



THE INFLUENCE OF CORPORATE GOVERNANCE ON TAX AVOIDANCE AND EARNING MANAGEMENT

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Abstract

The agency relationship between company owners and company managers raises potential problems between the two due to conflicts of interest. Several issues that reflect agency problems include tax avoidance and earnings management, the aim of which is to provide profits for managers. One tool to prevent tax avoidance and earnings management is good corporate governance. This research aims to analyze the influence of corporate governance in reducing tax avoidance and earnings management. The research method used is descriptive qualitative research approach systematic literature review (SLR) uses framework PRISMA. The references used come from articles published from 2014 to 2024 with a focus on companies in Indonesia. Based on the results of the literature review, corporate governance can reduce the incidence of tax avoidance and earnings management. This research is expected to provide practical implications that by improving the implementation of corporate governance can reduce tax avoidance and earnings management in Indonesia. The theoretical implication of this research is that this research is expected to increase knowledge about the benefits of implementing corporate governance in reducing tax avoidance and earnings management.

Keywords: Corporate governance, Earnings management, Tax avoidance

INTRODUCTION

Governance is a tool for companies to achieve company goals. In this context, corporate governance is equated with company or corporate governance as determined by the National Committee for Governance Policy (KNKG). Corporate governance ensures that all company activities are based on ethics and regulations. Financial performance is indeed the main goal, but the existence of corporate governance is expected to support the company's efforts in achieving quality overall company performance from all aspects. This is important to ensure the company's reputation remains credible, in addition to generating profits for shareholders and other stakeholders.

In the context of taxation and accounting, it is possible that there are gaps or loopholes which is often used by management in financial reporting and taxation to maximize incentives. At a certain level, tax avoidance and earnings management can be aggressive and manipulative, thereby reducing the usefulness of information that is then used by stakeholders, especially shareholders. Various cases of abuse that violate principles good corporate governance and involving company officials seems to be alarm the importance of maintaining corporate governance in connection with the existence of agency theory. Directors and management are often involved agency theory to maximize incentives that can be obtained from increasing company revenue and/or profits. This is logical because the differences in interests between the principal and the agent underlie the occurrence of agency problems (Scott, 2015). Some of the efforts made by the company to maintain the company's revenue, profits and/or cash flow include tax avoidance and earnings management. Based on a report published by Tax Justice Network (2024), annual tax loss incurred that occurred in Indonesia reached around 3,041.6 million United States (US) dollars, with a proportion corporate tax abuse which is classified as tax evasion, amounting to 2,981.1 million US dollars, or around 0.3% of Indonesia's gross domestic product (GDP). Such tax avoidance is largely contributed by the practice of shifting corporate profits to countries classified as tax haven countries which has a low tax rate. Further, problems earnings management which led to the manipulation of PT Garuda Indonesia's financial reports, which became clear evidence of its existence agency problems. This is a



question considering that PT Garuda Indonesia is even claimed to have excellent governance quality (Daniel & Harianto, 2022).

There are several main regulations related to taxation in Indonesia, including Law Number 28 of 2007 concerning the Third Amendment to Law Number 6 of 1983 concerning General Provisions and Procedures for Taxation, Law Number 36 of 2008 concerning the Fourth Amendment to the Law Number 7 of 1983 concerning Income Tax, Law Number 42 of 2009 concerning Third Amendment to Law Number 8 of 1983 concerning Added Tax Value of Goods and Services and Sales Tax on Luxury Goods. These regulations were partially updated in line with the implementation of Law Number 7 of 2021 concerning Harmonization of Tax Regulations and Law Number 6 of 2023 concerning the Determination of Government Regulations in Lieu of Law Number 2 of 2022 concerning Job Creation into Law. As for financial reporting, the Indonesian Accountants Association has regulated standards related to financial reporting which are stipulated in Financial Accounting Standards (SAK).

Corporate governance is an important mechanism in ensuring ethical and rule-based financial and tax reporting. There are studies that have examined the relationship corporate governance to earnings management and tax avoidance. Related research results corporate governance to earnings management is as explained by Sari et al. (2023) and Daniel & Harianto (2022) which explains that corporate governance disclosed by the company has a contradictory relationship with earnings management. Meanwhile, Saraswati et al., (2023) in their research explained that corporate governance has a positive and significant effect on earnings management. On the other hand, Lusmeida & Khomsiyah (2022), Rinta (2021), Wulanda & Aziza (2019), and Farandy et al. (2021) explains that differences in the use of corporate governance proxies produce different effects on earnings management. Azaria & Muslichah (2021) and Ryad et al. (2024) explains that corporate governance has no effect on earnings management. Research related to corporate governance tax avoidance is as implemented by Murtina et al. (2020), Putra (2021), and Natasha & Feliana (2023) which states that several corporate governance proxies have a positive or negative effect on tax avoidance, while other proxies included in the scope of the hypothesis have no effect on tax avoidance. Other research by Mayuni (2020) states that corporate governance has a negative influence on tax avoidance.

Thus, there are various previous studies that have examined the influence of corporate governance on tax avoidance and the influence of corporate governance on earnings management with quite varied results. The difference in research results regarding the influence of corporate governance on tax avoidance and earnings management is an empirical gap that is developed in this research by focusing on companies in Indonesia. Therefore, the opening research question in this study is whether there is an influence from the implementation of corporate governance on tax avoidance and earning management, as well as what factors (proxies) can strengthen the contribution of corporate governance in reducing both problems. Thus, this research is aimed to elaborate the influence of corporate governance on tax avoidance and earnings management. It is expected that this research can contribute to the treasury of research that discusses the relationship or influence between corporate governance, tax avoidance and earnings management, especially in companies in Indonesia. In addition, this research is expected to provide practical implications for company stakeholders to be able to improve the quality of corporate governance to prevent avoidance and earnings management actions. This descriptive qualitative research has a structure that begins with an introduction, literature review, research methods, as well as results and discussion. In the closing section, the author explains the conclusions, limitations of the research, and suggestions to parties related to this research.



LITERATURE REVIEW

Agency theory defines a situation where there is a relationship between the capital owner as principal and company management as agent. This theory then gives rise to the authority for company management to act for and on behalf of shareholders regarding the resources provided to obtain adequate returns (Jensen & Meckling, 1976). Scott (2015) explains that agency theory gives rise to agency problems or agency problems because of conflicting interests between the company owners as principal and company management as agent. Such problems arise because there is information asymmetry, where the agent has access to relatively more information than the principal so that his actions are potentially based on the agent's personal interests. Furthermore, Ardiyos (2014) explain agency conflict arises when there is a conflict of interest between shareholders and management, where agents often prioritize personal interests over the interests of the company, especially if the company produces free cash flows. As a result of an agency relationship, there is the potential that instead of management prioritizing the interests of company owners, management as agents tends to prioritize their interests (Lusmeida & Khomsiyah, 2022) and (Astuti & Dinarjito, 2024).

In Law Number 28 of 2007 concerning the Third Amendment to Law Number 6 of 1983 concerning General Provisions and Tax Procedures, tax is "a mandatory contribution to the state owed by an individual or entity that is coercive based on the law, with does not receive direct compensation and is used for state needs for the greatest prosperity of the people." Mardiasmo (2011, in Arham et al., 2020) explains several basic requirements so that tax collection is not faced with challenges or resistance from taxpayers, namely the requirements for justice, legal certainty, economic conditions and financial conditions.

Tax obligations paid by corporations are often not based on actual economic activity conditions (Sari et al., 2023). Shafer & Simmons (2006, in Arham et al., 2020) explains that tax avoidance is an effort to reduce the tax burden by exploiting loopholes or loopholes without violating applicable tax provisions. In line with this opinion, Butje & Tjondro (2014, in Arham et al., 2020) explains that tax avoidance is an attempt to take advantage of weaknesses in tax regulations to increase profits by reducing taxes paid. Tax avoidance is one part of tax planning or tax planning which is the company's way of reducing the tax burden.

Profit or profit is the excess income over all expenses (expenses and costs) of a company (Ardiyos, 2014). Profit or profit is tools which can reflect the company's performance, thus can become a benchmark for the level of success of a company (Dinarjito, 2024). Earnings management or earnings management arises because of the aim of reporting company income which is carried out by managers by exploiting gaps or flexibility in accounting policies (Scott, 2015). Scott (2015) further explains the form of earnings management, namely in the form of selecting accounting policies and real actions taken by management. There is a possibility that the financial condition, especially the profit reported by the company, does not reflect the actual condition, one of which is caused by the company's earnings management actions (Sari et al., 2023). Scott (2015) then explaining the earnings management mode can include activities as explained below.

1. Taking a bath

This activity manipulates corporate performance, in which the corporation's current performance is presented as if it looks worse, with the aim of making it appear as if future performance will look better. This mechanism is carried out when the company is experiencing difficult times or is undergoing organizational restructuring.

2. Income minimization

This motive is used to prevent companies from being in the spotlight because of very high profits, for example preventing companies from having relatively higher tax obligations.



Companies usually charge expense accounts such as writing off assets, fixed assets nor intangible assets, including advertising expenses and research expenses.

3. Income maximization

This method is usually used so that managers receive bonuses or incentives. Apart from that, this method is also used if the company is under pressure to fulfill the requirements of a particular contract.

4. Income smoothing

This method is used to maintain the stability of the company's income because managers usually prefer bonuses that tend to be stable, rather than bonuses that fluctuate.

Daniel & Harianto (2022) explained that management usually carries out two methods in earnings management, namely earnings management in accrual and real terms. Accrual earnings management is a manifestation of management's discretion in presenting profit information, while real earnings management attempts to manipulate real profits so that it can cause losses for the company in the future. Furthermore, earnings management has a short-term perspective to intervene in earnings and is carried out for various purposes (Daniel & Harianto, 2022).

Establishing adequate governance mechanisms provides assurance that management acts in the interests of company owners and prepares financial reports by paying attention to aspects of reliability and relevance (Sucipto & Zulfa, 2021 in Lusmeida & Khomsiyah, 2022). This can happen because there is corporate governance can prevent and/or mitigate its occurrence information asymmetry due to agency relationships (Sari et al., 2023).

The company's obligation to implement good corporate governance has been regulated in the Limited Liability Company Law (Law No. 40 of 2007) and Financial Services Authority Regulation Number 21/POJK.04/2015. By implementing these regulations, it is expected that the company will be able to avoid actions that will harm the interests of the company's stakeholders.

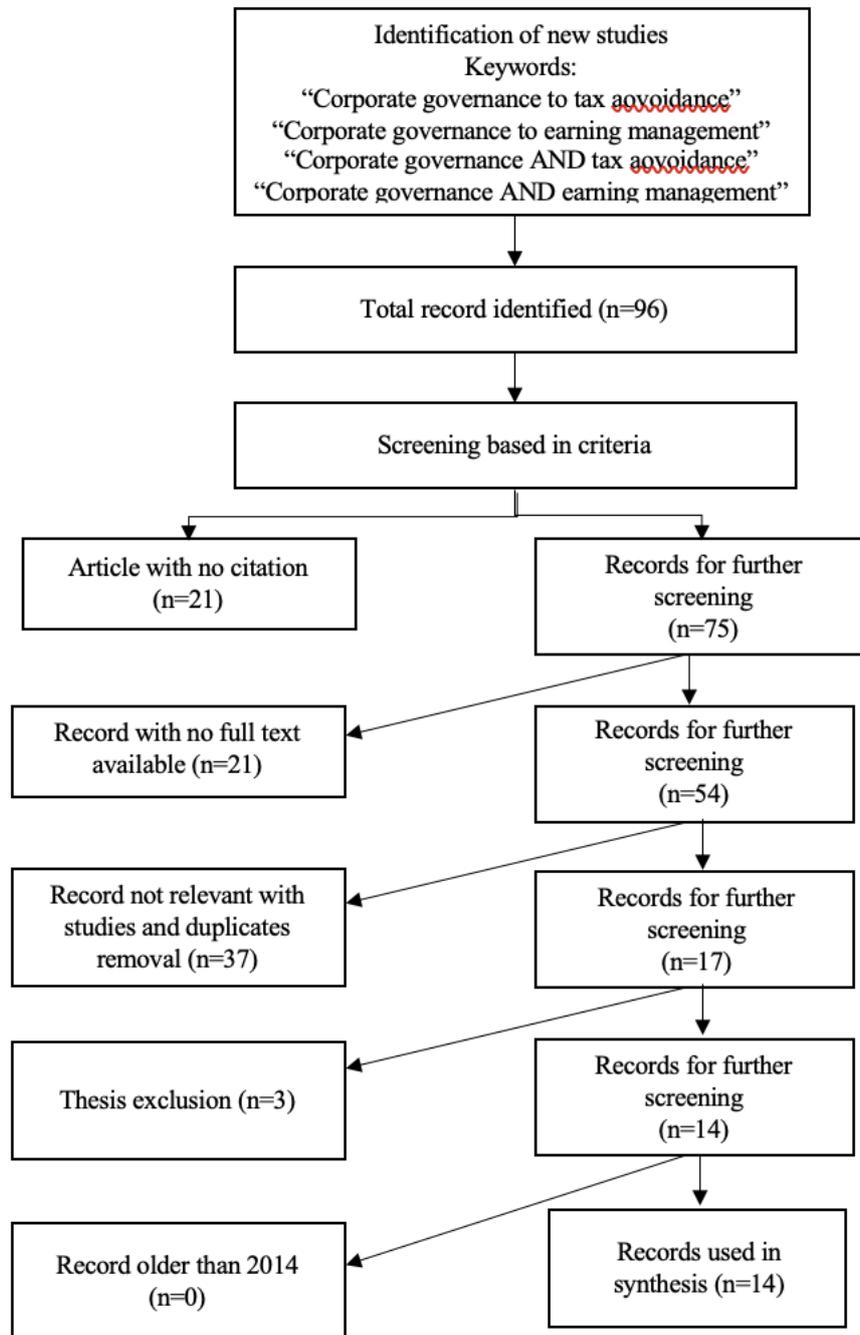
METHODS

This research uses a descriptive qualitative method to explain governance or corporate governance tax avoidance and earnings management. In collecting and analyzing the required information, researchers use a systematic review method of literature or systematic literature review (SLR) with help preferred reporting items for systematic reviews and meta-analysis (PRISMA).

The first step in this SLR is doing indexing based on keywords based on inclusion criteria (IC) that are in accordance with research needs, including: IC1, namely identified journals or written works, so records those that only consist of quotations or citations are excluded from the list of potential references. IC2 is the available version full text on journal files or written work on IC1. Furthermore, IC3 results come from journals or papers sorted in IC2, with additions inclusion criteria in the form of its relevance to research related to corporate governance earnings management and tax avoidance. IC4 requires that the research document is not a thesis or unpublished thesis. IC5 is a criterion that requires research references from 2014 to 2024. This stage is carried out using the Google Scholar application which facilitates research searches in database online based on the required criteria. The flow of tracing the results of previous research can be described as follows.



Figure 1. Framework PRISMA



Source: Processed by the Author

Based on the final search results using framework PRISMA, there are 14 articles sourced from the results indexing which will be used as a reference in this research. Apart from that, the researcher also identified research and/or references obtained from search results on certain pages or books that were relevant to the related research corporate governance, earnings management, and tax avoidance. In analyzing the research that has been obtained, researchers identify research methods and research results that are relevant to the research formulation. All the results of the analysis are synthesized to obtain an overview of the research results. The list of articles used in this research is in the following table.



Table 1. List of Selected Articles Based on Framework PRISMA

No	Title	Author, Year	Journal Name	Country
1	Exploring the Relationship between Tax Avoidance and Sales Growth, Corporate Risk and Governance	N.L.M.D Mayuni (2020)	Jurnal Manajemen Bisnis	Indonesia
2	Good Corporate Governance and Tax Avoidance Practices (Tax Avoidance)	IN. Putra (2021)	Jurnal Manajemen Terapan dan Keuangan (Mankeu)	Indonesia
3	Influence Good Corporate Governance Against Tax Avoidance (Tax Avoidance) (Empirical Study of Banking Companies Listed on the IDX 2015-2019)	W.S. Murtina, W. E. Putra, R. Yustien (2020)	Jurnal Akuntansi dan Auditing	Indonesia
4	The Influence of Corporate Governance on Tax Avoidance Behavior: Before and During the Covid-19 Pandemic Period	Natasha, Y.K. Feliana (2023)	-	Indonesia
5	The Influence of Governance Mechanisms, Political Connections and ROA on Profit Management in the Consumer Goods Sector Listed on the IDX	W. Saraswati, Y.A. Yudaruddin, P. Atmojo, D.R. Pramudia, H.K. Alphath (2023)	Journal of Accounting, Taxation and Finance	Indonesia
6	The Influence of Corporate Governance on Company Value with Earnings Management as a Mediating Variable	K. Azaria, Muslichah (2021)	Jurnal MONEX	
7	Influence Capital Requirements, Managerial Ownership of Profit Management Moderated by Governance Mechanisms	H. Lusmeida, Khomsiyah (2022)	Jurnal Ekonomi, Keuangan, Investasi dan Syariah (EKUITAS)	Indonesia
8	Governance, Family Ownership, Quality Auditors and Profit Management	D. Daniel, S. Harianto (2022)	Studi Akuntansi dan Keuangan Indonesia	Indonesia
9	Corporate Governance Disclosure, Internal Auditor Competency, Profit Management: The Moderating Role of Tax Avoidance	I.P. Sari, E. Trisnawati, A. Firmansyah (2023)	Jurnal Informasi, Perpajakan, Akuntansi, dan Keuangan Publik	Indonesia
10	Audit Committee Effectiveness and Earnings Management	M. Chest (2021)	Jurnal Riset dan Aplikasi: Akuntansi dan Manajemen	Indonesia
11	The Influence of Family Ownership and Corporate	W. Wanda, Zulhawati,	Jurnal Akuntansi dan Bisnis	Indonesia



No	Title	Author, Year	Journal Name	Country
	Governance on Profit Management Practices	Rusmin, E.W. Astami (2022)		
12	Influence Good Corporate Governance towards Profit Management with Company Value as a Mediating Variable	A.M. Ryad, M. Syahrul, Istiqomah, Febriyanti, Silpiani (2024)	Jurnal Ilmiah MEA (Manajemen, Ekonomi, dan Akuntansi)	Indonesia
13	Influence Corporate Governance on Company Value and Profit Management as Intervening Variables in Manufacturing Companies Go Public in Indonesia	M. Wulanda, N. Aziza (2019)	Jurnal Akuntansi Syariah	Indonesia
14	Governance, Management, and Performance After IPO: Evidence from Indonesia	A.C. Farandy, Y.K. Happy (2021)	Jurnal MONEX	Indonesia

Source: Processed by the Author

RESULTS AND DISCUSSION

A total of fourteen articles that have gone through the screening process are then presented in a table containing the name of the researcher, research method, results and discussion, as well as analysis of the influence of governance on tax avoidance and earnings management. Table 1 helps the author in answering the research formulation. Further explanation is explained on the next page.



Table 2. Articles that discuss the relationship between corporate governance and tax avoidance

Researcher	Research methods	Results and Discussion	Can corporate governance influence tax avoidance?
N.L.M.D Mayuni (2020)	Quantitative method with objects of all companies listed on the Kompas100 Index in February - July 2019. Researchers use techniques path analysis in carrying out data analysis.	The proxy for corporate governance, namely board of commissioner (BoC), audit quality, and audit committee have a negative influence on tax avoidance, with a coefficient of -0.330. Better corporate governance will minimize actions tax avoidance from the manager.	Corporate governance have an influence on tax avoidance in reverse.
IN. Putra (2021)	Using quantitative methods with the help of descriptive statistics and multiple regression models. Variable Tax avoidance is measured by current effective tax rate (CETR). The proxies for corporate governance are measured using the percentage method for each proxy compared to the total number of all related governance proxies. The research objects include companies listed in the banking group on the IDX in 2015-2019. Determination of samples using purposive sampling method.	Variable managerial ownership has no effect on reduction tax avoidance because management does not have relatively significant rights in the process of deciding a business decision. Institutional ownership has a significant negative effect on tax avoidance because the more institutions that own the company, the better the level of supervision to prevent managers from creating agency problems. Proportion independent BoC has no effect on tax avoidance because they are usually relatively unable to influence management actions. As for the ratio variable audit committee negatively influence tax avoidance because the audit and operational performance evaluation functions are carried out to prevent tax evasion. Furthermore, audit quality negatively influences tax avoidance because Public Accounting Firms belonging to The Big Four provide adequate quality for the reliability of company tax reporting.	Corporate governance consisting of institutional ownership, audit committee, audit quality, managerial ownership, and independent commissioner simultaneously has an influence on tax avoidance.



Researcher	Research methods	Results and Discussion	Can corporate governance influence tax avoidance?
W.S. Murtina, W. E. Putra, R. Yustien (2020)	Quantitative methods based on multiple linear regression. The research object is companies in the banking sector using the sampling method purposive sampling. The scope of the research covers 2015-2019.	Corporate governance as proxied by institutional ownership, audit committee, and audit quality each partially influences tax avoidance. Other proxies, namely managerial ownership and the proportion of independent board of commissioners, partially have no effect on tax avoidance.	Proxies that reflect corporate governance simultaneously have an influence on tax avoidance.
Natasha, Y.K. Feliana (2023)	Quantitative methods in the form of explanatory research by using linear regression analysis in testing hypotheses. The research sample includes companies registered in the non-financial industrial sector on the IDX for the 2019-2020 period, a total of 504 companies.	Companies tend to be more aggressive in acting tax avoidance 2020 during the Covid-19 pandemic. Variable independent commissioner significant effect on tax avoidance because the independence of the board of commissioners can maintain objectivity in carrying out supervision regarding taxation in the company and mitigate agency problems. Meanwhile, ownership by institutions has a positive correlation with tax avoidance because of the knowledge possessed by institutional shareholders in carrying out tax avoidance high, therefore they want high profits and low taxes. Meanwhile, share ownership by the government has a negative correlation with tax avoidance because there are social and political goals behind share ownership by the government, at least to achieve tax targets which can then be used as an instrument for the welfare of society. Audit committee variables contribute to prevention efforts tax avoidance because of its vital role in	The partial negative and significant influence of corporate governance proxies on tax avoidance is explained by variables independent commissioner, government ownership, And audit committee size. As for institutional ownership partially has a significant positive effect on tax avoidance.



Researcher	Research methods	Results and Discussion	Can corporate governance influence tax avoidance?
		carrying out supervision. The company size variable has a positive influence on tax avoidance because of the large amount of resources it has, thus encouraging tax avoidance as a form of cost efficiency. Finally, the level of company profits is positively correlated with behavior tax avoidance companies because there is an urge to reduce the company's tax burden.	

Source: Processed by the Author

Table 3. Articles that discuss the relationship between corporate governance and earnings management

Researcher	Research methods	Results and Discussion	Can corporate governance influence earnings management actions?
W. Saraswati, Y.A. Yudaruddin, P. Atmojo, D.R. Pramudia, H.K. Alphath (2023)	A total of 382 companies in the consumer products sector registered on the IDX were the subjects of the research, which used a quantitative approach and regression analysis. Researchers develop an encompassing conceptual framework return on assets, political relations, and governance systems towards earnings management.	Mechanism variables corporate governance has a positive effect on earnings management.	Earnings management is significantly and positively influenced by corporate governance.
K. Azaria, Muslichah (2021)	Research uses quantitative causality methods to examine how one variable influence	Managerial ownership does not have a partial influence on earnings management due to the small ownership percentage. The audit	Managerial ownership And audit committee as a proxy for corporate governance partially



Researcher	Research methods	Results and Discussion	Can corporate governance influence earnings management actions?
	<p>other variable. Managerial ownership and audit committee serve as a proxy for corporate governance. The research uses secondary data from corporations included in the manufacturing company group on the IDX in 2016-2018, especially in the basic industrial and chemical sectors. The sampling method uses purposive sampling.</p>	<p>committee does not have partial influence on earnings management because its existence is intended only to comply with regulations.</p>	<p>has no influence on earnings management.</p>
<p>H. Lusmeida, Khomsiyah (2022)</p>	<p>Researchers use agency theory. The research objects include corporations belonging to the banking group that were registered successively on the IDX in 2015-2019 and published complete annual reports in Rupiah currency for that year. Method purposive sampling serve as the basis for sampling. Managerial ownership and an independent board of commissioners are the variables tested for their influence on earnings management.</p>	<p>There are not many banking companies in Indonesia whose shares are owned by the company management itself. Hence the action earnings management not significantly influenced by managerial ownership structure. Meanwhile, earnings management is significantly and negatively influenced by the independent board of commissioners because effective supervision can be carried out by the independent board of commissioners.</p>	<p>Managerial ownership has an insignificant and positive influence on earnings management. On the other hand, earnings management is influenced negatively and significantly by the independent board of commissioners.</p>



Researcher	Research methods	Results and Discussion	Can corporate governance influence earnings management actions?
D. Daniel, S. Harianto (2022)	The governance index (ITK) which is formed from thirty measurement items is used in this research. The research sampling test covers corporations in the form of public companies registered on the IDX in the non-financial and non-utility sectors in the 2010-2019 period, with a value book value of equity the positive.	The level of quality of corporate governance has a significant influence in reducing earnings management, both in real terms and on an accrual basis. This is because earnings management can be prevented by quality governance.	Corporate governance negatively influences real earnings management and accruals carried out by companies.
I.P. Sari, E. Trisnawati, A. Firmansyah (2023)	The quantitative approach uses secondary data from industrial sector financial reports registered between 2016 and 2021. The research uses indices regulated by OJK regulations.	The quality of corporate governance disclosure has a negative correlation and influence on earnings management. This indicates the role of governance that can prevent and/or reduce actions earnings management by management as agent.	There is a negative correlation between corporate governance disclosure to earnings management.
M. Chest (2021)	Quantitative methods use multiple linear regression.	The quantity of the board of directors (BDSIZE) has no effect on earnings management negatively. The increasing number of members of the board of directors will cause management control to become relatively inadequate due to function monitoring which is not optimal. The existence, structure and quality of activities audit committee (ACMEET) has a negative influence on earnings management because it is seen as reducing managers' ability to carry	Corporate governance is proxied as board size and activity audit committee has a negative influence on earnings management. The proxy is in the form of amount audit committee has an insignificant positive influence on earnings management.



Researcher	Research methods	Results and Discussion	Can corporate governance influence earnings management actions?
		<p>out earnings management. As for the size or number of audits committee (ACSIZE) has an insignificant and positive effect on earnings management because appointed committee members tend not to be appointed based on their professional background.</p>	
<p>W. Wanda, Zulhawati, Rusmin, E.W. Astami (2022)</p>	<p>Data analysis using ordinary least squares and multiple regression technique. The sample includes family-owned companies in the non-financial business group, which were registered in 2017-2019 on the IDX.</p>	<p>There is an insignificant positive influence on the number of members board of commissioner to action earnings management. As for proportions independent board of commissioner does not negatively influence practice earnings management, which indicates that in family companies, the number of independent commissioners cannot effectively reduce earnings management actions. The frequency of board of commissioners' meetings also leads to increased action earnings management. Increasing the number of audit committees can reduce earnings management because of the supervisory function they carry out, this can be seen from the negative influence of audit committee to action earnings management in this research.</p>	<p>The audit committee plays a role in reducing earnings management (having a negative impact). Number of members board of commissioner, proportion independent commissioner, and meeting frequency board of commissioner cannot negatively influence earnings management actions.</p>
<p>A.M. Ryad, M. Syahrul, I. Istiqomah, R. Febriyanti, E. Silpiani (2024)</p>	<p>The research was carried out quantitatively using techniques partial least square to identify and analyze test variables</p>	<p>Based on the results of hypothesis testing, proxies' good corporate governance, which is described in the variable independent audit, board of directors, independent board of</p>	<p>Corporate governance has no effect on the company's earnings management practices.</p>



Researcher	Research methods	Results and Discussion	Can corporate governance influence earnings management actions?
	formed from more than one indicator. The sample in the research includes telecommunications companies registered on the IDX in 2017-2022.	directors, institutional ownership, as well as independent board of commissioner has no influence on earnings management.	
M. Wulanda, N. Aziza (2019)	Quantitative methods by use structural equation modeling, with the research sample including companies in the business group manufacturing registered on the IDX in 2015-2017.	Institutional ownership has a negative and significant influence on earnings management because there is strong control over management. Managerial ownership has a significant negative effect on earnings management because the manager also has an interest as the owner of the company. Frequency of meetings board of commissioner (BoC) does not have a significant effect on earnings management actions because the meetings held do not specifically discuss actions earnings management as well as the BoC does not consider earnings management is a form of fraud. Frequency of meetings audit committee also does not have a significant effect on earnings management because this frequency apparently does not reflect the quality of supervision carried out on practice earnings management.	There is a negative influence of institutional ownership and managerial ownership on earnings management. The frequency of board of commissioners and audit committee meetings has no effect in reducing earnings management.
A.C. Farandy, Y.K. Happy (2021)	Quantitative method with research samples, namely	Proportion independent board of commissioner does not have a significant influence on earnings management. Amount	Of the various corporate governance proxies tested, only the proxy for the number of



Researcher	Research methods	Results and Discussion	Can corporate governance influence earnings management actions?
	companies listed as carrying out IPOs on the IDX in 2013-2016.	member of the board of commissioners has a significant negative influence on earnings management. Frequency of meetings board of commissioner only has a significant positive influence in certain periods due to inconsistent implementation of meetings in order to fulfill the minimum meeting frequency provisions. Audit committee has no significant effect on earnings management due to failure to detect earnings management which should have been carried out by audit committee. As for audit committee those from the financial sector have a positive influence on earnings management. Managerial ownership has no effect on practice earnings management. The reputation of the independent auditor has no effect earnings management.	BoC members has a negative and significant effect on earnings management.

Source: Processed by the Author

**Can corporate governance influence tax avoidance?**

Corporate governance, which is a research topic in various literatures, presents different results regarding its influence on tax avoidance actions. This arises because of the test sample, the proxies that represent each corporate governance variable, and the research methods used. In the context of test results that state the contribution of governance to reducing tax avoidance, governance can reduce the occurrence of agency problems. Simultaneous testing of corporate governance proxies was carried out by Mayuni (2020), Putra (2021), and Murtina et al. (2020), which used different proxies to represent corporate governance. Mayuni (2020) uses a proxy board of commissioners, audit quality, and audit committee as a representation of corporate governance, which has a simultaneous negative influence on tax avoidance. This is logical considering that these three proxies indicate the effectiveness of supervision, both by internal audit and by the board of commissioners. Also, Putra (2021) and Murtina et al. (2020) talk about corporate governance in terms of who owns the company, how effective the audit committee is, who owns the company, and how many independent commissioners there are. Testing of each corporate governance proxy by Putra (2021) and Murtina et al. (2020) can partially provide varied results. Like, for example, institutional ownership, audit committee, and audit quality consistently are influencing even though partial testing is carried out in the context of reducing action earnings management. Different results were explained by Natasha & Feliana (2023) regarding tax avoidance actions that occurred during the Covid-19 pandemic, where institutional ownership has a positive and significant effect on tax avoidance. In this case, the independent board of commissioners is also explained as a proxy for corporate governance, which can reduce corporate tax avoidance, in line with government ownership and audit committee size. However, Putra (2021) and Murtina et al. (2020) also say that managerial ownership and the number of independent boards of commissioners can't change how earnings are managed when testing is only done in part.

In general, well-implemented corporate governance will provide little opportunity for managers to take improper actions, such as tax avoidance. The hope is that with the implementation of good corporate governance, parties related to the company can carry out work in accordance with the applicable system so that the implementation of good governance can increase the company's value, performance, and contribution. Corporate governance also aims to maintain the company's sustainability in the long term when all aspects of corporate governance can be implemented. With transparency, supervision of the company's performance will be optimal, which will reduce the opportunity for management to do tax avoidance. Internal supervisory units can work optimally with the help of external supervisors such as audit committees to be able to detect tax avoidance. With the transparency of information on company management, it will avoid conflicts between owners and management. The relationship between owners, management and other stakeholders will be maintained if the company can implement corporate governance properly.

Can corporate governance influence earnings management actions?

Based on the research above, various variations in test results arise due to differences in the variables used, research methods, and test samples. In the context of test results that state the contribution of governance to earnings management, governance can reduce the occurrence of agency problems. Saraswati et al. (2023), Daniel & Harianto (2022), Sari et al. (2023), and Rinta (2021) assert that corporate governance can impact earnings management. Daniel & Harianto (2022) say that having excellent corporate governance can make it less likely for earnings management to happen, but only if the company has excellent internal auditors to go with the excellent corporate governance. In line with these findings, Sari et al. (2023) say that excellent corporate governance can lower the tendency of earnings management as long as managers don't do things that make the company look bad, like lying about taxes. Rinta (2021)



explains that frequency of meetings of the audit committee can reduce earnings management actions significantly, while the size of the board of directors has a negative effect on earnings management, although it is not significant. Lusmeida & Khomsiyah (2022) explain that the existence of an independent board of commissioners can reduce the tendency for earnings management. Wanda (2022) explains that an existence audit committee can mitigate the risk of occurrence earnings management. Wulanda & Aziza (2019) emphasize that it is beneficial institutional or managerial ownership; each of them can reduce earnings management actions in line with conflicting interests that occur. This is logical because institutions and management are also company owners who, of course, have interests. The large number of board commissioners will reduce the tendency for management to get involved in earnings management due to more intensive involvement in the company (Farandy et al., 2021).

Saraswati et al. (2023) have explained that there is a tendency for earnings management to increase as governance mechanisms improve. Rinta (2021) explains that an increase in the number of audit committee members and board of directors does not necessarily lead to a decrease in earnings management. Azaria & Muslichah (2021) explain that earnings management cannot be reduced by the existence of a managerial ownership proxy if it is a small percentage of managerial ownership. He also argues that the audit committee does not necessarily mitigate earnings management, as its primary purpose is to fulfill regulatory obligations. Ryad et al. (2024) also stated that corporate governance mechanisms cannot reduce the incidence of earnings management. Lusmeida & Khomsiyah (2022) explained that Managerial ownership has a positive but insignificant effect on earnings management because banking companies are not yet significantly owned by their own management. As it turns out, audit committees that come from the accounting or auditing field have a positive effect on management because their background helps them understand what kind of agreements can be used to increase the potential for earnings management (Farandy et al., 2021).

In general, research shows that corporate governance will reduce the opportunity for management to carry out earnings management. With good governance, it is expected that transparency in company management can be known by interested parties such as company owners. Presentation and reporting of performance results will be supervised by internal supervisors and external supervisors such as the audit committee and board of commissioners. The more effective supervision carried out by the second and third lines which include the risk management unit and internal supervisors will reduce the opportunity for the first line to carry out earnings management actions. Supervision carried out by the audit committee and board of commissioners will also increase the effectiveness of corporate governance to avoid earnings management. Transparency and honesty in reporting performance as it will provide benefits for interested parties in making decisions.

CONCLUSION

Corporate governance is a tool that can be used to prevent or reduce agency conflicts due to conflicts of interest. Some of the problems that arise related to agency conflicts are tax avoidance. And earnings management. Tax avoidance and aggressive and manipulative earnings management have the potential to erode the level of usefulness of financial report information used by company owners as principals. Several instruments can be optimized in the governance aspect in order to reduce tax avoidance, such as the board of commissioners, the proportion of the board of commissioners originating from independent elements, audit quality, institutional ownership, and the audit committee, as well as the level of government ownership or government ownership. Companies can reduce earnings management by optimizing the supervisory activities of the audit committee, board of commissioners, proportion of independent commissioners, audit quality, institutional and managerial



ownership, and the size of the board of directors. The existence of corporate governance can reduce the tendency to act in earnings management as long as it is reinforced by high-quality internal audits and managers do not take certain other actions such as tax avoidance.

Implication and Research Limitations

This research is expected to provide practical implications for companies to be able to improve the quality of corporate governance so that they can reduce tax avoidance and earnings management. For company owners, strengthening the structure of the board of commissioners including the supporting committee will increase the effectiveness of company management. For company regulators, corporate governance regulations can be adjusted to increasingly complex conditions including supervision of corporate governance by regulators. For the academic world, this research is expected to provide additional knowledge regarding the relationship between corporate governance and tax avoidance and earnings management.

One of the limitations in research is the lack of uniformity of proxies that represent corporate governance. This research only includes journals that are available in versions full access, so it does not include journals that are actually relevant but not available in the version full access. In addition, this research focuses on companies in Indonesia with various company characteristics, test samples, research periods, and different testing methods, thus providing quite varied results.

Suggestion

In the future, researchers should use a wider range of proxies for each variable to get a better picture of how much corporate governance affects tax avoidance and earnings management. To avoid long-term compliance and reputation risks, researchers say that companies should present financial reports that are accurate and in line with the rules. They should also make the most of corporate governance tools to ensure that goals are met and aggressive and dishonest actions related to tax avoidance and earnings management are stopped. Researchers also tell the Indonesian government that it should consistently enforce laws and guidelines against tax avoidance and earnings management that make financial report information less useful or make the market feel bad.

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