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THE INFLUENCE OF MANAGERIAL ABILITY AND BUSINESS STRATEGY ON TAX AVOIDANCE

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Abstract
This research aims to examine the influence of managerial ability and business strategy on tax avoidance using control variables, namely leverage and profitability. The proxy used for tax avoidance is Abnormal Book Tax Difference (ABTD). Quantitative research and using manufacturing companies listed on the IDX for the 2019-2022 period as research objects. The sampling technique used purposive sampling with a total sample of 580 samples obtained from 145 manufacturing companies. Hypothesis tests have been carried out so that it can be concluded that 1) managerial ability has a positive effect on tax avoidance; 2) Business strategy has no influence on tax avoidance.
Keywords: Business Strategy, Managerial Ability, Tax Avoidance

INTRODUCTION

Taxes are the main source of a country's income (Akbar, 2020). Overall, taxes contribute significantly to development, enabling governments to build more infrastructure and improve public welfare with higher state revenues (Laksono & Firmansyah, 2020; Rahman et al., 2019). Governments tend to optimize tax collection from all potential tax objects (Sonia & Suparmun, 2019). However, companies do not always support government tax collection (Darmawan & Sukarta, 2014).

Many businesses as taxpayers continue to engage in tax planning and resistance to reduce their tax liabilities, often by exploiting loopholes in tax laws and engaging in non-compliant practices such as tax avoidance (Syarli, 2022). One indication of tax avoidance is a low level of tax compliance, as seen through the tax ratio (Wahyudi et al., 2021). The tax ratio indicates how effectively a country's tax authority collects taxes (Akbar, 2020). According to the Ministry of Finance, Indonesia's tax ratio in 2020–2022 was 8.33%, 9.11%, and 10.4%, respectively—well below the 15% threshold standard set by the World Bank (2023).

Table 1. Target and Realization of Tax Revenue (2018 – 2022)

Period	Tax Target (trillion IDR)	Tax Realization (trillion IDR)	Target Achievement
2018	1.424,00	1.315,51	92,23%
2019	1.577,56	1.332,06	84,44%
2020	1.198,82	1.069,98	89,25%
2021	1.229,58	1.277,53	103,9%
2022	1.784,00	2.034,50	114%

Source: 2022 Performance Report of the Directorate General of Taxes

Table 1 shows the fluctuations in tax revenues each year. In 2018, tax realization did not meet the target. In 2019, the achievement rate dropped by 7.79% from the previous year. Although targets were exceeded in 2021 and 2022, the year-to-year volatility indicates low taxpayer awareness and potential tax avoidance practices (Stawati, 2020). Tax avoidance cases are widespread in Indonesia (Hasanah & Widiastuti, 2022), such as the case of British American Tobacco through PT Bentoel Internasional Investama Tbk. According to the Tax Justice Network, British American Tobacco avoided taxes through intra-company loans and royalty payments, costing the state up to USD 14 million annually (Kontan.co.id, 2019).

Essentially, there is a conflict of interest between the government and companies as taxpayers (Sonia & Suparmun, 2019). Companies often avoid taxes (Widuri et al., 2020). One factor contributing to tax avoidance is managerial ability, defined as the capacity to maximize firm value by efficiently using resources (Akbari et al., 2019). Managerial ability is influenced by the wealth of shareholders and bondholders (Ghaniy & Mahfud, 2021). Managers, aiming to maximize company profits, may engage in tax avoidance (Tilehnouei et al., 2018).

Tax avoidance decisions are key roles for top managers (Hsieh et al., 2018). A manager's ability enables them to identify business opportunities, making tax avoidance more feasible (Koester et al., 2017). Efficient use of resources reflects strong managerial ability (Syarli, 2022). Studies by Syarli (2022) and Saragih et al. (2021) found a positive relationship between managerial ability and tax avoidance. Conversely, Hasanah & Widiastuti (2022), Aristyatama & Bandiyono (2021), and Prakosa & Sari (2019) found a negative relationship—arguing that greater managerial control over resources reduces the need for tax avoidance.

Another factor influencing tax avoidance is business strategy (Sadjiarto et al., 2020; Wardani & Khoiriyah, 2018). Before starting a business, a company needs a business strategy, which is typically formulated by managers. This strategy affects all company activities (Arieftiara et al., 2020). All company operations will be influenced by the chosen strategy because managerial decisions must align with the company's overall strategy (Faradiza, 2019). A well-defined business strategy makes the company's business processes more effective and allows the company to gain a competitive advantage over its rivals (Sadjiarto et al., 2020).

Studies by Ayem & Tarang (2021), Kinasih et al. (2021), and Sadjiarto et al. (2020) suggest that business strategy positively affects tax avoidance, as both prospector and defender types often fail to fully implement their strategies. This incomplete implementation leads companies to engage in tax avoidance practices. However, other studies like Harjito et al. (2022) and Pratiwi & Pramita (2021) found a negative relationship between business strategy and tax avoidance. This is attributed to the fact that many companies are unable to establish a consistent strategic approach year after year. As a result, the business strategies employed do not significantly influence the extent of tax avoidance practices.

This study adds leverage and profitability as control variables. Leverage represents the extent to which companies use debt, which reduces taxable income through interest expenses (Suciarti et al., 2020). Profitability reflects firm performance and is a key tax determinant (Sriyono & Andesto, 2022; Hasanah & Widiastuti, 2022)**.** The higher the profitability, the larger the potential tax burden (Simorangkir & Sari, 2022). Given the continued relevance of tax avoidance, this study is motivated by prior research from Saragih et al. (2021), which introduced the Abnormal Book Tax Difference (ABTD) as a proxy for measuring tax avoidance, while also incorporating business strategy, leverage, and profitability as additional explanatory variables.

LITERATURE REVIEW

Agency Theory

Agency theory was introduced by Jensen & Meckling (1976). It explains that the principal delegates tasks or responsibilities to an agent to perform on the principal's behalf (Akbar & Meiryani, 2023). According to this theory, each party is expected to act according to their own interests (Hasanah & Widiastuti, 2022). These differing interests create agency problems, where managers may act opportunistically, potentially harming the company's performance (Arieftiara et al., 2023). Information asymmetry arises when agents have more knowledge than they share with the principals (Harjito et al., 2022), making it difficult for principals to determine whether agents act in their best interest.

In this study, the government (fiscus) acts as the principal and companies as agents (Khamisan & Christina, 2020). The government expects companies to fulfill their tax obligations (Valensia & Khairani, 2019). However, a divergence in interest arises: while the government wants to maximize tax revenue, companies aim to minimize tax payments to increase profits.

Tax Avoidance

Tax avoidance is a strategy used to reduce tax burdens by utilizing provisions within existing tax regulations (Simorangkir & Sari, 2022). According to Damayanti & Wulandari (2021), tax avoidance includes legal actions that affect tax obligations with the aim of minimizing tax costs. Companies exploit weaknesses in tax laws without violating them. The goal is to increase profits and cash flow (Kalbuana et al., 2020), as taxes reduce income and shareholder wealth (Laksono & Firmansyah, 2020).

Tax avoidance is part of tax planning (Prosser & Murray, 2011). Novita & Fahmy (2022) state that tax planning arises due to: 1) Complexity of tax laws; 2) High tax obligations; 3) Negotiations with tax authorities; 4) Moral hazard. According to Hanlon & Heitzman (2010), tax avoidance can be estimated using the Book-Tax Difference (BTD), which captures the discrepancy between financial income and taxable income. The BTD formula is as follows:

$$\text{BTD} = \frac{Earnings\ Before\ Tax - (Current\ tax\ expense : tax\ rate)}{Total\ Assets, t-1}$$

The Abnormal Book-Tax Difference (ABTD) is derived by regressing the BTD on total accruals. The residual from this regression represents the ABTD, which isolates discretionary differences often associated with tax avoidance. The regression model is specified as follows:

$$BTD_{it} = \beta 1 + Total\ Akrual_{it} + e_{it}$$

$$Total\ Akrual_{it} = \frac{Net\ Income - Operational\ Cash\ Flow_{it}}{Total\ Assets, t-1}$$

The residual term (ε_it) from this regression is defined as the Abnormal Book-Tax Difference (ABTD).

Managerial Ability

Managerial ability refers to a manager's capability to efficiently utilize company resources to generate revenue that maximizes the firm's profitability (Hasanah & Widiastuti, 2022). Syarli (2022) explains that managers, acting as agents within a company, are tasked with executing management functions to enhance firm value. Therefore, managers must possess the ability to effectively manage their business. Competent managers are those who understand their company's operations, allowing them to make better judgments or estimates (Nurfauzi & Firmansyah, 2018). Managerial ability is considered one of the key factors that determine a company's tax avoidance strategy (Park et al., 2015). As a result, managers play a critical role in determining the level of tax avoidance within an organization (Saragih et al., 2021).

A manager is considered capable if they can optimize company resources into maximum output (Hasanah & Widiastuti, 2022). The Data Envelopment Analysis (DEA) method is used to measure managerial ability. DEA aims to assess how efficiently a company operates (Syarli, 2022). Before calculation begins, DEA must categorize each firm into a Decision Making Unit (DMU) based on its manufacturing sub-sector (Vito et al., 2022). The more efficient a company is, the more output it can generate relative to its input. The model used to measure managerial ability is as follows:

$$max\theta = \frac{SALES}{v1COGS + v2SGNA + v3PPE + v4INTAN}$$

SALES: Revenue (output)

COGS : Cost of Goods Sold (direct labor, raw materials, and other production costs)

SG&A : Selling, General and Advertising Expense
PPE : Property, Plant, and Equipment
INTAN: Other Intangible Assets

There are both input and output variables in measuring efficiency. The input variables include: 1) COGS, as companies must spend on direct labor, raw materials, and related production costs to generate product sales; 2) SG&A, which are expenses paid by the company to generate revenue, such as advertising costs; 3) PPE, required to produce goods for sale; 4) INTAN, which are included as inputs to generate output. The output is represented by SALES. The efficiency score resulting from this model is influenced by the characteristics and management of the company. Therefore, Tobit regression is used to extract the efficiency results.

Business Strategy

Miles et al. (1978) categorized organizational responses to environmental changes into three main strategic types, with two prominent ones being defenders and prospectors. Defenders focus on producing high-quality products at competitive prices to prevent competitors from entering their market. As a result, they emphasize cost efficiency, reducing uncertainty and risk, minimizing employee turnover, and maintaining operational and business stability. In contrast, prospectors adopt an entirely different approach. Their primary objective is to identify and exploit new products, markets, and opportunities. To achieve this, prospectors allocate, develop, and maintain significant resources dedicated to environmental scanning, identifying new market segments and areas for expansion, and creating new opportunities and products.

Business strategy is measured by four ratios (Ayem & Tarang, 2021):

1. Ratio of Employees to Sales
   The ability to produce and distribute products effectively is measured using this ratio. It is measured by:
$$EMP/SALES = \frac{\text{Total Employees}}{\text{Sales}}$$
2. Ratio of Market Value to Book Value
   Using this ratio, investment opportunities or historical growth can be calculated through the logarithm of the market value of assets. It is measured by:
$$MtoB = \frac{\text{Market Price of Shares}}{\frac{\text{Total Capital}}{\text{Number of Shares}}}$$
3. Ratio of Advertising Expense to Total Sales
   This measurement is used to determine the extent of a company's attention and responsiveness to the use of new goods and services. It is measured by:
$$Market = \frac{\text{Advertising Expense}}{\text{Sales}}$$
4. Ratio of Fixed Asset Intensity
   This measurement aims to determine the extent to which an organization focuses on its product assets in terms of technological efficiency (Anggraini et al., 2020). The measurement uses the following approach:
$$PPEINT = \frac{\text{Fixed Asset}}{\text{Total Asset}}$$

Hypothesis Development

$$\frac{\text{Fixed Asset}}{\text{Total Asset}}$$

Effect of Managerial Ability on Tax Avoidance

Managerial ability includes attributes like talent, quality, and reputation that influence corporate decision-making (Saragih et al., 2021). According to agency theory, managers (agents) know more about the company than shareholders (principals), potentially creating information asymmetry. Managers may use this to maximize their own interests, including minimizing tax burdens through avoidance (Laksono & Firmansyah, 2020). Prior research by Syarli (2022) and Saragih et al. (2021) confirms that greater managerial ability positively influences tax avoidance. Thus, the first hypothesis is:

H1 : Managerial ability positively affects tax avoidance.

Effect of Business Strategy on Tax Avoidance

Before starting a business process, a company's management typically formulates a business strategy (Pertiwi & Masripah, 2023). The business strategy implemented by the company can influence its tax avoidance practices (Arieftiara et al., 2020). In general, research on the relationship between business strategy and tax avoidance focuses on defender and prospector strategies, as these two approaches are fundamentally different (Harjito et al., 2022; Pratiwi & Pramita, 2021). The defender strategy emphasizes cost leadership and operational efficiency, which often leads to efforts to reduce taxes. On the other hand, prospectors—due to their aggressive pursuit of innovation, new products, and market expansion—have greater opportunities for tax planning (Herianti & Ritnawati, 2021).

Prospector-type firms tend to engage in tax avoidance more than defender-type firms (Faradiza, 2019; Harjito et al., 2022). Previous studies by Ayem & Tarang (2021), Kinasih et al. (2021), Sadjiarto et al. (2020), and Faradiza (2019) found that business strategy has a positive effect on tax reduction. This suggests that companies often undertake tax reduction efforts, regardless of whether they follow a defender or prospector strategy, possibly because neither strategy has been implemented effectively or consistently. As such, the failure to apply a consistent business strategy from year to year may impact the company's performance relative to its competitors. Based on the theoretical framework and previous research, the following hypothesis is proposed:

H2 : Business strategy positively affects tax avoidance.

METHODS

This study is related to the analysis of financial report data and focuses on manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2022 period. The data used in this research is secondary and quantitative, derived from the companies' financial statements. The financial statements analyzed cover the period from 2019 to 2022. The sample used in this study was selected using a purposive sampling technique based on specific criteria. The criteria for selecting the sample companies are as follows:

1. Manufacturing companies that have been listed on the Indonesia Stock Exchange (IDX) and have consistently published financial and annual reports during the 2019–2022 period.
2. Data Envelopment Analysis (DEA) is used to group companies based on manufacturing industry subsectors, forming Decision-Making Units (DMUs). A minimum of four companies in each subsector is required to ensure variation in DEA scores.
3. Manufacturing companies that possess complete and valid data required for this research.

The processing and analysis of research data were conducted to examine the influence of managerial capabilities and business strategies on tax avoidance. The quantitative data

obtained from data collection were analyzed using STATA version 17 and Microsoft Excel for statistical calculations. This study employs both time series data (sequential over time) and cross-sectional data (across different entities), thus using panel data regression for the analysis. The statistical tests performed using STATA include the Chow test, Lagrange Multiplier (LM) test, Hausman test, coefficient of determination test, t-test, and multiple linear regression analysis.

RESULTS AND DISCUSSION

This section is the main part of a research article and is usually the longest. The research results presented here are the "clean" outcomes, meaning that detailed data analysis processes such as statistical calculations and hypothesis testing are not required to be included. Only the final results of the analysis and hypothesis testing should be reported. Tables and graphs may be used to support and clarify the verbal presentation of the findings. These visual elements should be appropriately discussed or commented on in the text.

This study uses manufacturing companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2022 period as its research subjects. The selection of these companies is based on various phenomena and issues affecting the manufacturing sector. For data collection, this research uses financial statement analysis techniques in accordance with specific sampling criteria. As a result, certain samples were excluded from the study. The following table outlines the sample selection process:

Table 2. Criteria Sample

Information	Sample
Manufacturing companies registered on the IDX during the 2019–2022 period	241
Companies that were listed or delisted during the study period	77
Companies in manufacturing sub-sectors with fewer than 4 companies	14
Companies that did not consistently publish financial reports from 2019 to 2022	4
Total	145
Research Year	4
Total Sample	580

Source: Data processed (2024)

Descriptive Statistics

This analysis provides an overview of the data for each variable examined in this research, including tax avoidance, managerial ability, business strategy, leverage, and profitability. The test generates values for the mean, standard deviation, maximum, and minimum. The results obtained from the test, conducted using STATA statistical software, are presented as follows:

Table 3. Descriptive Statistical Analysis Results

Variables	Obs	Mean	Std. Deviation	Min	Maks
ABTD	580	-0.0111479	0.381884	-0.3784111	0.661386
MASCORE	580	0.87053	0.0454285	0.7426121	1
STRATEGY	580	0.287931	0.4531896	0	1
DER	580	-0.3955117	32.37051	-753.5417	114.2896
ROA	580	0.0564765	0.419839	-1.36932	8.302364

Source: Data processed (2024)

The mean value for the tax avoidance variable, measured using the ABTD proxy, was -0.0111479 or -1.11%. The lowest value, amounting to -0.3784111, was recorded by PT PANI

(Primarindo Asia Infrastructure Tbk) in 2021. The maximum ABTD value, 0.661386, was recorded by PT Duta Pertiwi Nusantara Tbk in 2022. For the managerial ability variable, represented by MASCORE, the mean value was 0.87053 or 87.05%, with a standard deviation of 0.0454285 or 4.54%. Since the mean is greater than the standard deviation (0.87053 > 0.0454285), this indicates that the data is evenly distributed. The minimum value, 0.7426121, was recorded by PT Sariguna Primatirta Tbk (CLEO) in 2019, while the maximum value, 1, was recorded by PT Astra International Tbk in 2022 and PT Unilever Indonesia Tbk in 2019 and 2020.

The next variable is business strategy, represented by STRATEGY, which had a mean value of 0.287931 or 28.78%. The minimum value, 0, corresponds to companies with a defender-type strategy, such as PT Semen Baturaja Tbk, PT Integra Indocabinet Tbk, and PT Merck Sharp Dohme Pharma Tbk, among others. The maximum value, 1, represents companies with a prospector-type strategy, including PT Yanaprima Hastapersada Tbk, PT Astra Otoparts Tbk, and PT Ricky Putra Globalindo Tbk.

For the leverage control variable, the mean value was -0.3955117. The minimum value, -753.5417, was recorded by PT Alumindo Light Metal Industry Tbk (ALMI) in 2019, while the maximum value, 114.2896, was recorded by PT Asia Pacific Investama Tbk (MYTX) in 2020. Another control variable is profitability, which had a mean value of 0.0564765 or 5.64%. The minimum value, -1.36932 or -136.94%, was recorded by PT Magna Investama Mandiri Tbk (MGNA) in 2019, while the maximum value, 8.302364, was also recorded by PT Magna Investama Mandiri Tbk in 2020.

Normality Test

The skewness-kurtosis test was conducted to assess the normality of the data in this study. If the skewness value is less than 3 and the kurtosis value is less than 10, the data is considered to be normally distributed. However, the test results showed that several variables were not normally distributed. To address this issue, a winsorization treatment was applied, following the method suggested by Matore & Khairani (2020). A 2% winsorization rate was used, which successfully transformed the variable data into a normally distributed form.

Table 4. Normality Test Results (After Winsorized)

Variables	Skewness	Kurtosis
ABTD_w	0.4514922	4.454181
MASCORE	-0.1591406	3.414007
STRATEGY	0.9367029	1.877412
DER_w	0.9627767	9.381915
ROA_w	0.4177136	5.21957

Source : Data processed 2024

Table 5 above shows that the skewness value is below 3 and the kurtosis value is less than 10. Therefore, these results indicate that the data is normally distributed.

Panel Data Testing

Panel data testing involves observations of objects over several consecutive time periods. According to Arieftiara et al. (2020), there are three models commonly used to determine the appropriate regression model for panel data analysis: the Common Effect Model, the Fixed Effect Model, and the Random Effect Model.

Table 5. Chow Test Results

Probability > F	0.0000
α	0.05

Source : Data processed (2024)

The Chow test was conducted to determine whether the Common Effect Model (CEM) or the Fixed Effect Model (FEM) is more appropriate. The test produced an F-probability value

of 0.0000, which is less than the significance level (α = 0.05). Therefore, based on the Chow test, the appropriate regression model to be used in this study is the Fixed Effect Model (FEM).

Table 6. LM Test Results

Probability > chi2	0.0000
α	0.05

Source : Data processed (2024)

The Lagrange Multiplier (LM) test is used to determine whether the Common Effect Model (CEM) or the Random Effect Model (REM) is more appropriate. The test results show a probability value of 0.0000, which is less than the significance level (α = 0.05). Therefore, based on the LM test, the appropriate regression model for this study is the Random Effect Model.

Table 7. Hausman Test Results

Probability > chi2	0.0000
α	0.05

Source : Data processed (2024)

Based on the test above, the probability result was 0.0004, which is less than the significance level (α = 0.05). Therefore, according to the Hausman test, the appropriate regression model for this study is the Fixed Effect Model. After performing all three model selection tests, it was concluded that the Fixed Effect Model is the most suitable for this research.

Classical Assumption Test

The classical assumption test is essential to determine whether the research model has any statistical issues. The test results revealed the presence of heteroscedasticity and autocorrelation problems in the research sample. The following section presents the results of the classical assumption tests along with the solutions applied to address these issues:

Table 8. Multikolinearitas Test Results

Variable	VIF	1/VIF
MASCORE	1.80	0.555350
STRATEGY	1.41	0.710966
DER_w	1.29	0.773657
ROA_w	1.16	0.860975

Source : Data processed (2024)

Based on Table 10 above, it can be concluded that there are no symptoms of multicollinearity, as the conditions are met—where all variables have VIF values less than 10 and 1/VIF values greater than 0.1. Therefore, the variables are not correlated with each other and are considered free from multicollinearity.

Table 9. Heteroscedasticity Test Results

Chi2 (145)	66.716,10
Prob>chi2	0.0000

Source : Data processed (2024)

The probability value resulting from the heteroscedasticity test is 0.0000, which is less than 0.05, indicating the presence of heteroscedasticity in the model. To address this issue, the researchers applied the Feasible Generalized Least Squares (FGLS) method to correct for both heteroscedasticity and autocorrelation. As a result, the model is assumed to be free from heteroscedasticity problems.

Table 10. Autocorrelation Test Results

Information	Test Results
Prob>F	0.0474

Source : Data processed (2024)

The result of the autocorrelation test was 0.0474, which is below the 0.05 threshold, indicating the presence of autocorrelation in the model. To address this issue, the Feasible Generalized Least Squares (FGLS) method was employed as a corrective measure for the fixed effects model, particularly in the presence of both heteroscedasticity and autocorrelation. This treatment effectively resolved the autocorrelation problem.

Hypothesis Testing

Table 11. Coefficient of Determination Test Results

R-Squared Overall	0,1497

Source: Data processed (2024)

The results of the coefficient of determination test showed a value of 0.1493 or 14.93%. This indicates that the dependent variable, tax avoidance, can be explained by the independent variables, namely managerial ability and business strategy, by 14.93%. The remaining 85.07% is likely influenced by other factors not included in this study.

Table 12. Test Results

Variables	Hypothesis	Regression Model Fixed Effect Model		
		Coefficients	T	Prob.
Cons		-0.1513346	-11.02	0.000
MASCORE	+	0.1638762	10.41	0.000
STRATEGY	+	-0.000813	-0.47	0.641
DER_w		-4.55	-0.01	0.989
ROA_w		-0.0868224	-13.42	0.000
Number of Obs				580

Source : Data processed (2024)

The t-test was conducted to determine the effect of each independent variable on the dependent variable. After performing the test, a comparison was made between the calculated t-value and the critical t-table value. Table 11 presents the test results, with the following interpretations:

1. Managerial Capability (MASCORE)
   Based on the test results, the coefficient for the managerial capability variable is 0.1638762, indicating a positive relationship with the dependent variable. The t-probability value obtained is 0.000, which is lower than the significance level of 0.05 (0.000 < 0.05). Additionally, the calculated t-value is 10.41, which is greater than the t-table value of 1.964105 (10.41 > 1.964105). Therefore, it can be concluded that H_1 is accepted and H_0 is rejected, meaning managerial capability has a significant effect on tax avoidance.
2. Business Strategy (STRATEGY)
   The test results for the business strategy variable show a coefficient value of -0.000813, indicating a negative relationship with tax avoidance. However, the t-probability value is 0.641, which is greater than the significance level of 0.05 (0.641 > 0.05). Furthermore, the calculated t-value of -0.47 is less than the t-table value of 1.964105 (-0.47 < 1.964105). Thus, it can be concluded that business strategy does not have a significant effect on tax avoidance, and therefore, H_1 is rejected and H_0 is accepted.

The Influence of Managerial Ability on Tax Avoidance

The first hypothesis tests whether managerial ability has a significant positive effect on tax avoidance. Based on the partial t-test conducted at a 5% significance level (α = 0.05), the results show that managerial ability positively influences tax avoidance. This is evidenced by the p-value for the managerial ability variable, which is 0.0000, less than the 5% significance level, and a coefficient of 0.1638762.

These findings indicate that managerial skills play an important role in determining tax avoidance practices. This aligns with the findings of Saragih et al. (2021), which show that managers play a strategic role in influencing tax planning and are closely associated with tax avoidance behavior.

The Influence of Business Strategy on Tax Avoidance

Based on the partial test results, business strategy has little to no effect on tax avoidance, as shown by the p-value of 0.641, which is greater than the 5% significance level, and a coefficient of -0.000813. Therefore, the second hypothesis is rejected, indicating no significant relationship between business strategy and tax avoidance.

This finding is consistent with the studies by Pertiwi & Masripah (2023), Nurrahmi & Rahayu (2020), Harianto (2020), and Anggraini et al. (2020), which concluded that business strategy does not significantly influence tax avoidance. Inconsistencies in the implementation of a company's business strategy may limit its usefulness as a benchmark for engaging in tax avoidance practices. Each company can determine its business strategy based on its internal capabilities and resource utilization, with a primary focus on ensuring business continuity (going concern) rather than tax avoidance.

CONCLUSION

Based on the findings of this study on the influence of managerial ability and business strategy on tax avoidance among manufacturing companies listed on the Indonesia Stock Exchange (IDX) during 2019–2022, the following conclusions are drawn:

a. Managerial ability has a proven positive effect on tax avoidance. This means that the higher the ability of managers in analyzing business environments and opportunities, the greater the tendency for companies to engage in tax avoidance to minimize tax burdens.
b. Business strategy has no significant effect on tax avoidance. Most manufacturing companies adopting a defender strategy tend to be more cautious and avoid taking risks associated with aggressive tax planning. This indicates that conservative strategies prioritize tax compliance.

Recommendations

Based on the findings of this research, several recommendations can be proposed to enhance the understanding and management of tax avoidance practices in Indonesia. For company management, it is important to continuously improve managerial capabilities, particularly in understanding tax regulations and identifying legitimate tax efficiency opportunities. Strengthening these capabilities can serve as an effective strategy for managing tax burdens while remaining compliant with applicable laws. For policymakers and tax authorities, the study's results can serve as valuable input for evaluating and strengthening oversight mechanisms. This is especially relevant for companies with high managerial competence, as they tend to exhibit a higher inclination toward tax avoidance practices. Enhanced monitoring of such companies may help ensure greater compliance and transparency. For future research, it is recommended to utilize clearer and higher-quality data sources, particularly in accessing annual and financial reports. Researchers are also encouraged to adopt more measurable and objective methods for identifying business strategies, rather than relying solely on advertising content or qualitative interpretations. Furthermore, expanding the scope of research to include other industrial sectors may provide a more comprehensive understanding

of tax avoidance behaviors across different industries. Future studies may also consider introducing moderating variables such as corporate governance or regulatory pressure to deepen insights into the factors influencing tax avoidance in Indonesia.

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