regression: the within-group fixed effects model, the random effects model, the fixed effects least square dummy variable (LSDV) model, and the pooled OLS model (Gujarati & Porter, 2015). The model specification test determines which model should be utilized. Fixed effects and random effects are the two types of specification testing.

Furthermore, after the research model has been determined, followed by a significance test, namely the F test and the t test. The F test and t test are carried out using the probability of t count, when the prob < 10% sig level. concluded Ho is rejected and Ha is accepted.

Following the significance test, the coefficient of determination (R^2)—a measure of how well the research model can account for the fluctuation of the dependent variable—is calculated. Since R^2 often falls between 0 and 1, it is argued that the better the research model, the closer it is to 1, and vice versa.

3. RESULTS AND DISCUSSIONS

Panel Data Model Analysis Technique

Chow Test. The aim is to understand which fixed effect or common effect model is best applied in this study.

H0: Common Effect
 ▲ Ha: Fixed Effect

Table 2. Redundant Fixed Effect-Likelihood Ratio Model test results

Effect Test	Probability
Cross-section F	0.0000
Cross-section Chi-square	0.0000

From the table above, given that the probability value is $0.0000 < 5\%$, it can be said that the fixed effect model is the correct one. Next, using the following criteria, the Hausman Test model is evaluated to determine which research model—a fixed effect model or a random effect model—is the best:

H0: Random Effect
 ▲ Ha: Fixed Effect

If the chi-square probability shows a result $< 5\%$, then H0 is not accepted. So, it can be concluded that the research uses a fixed effect model.

Table 3. Hausman test results Model

Test Summary	Chi-Sq Statistic	Probability
Cross-section random	3.854723	0.4260

From the table above, it can be concluded that the best research model is random effect compared to fixed effect, because the random cross-section value has a probability of $0.4260 > 5\%$. Next, The Lagrange Multiplier test is used to determine which of the random effect and common effect models is the best research model based on the following criteria:

H0: Common Effect
 Ha: Random Effect

If the Breusch-Pagan probability shows a result $< 5\%$, then reject H0.

Table 4. Lagrange Model test results

Test Summary	Cross-section	Probability
Breusch-Pagan	19.48106	0.0000

From the table above, it may be said that the best research model is random effect compared to the common effect model, this is because the Breusch-Pagan probability value is $0.0000 < 5\%$.

Table 5. Model Estimation Results (Random Effect Model)

Variables	Coefficient	t-stats	Prob.
C	0.3756	9.6400	0.0000
INDCOM	-0.1315	-2.3781	0.0187
AUCOM	-0.0026	-0.4945	0.6217
AUQUA	-0.0305	-1.7675	0.0792
FINDIS	-0.0049	-5.1685	0.0000
<hr/>			
R ²	0.1821	Durbin-Watson stat.	1.6864
Adjusted R²	0.1603		
F-stats.	8.3504		
Prob. F-stats.	0.0000		

F test. Considering table 4.5, the F-count value obtained is 8.3504 and the F probability is 0.0000. In this study, the level of significance used is 10%, so it may be said that the F test has been shown to be significant. Thus, it can be said that independent commissioners, audit committees, audit quality, and financial distress affect tax avoidance actions taken by banking management.

t test. From table 4.5. show that: (1) the variable number of independent commissioners owned by Indonesian banks can reduce tax avoidance actions carried out by banking management with a probability of 0.0187, where the value is smaller than the significance level of 10%; (2) The variable number of audit committees owned by Indonesian banks is proven to be unable to reduce or increase tax avoidance actions carried out by banking management, with a probability value of 0.6217 > 10% (significance level). (3) Different results are proven by the audit quality variable of Indonesian banks where banks whose financial reports are audited by The Big Four KAP provide results that can reduce tax avoidance actions carried out by Indonesian banking management, with a probability level of 0.0792 < 10% (significance level). (4) The same results are proven by the variable financial distress of banks which is proven to be able to reduce tax avoidance actions carried out.

Coefficient of Determination (Adjusted R²). Adjusted R² or model suitability based on statistical test results is 0.1603. This value show that 16.03% of the explanation of the dependent variable comes from the independent variables included in the study model. Conversely, 83.07% suggests that the dependent variable can potentially be explained by components not included in the study model.

The research trial with the application of multiple regression analysis of panel data aims to gain an understanding of the influence of Bank corporate governance on tax avoidance actions taken. The research model used is a random effect model with multiple regression of panel data.:

$$\text{TAXAV} = 0.3687 - 0.1338 \cdot \text{INDCOM} + 0.0009 \cdot \text{AUCOM} - 0.0368 \cdot \text{AUQUA} - 0.0049 \cdot \text{FINDIS}$$

From the panel regression equation, it can be seen that the constant coefficient value is 0.3687. And the independent variables in the panel regression equation that affect the tax avoidance actions taken by management, which are interpreted as follows:

H1: Independent Commissioner has a negative effect on tax avoidance

The results of proving hypothesis 1 are that the number of independent commissioners owned by Indonesian banks has been proven to be able to reduce tax avoidance actions taken by management. This is in accordance with the results of the average number of independent commissioners owned by the Bank of 56.40%, meaning that more than half of the number of commissioners owned by banks are independent commissioners, who oversee management objectively so that they do not take tax avoidance actions that can worsen the image of banking in the eyes of investors or customers. These results are also supported by Faradisty et al. (2019) and Maulana, et al. (2018) showing that the greater the number of independent commissioners, the less likely tax avoidance is carried out by management. This is because independent commissioners have a vital role in the company, namely as supervisors, operations and directing the company to operate based on applicable regulations.

H2: Audit Committee has a negative effect on tax avoidance

The results of this study have provided evidence to reject hypothesis 2 where the presence of an audit committee in banking cannot reduce tax avoidance practices carried out by management. The results of this study support the research of Dang and Ngyuen (2021) in non-financial companies in Vietnam, which found that many audit committees do not supervise management properly, so that management can do more tax avoidance. In addition, this research supports the research of Jaeni, et.al (2018); Ardillah & C. Prasetyo (2021) which proves that there is no influence of the audit committee on tax avoidance. The reason is that the audit committee does not affect tax avoidance practices because the existence of an audit committee tasked with supervising and assessing the functional performance of banking and the implementation of corporate governance has no relationship with tax avoidance practices that occur in banking. The large number of audit committees in banking does not guarantee that the audit committee can prevent tax avoidance carried out by banking management.

H3: Audit quality has a negative effect on tax avoidance

The findings of this study have supported hypothesis 3, according to which audit quality can lessen tax avoidance by banks management. The findings corroborate studies by Khairunisa et al. (2017), Nadia (2015), Damayanti & Susanto (2015), Lestari & Nedy (2019), Rizqia & Lastiati (2021), and others. The Big Four KAPs are considered capable of producing high audit quality because they are large KAPs, where large KAPs can demonstrate their auditors' ability to act professionally and independently (Nadia, 2015). According to Nadia (2015), The Big 4 KAPs typically have high auditor competency quality, which enables them to identify potential profit manipulation by the business for tax purposes. Furthermore, big 4 KAPs can show real values and have lower fraud rates (Damayanti & Susanto, 2015). Big public accounting firms will steer clear of fraud and lawsuits that could damage their brand (Khairunisa et al., 2017).

H4: Financial distress has a negative effect on tax avoidance

The findings of the study demonstrate that hypothesis 4 is accepted, hence confirming the findings of Monika and Noviari's (2021) investigation that mining businesses' financial difficulties have a detrimental impact on tax avoidance. Businesses in financial trouble are viewed as too dangerous to engage in tax avoidance. The findings of the study also corroborate those of Ha Cham et al. (2017), who sampled all non-financial public companies from 2006 to 2014 and found that managers of these companies are motivated to increase tax avoidance in order to generate short-term funds for the business by modifying income or postponing the tax payment period.

4. CONCLUSIONS AND SUGGESTIONS

Overall, independent commissioners, audit committees, audit quality, and financial crisis in Indonesian banking have all been shown in this study to be effective in reducing tax avoidance by banks management. Every independent variable has a varied effect on the research findings. It has been demonstrated that the independent commissioner, audit quality, and financial crisis variables can lessen the tax evasion tactics used by banking management.

The audit committee variable, however, has produced inconsistent outcomes and has not been shown to be effective in curbing banking management's tax evasion practices. The study's sample is restricted to businesses operating in the banking industry. In order to reduce potential tax avoidance behavior by management, the implications of this study give stakeholders—including shareholders and the government (Directorate General of Taxes)—insight into the significance of the board of commissioners, audit committee, audit quality, and financial distress faced by banks.

Suggestions are given so that further research can use other variables that can help banks improve their image in front of the public, by reducing tax avoidance behavior carried out by management, such as variables, leverage, capital intensity, institutional ownership, audit committee characteristics, and others.

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