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DOES A BLOCK HOLDER'S POWER OVER TAX AVOIDANCE INCREASE WITH POLITICAL CONNECTIONS?

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Abstrak
Tax Avoidance cannot be separated from business management planning and statutory regulations which still have room for abuse. In practice, the interests of taxpayers and the state differ. Taxpayers try to pay as little tax as possible, because paying taxes weakens the economic function of taxes. On the other hand, the government needs funds to finance government administration, most of which comes from tax revenues. These differences in interests force taxpayers to reduce the amount of their tax payments, both legally and illegally. This research aims to analyze the direct impact of political block, blockholders consisting of families, institutions, countries and foreign controllers on tax avoidance. This research uses the causality method. The sample used was 109 company groups in 2018-2022 (1,090 panel data). Data analysis uses moderated regression analysis (MRA). Political connections and blockholders consisting of families and institutions have a significant influence on tax avoidance. Political connections moderate the influence of controlling shareholder families on tax avoidance at the 10-50% ownership limit. This shows that companies that have political connections and are controlled by families tend to avoid taxes. The results of this research support the resource dependency theory where political connections are used by companies as a resource in carrying out tax avoidance and as a way to lighten the tax burden, especially for companies controlled by families. This research is limited to a sample group without identifying the company's business strategy, whether related to diversification or unrelated diversification.
Keywords: *Politics connections, Blockholder, Tax Avoidance, Holding Company*

INTRODUCTION

Tax avoidance occurs even though laws and company management planning can still be violated. The interests of taxpayers and the government are different in its implementation. Because it reduces the economic capacity of taxes, taxpayers try to pay as little tax as possible. On the other hand, the government needs funds to finance government administration, most of which comes from taxes. With this difference in interests, taxpayers tend to reduce the amount of legal and illegal tax payments. The following is secondary information regarding the target and realization of tax revenues for 2015-2020:

Table 1.1
Comparison of Target and Actual Tax Revenue (in trillion rupiah)

Year	Target	Realization	Achievement Percentage
2015	1.294,26	1.061,66	82,03%
2016	1.355,20	1.105,66	81,59%
2017	1.283,57	1.151,66	89,72%
2018	1.424,00	1.313,32	92,23%
2019	1.575,56	1.332,83	84,49%
2020	1.198,82	1.072,04	89,42%

Source : Web Portal Direktur Jenderal Pajak

Based on the information above, the target and realization of tax revenue increases every year, where the increase in tax revenue shows that the government, especially the Ministry of Finance, and taxpayer compliance with regulations have a very synergistic role. To maximize the achievement of the government's tax revenue target, the government must fulfill taxpayer obligations. By following taxpayers in fulfilling tax obligations and regulations, the government can easily achieve the goal of maximum tax revenue. In 2021, the increase in state revenue reached 103.98% due to the government's tax incentive program which encourages taxpayers to pay their taxes amidst the Covid-19 pandemic. In 2022, the increase in revenue will reach

115.61% due to the PPS (Tax Amnesty Part 2) program, where many people who are not fully honest use this voluntary program to reveal their assets, increasing state revenue.

Indonesian tax regulations require taxpayers to calculate, pay and report their taxes to the government, which is known as the self-assessment system. This system was created by the government to make taxpayers more independent and responsible for their obligations. However, taxpayers can take advantage of the application of this tax law to reduce the amount of their debt, namely reducing company costs, including the tax burden, according to research by Astuti and Aryani, 2016. Countries and companies disagree with taxes because of this problem. Taxes are considered a burden that can reduce company income. Considering that taxes are the obligation of every citizen, the government will continue to use various methods to collect taxes from taxpayers so that government tax revenues increase. Because of these differences in interests, businesses seek to minimize the taxes they pay to the state. Tax evasion is one of the company's duties. According to Hartoto (2018), tax is a reduction in a company's net profit, managers try to minimize corporate income tax through tax evasion. Tax fraud is an attempt to avoid taxes carried out by taxpayers consciously, without violating existing tax regulations, by using methods and techniques that exploit the gray areas inherent in the tax laws and regulations themselves. with the aim of minimizing the tax owed (Pohan, 2019).

Tax Avoidance is considered a good strategy for companies to minimize the amount of tax that must be paid legally, because it can reduce the tax burden by exploiting loopholes in existing tax laws. However, tax avoidance can certainly harm the income that the government should receive. The tax evasion case that occurred in 2019 was carried out by PT. Adaro Energy Tbk, is suspected of tax evasion. PT. Adaro Energy Tbk is suspected of committing tax evasion through the application of transfer pricing, namely transferring large profits from Indonesia to companies that can be tax free or with low tax rates, this was done between 2009 and 2017. PT. Adaro Energy Tbk is suspected of carrying out this practice so that the company can pay taxes of IDR 1.75 billion, or $ 125 million, less than what should be paid in Indonesia. Based on this case, tax evasion occurred through transfer pricing (www.globalwitness.org). One of the plans implemented by multinational companies is the implementation of transfer pricing, where the company's tax obligations are transferred to several global companies with low taxes from countries with high taxes to generate profits for their subsidiaries (Sentanu, Ispriyarso, & Juliani, 2016). This method is widely used by companies that make transactions by giving a low transfer price to related parties who then sell at a high price, making large profits but paying low taxes.

Blockholders are major shareholders who have significant control rights (exceeding a threshold) and are not controlled by other parties (Claessens et al., 2002; Edmans, 2014; La Porta et al., 1999). Indonesian Financial Accounting Standards (PSAK) 65 regulates that control is deemed to exist if you have more than 50% of the voting rights, either directly or indirectly, in a company. In the realm of public companies, the term "controller" refers to Financial Services Authority (OJK) Regulation Number 9/POJK.04/2018. OJK defines a controlling shareholder as a party who directly or indirectly owns shares in a public company of more than 50% of all shares with fully paid voting rights; or can determine, either directly or indirectly, in any way, the management and/or policies of a Public Company. The calculation of blockholder ownership thresholds in POJK Number 9/POJK.04/2018 applies to non-financial business sectors. There are different criteria for blockholder ownership limits for the banking, insurance, pension fund, financing and guarantee industries as regulated in OJK Regulation Number 4/POJK.05/2013, namely 25% or more of the number of shares issued and with voting rights. The research results of Handoko et al. (2022) found that blockholder ownership plays a role in weakening the influence of political connections on tax avoidance in Indonesia, a country with many companies with concentrated ownership. The higher the percentage of

shares owned by blockholders, the lower the level of tax avoidance, thereby mitigating agency problems II related to entrenchment and expropriation of minority shareholders.

This research is in line with research conducted by Wiliandri (2011) which states that blockholder ownership has a negative and insignificant effect on company debt policy. This research contradicts Jatmiko (2013) which states that blockholder ownership has a positive and significant effect on company debt policy. Furthermore, company size is the size or size of the assets owned by the company (Mulianti, 2010). Large companies find it easier to obtain loans because the value of the assets used as collateral is greater. Apart from that, large companies also have greater taxable income than small companies. Therefore, large companies should operate at high levels of debt to save money.

Research conducted by JP Boone et al. (2012) with the title Religiosity and tax avoidance, which does not discuss Block holders. Next is research conducted by Dessy Juliana et al. (2022) with the title The Influence of Corporate Social Responsibility, Transfer Pricing and Political Connections on Tax Avoidance which does not yet discuss block holders. Based on the description of the research gap phenomenon that the author put forward above, no previous research has comprehensively tested the role of political connections in moderating the influence of Block holders, Political Connections on Tax Avoidance. Based on this, the researcher is interested in conducting research on this article by taking the research object of Conglomerates Company listing on the Indonesian Stock Exchange in 2013-2022. So this research has high originality and novelty.

LITERATUR REVIEW

Financial Management

Financial management is an important aspect that must exist in a company. According to Wijayanto (2013), financial management is a unit that carries out the function of obtaining and allocating funds in accordance with company objectives. According to Horne and Wachowicz (2012), as translated by Mubarakah, financial management is related to asset acquisition, funding and asset management based on several general purpose.

Tax Avoidance

According to Pohan Chairil Anwar (2014:41) said that: "Tax Avoidance is an effort to avoid taxes carried out legally and safely for Taxpayers without conflicting with applicable tax provisions (not contrary to the law) where methods and techniques "those used tend to take advantage of the weaknesses (gray areas) contained in the Tax Laws and Regulations themselves to reduce the amount of tax payable." Tax avoidance occurs before the SKP is issued, in this tax avoidance, taxpayers do not clearly violate the law even though sometimes they clearly interpret the law not in accordance with the aims and objectives of the legislator (Diana Sari, 2013: 51). Meanwhile, according to Mardiasmo (2016: 11) Tax Avoidance is an effort to lighten the tax burden by not violating the law. Based on the definition above, it can be concluded that tax avoidance is tax avoidance that can be carried out by taxpayers by exploiting the weaknesses of tax laws and regulations.

Blockholder

Blockholders are the majority shareholders of a company. Previous research by Abdullah (2006) and Elloumi and Gueyle (2001) shows that there is a negative relationship between blockholder ownership and company financial difficulties. In this research, majority share ownership is the number of share owners by individuals and non-directors where share ownership is more than 5% of the company's total shares.

Agency Theory

This theory was first developed by Jensen and Meckling in 1976. Agency theory explains the relationship between company management as agents who act as decision makers in running the company and shareholders as principals who are company owners or investors and evaluate information. In the relationship between the manager (agent) and the shareholder (principal), conflict occurs due to differences in interests (Jensen & Meckling, 1976). An agency relationship occurs when one party (principal) hires another party (agent) to perform work or services and delegates the authority to make decisions to the agent (Anthony & Govindarajan, 2012: 269). Managers (agents) have the responsibility to carry out their duties and performance in managing the company to the company owner (principal), for example disclosing financial performance through financial reports published by the company is a tool that can be used for decision making. The transfer of authority from the principal to the agent creates problems of information asymmetry between the principal as the shareholder and the agent as the manager or administrator of the company. The nature of the ownership structure of a company can influence the type of agency problem which is most likely a conflict of interest between company managers and shareholders (Noviastika et al., 2016).

Research conducted by Jensen and Meckling (in Miglani et al. 2015) argues that with large share ownership in the company, blockholders have the incentive to monitor all actions and decision making carried out by company managers. This aims to be a means of maximizing the value of share ownership held by blockholders. With large share ownership in a company, of course blockholders expect managers to work optimally so as to minimize potential losses due to financial difficulties or company failure. According to Ely and Song (in Miglani, et al. 2015) the presence of blockholders in a company puts pressure on company management to take the right decisions and actions.

If the ownership structure of a company has the largest percentage of ownership controlled by controlling shareholders, then it is very possible that the decisions taken by management are dominated by controlling or majority shareholders, because minority shareholders have a much smaller proportion of ownership. Majority control makes it easier for owners to control various policies, one of which is debt policy.

Shareholding

According to Pramoto (2009:37), in general there are three types of terms related to the issuance of ordinary shares by companies, namely: (1) Authorized common shares are the number of ordinary shares listed in the company's articles of association (AD) and bylaws (ART). These authorized common shares reflect the limit on the number of common shares that can be issued by the company. (2) Issued common shares are the number of ordinary shares that have been issued by the company to the public through the capital market. (3) Outstanding common shares are the number of ordinary shares still circulating in the public. These outstanding shares reflect ownership of the company.

Size

Company Size (Firm Size) According to Brigham & Houston (2011:4) company size is the scale of the size of the company which can be classified based on various ways, including the size of income, total assets and total equity. Company size is a scale of measurement seen from the total assets of a company or organization that combines and organizes various resources with the aim of producing goods or services for sale.

Profitability

According to Kasmir (2014: 196), the profitability ratio is a ratio to assess a company's ability to make a profit. This ratio also provides a measure of the level of management efficiency of a company. This is shown by the profits generated from sales and investment income. The point is that the use of this ratio shows the company's efficiency. The use of profitability ratios can be done by using comparisons between various components in the financial statements,

especially the comprehensive income statement and balance sheet. Measurements can be carried out for several operating periods. Although there are various indicators for assessing profitability that are commonly used by companies, researchers will use the ROA ratio, with the reason that ROA takes into account the ability of bank management to achieve profitability and overall managerial efficiency. Return on Assets (ROA) is a profitability ratio that is often used by companies to find out how far the assets used can generate profits. Return on Assets (ROA) is a measurement of a company's overall ability to generate profits with the total number of assets available within the company. ROA is used to see the overall level of company operating efficiency. The higher this ratio, the better the company.

Theoretical Models and hypotheses

Maulana and Wati (2019) stated that political connections can provide impact on tax availability. Companies can get special treatment if they have political connections, including the low risk of tax audits which makes companies more aggressive in implementing tax planning, and the ease of obtaining capital loans. However, carrying out tax planning actions also does not escape the risks that companies must face, one of which is decreasing the transparency of financial reports, and as a result of reducing the transparency of financial reports, it will result in the loss of investors, but this can be replaced by the role of the government which can be the main funder.

Apart from that, the difference between companies that have political connections with the government and similar companies that do not have political connections can be seen from the company's level of tax avoidance, and it has been proven that companies that have political connections have a significantly high level of tax avoidance. Research conducted by Ahmad Fajri & Dr. M Khoiru Rusydi, (2016); (Khoirunnisa Asadanie & Venusita, 2020) found that Political Connections had a positive effect on Tax Avoidance, while research conducted by Shinta Meilina Purwanti & Listya Sugiyarti, (2017) found that Political Connections had a significant effect on Tax Avoidance. Departing from the description above, the hypothesis that can be formulated is as follows:

H1: Political connections have a positive effect on Tax Avoidance

Avoidance by Ying et al. (2017) show that political connections and concentrated ownership encourage companies to carry out aggressive tax avoidance. The main idea underlying the relationship between concentrated ownership and tax avoidance is the agency problem. The agency perspective on tax avoidance suggests that concentrated ownership leads to greater incentives to avoid taxes (Desai & Dharmapala, 2008). Agent theory explains that concentrated ownership will cause two different views, namely the alignment effect and the entrenchment effect.

In Indonesia, controlling shareholders in public companies tend to make decisions that benefit their interests but can be detrimental to minority shareholders (OJK, 2014). If it is related to the relationship between political connections and tax avoidance, the effect that can be strengthened is the entrenchment effect. This means that the controlling shareholder theoretically profitability can also increase with political connections. can use their voting rights to achieve desired goals, including appointing a board of commissioners and directors who have political connections. The greater the concentration of control rights, the greater the possibility that the majority shareholder obtains private benefits (Shleifer & Vishny, 1997).

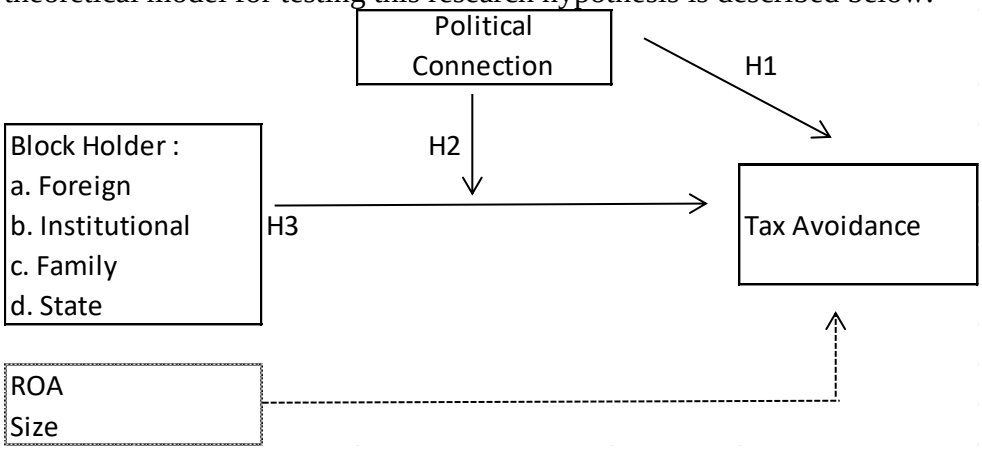
Based on the description above, coupled with this report, more than 70% of companies in Indonesia have one controlling shareholder. This shows the strong role of blockholder ownership in tax avoidance through political connections. Thus, the following hypothesis is proposed:

H2 : Political connections moderate the influence of block holders on Tax Avoidance

Institutional ownership is the percentage of shares owned by institutions and blockholder ownership (investors with a share ownership position of at least 5%). The higher institutional ownership is expected to be able to create better control. Institutional ownership will encourage increased effectiveness of management performance monitoring. Based on research by Vidiyanna and Bella (2017), the results show that institutional ownership has a significant effect on tax avoidance. Meanwhile, according to Damayanti and Susanto (2015) institutional ownership has no effect on tax avoidance, the results of this research are contradictory because institutional owners are less concerned with the company's image as long as the company can maximize the welfare of institutional owners even though there is management behavior in making decisions, especially in terms of taxes, namely in tax avoidance actions.

H3 : Block Holder has a positive effect on Tax Avoidance

Then, in this research there are also control variables, namely company size and profitability, the results of which have a significant positive effect on Tax Avoidance. The theoretical model for testing this research hypothesis is described below:



METHODS

This type of research is a quantitative method. Secondary data used in this research is 109 group companies from 2018-2022 (1090 panel data). Data analysis used moderated regression analysis (MRA) with the Eviews program. Moderation hypothesis testing was carried out using moderated regression analysis (MRA). A variable that can be said to be a moderating variable will be declared meaningful or significant if the significant t value is smaller than 0.05. The criteria used as a basis for comparison are as follows:

- The hypothesis is rejected if tcount < ttable or Sig value. > 0.05
- The hypothesis is accepted if tcount > ttable or Sig value < 0.05

Meanwhile, this research includes the variables described in the following table:

Table 3.1
Variable Operational Table

Variable	Concept	Indicator	Source Reference
Block Holder X2 (Independent)	The measurement of institutional ownership used in this research is by comparing total institutional share ownership with total outstanding shares.	Number of institutional shares/ Total shares outstanding x 100% Dummy Variables: 1= if the company is controlled by institutions 0= if the company is not controlled by institutions	Patricia, Brien, & Bhushan (1990), Susanti et al, (2013), Anderson et al. (2003). Kim (2006), Bae et al, (2011), Eforis (2017) Susanti et al, (2013) Anderson et al. (2003). Kim (2006), Bae et al, (2011) Eforis (2017)
	The foreign ownership referred to is the source of the percentage of shares owned by foreign parties at the end of the year	Number of foreign shares/ Total shares outstanding x 100% Dummy Variables: 1= if the company is controlled by institutions 0= if the company is not controlled by institutions	Patricia, Brien, & Bhushan (1990), Susanti et al, (2013), Anderson et al. (2003). Kim (2006), Bae et al, (2011), Eforis (2017) Susanti et al, (2013) Anderson et al. (2003). Kim (2006), Bae et al, (2011) Eforis (2017) Butje & Tjondro, (2014), Frisman (2001), Leuz et al, (2006)
	Family Ownership uses the percentage of shares owned by the family in the company's share structure	FAM = Number of shares owned by the family: total shares outstanding Dummy Variables: 1= if the company is controlled by institutions 0= if the company is not controlled by institutions	
	State ownership will be measured by the percentage of shares owned by the government divided by the total number of shares outstanding at the end of the year	Number of state shares/ Total shares outstanding x 100% Jumlah saham yang beredar Dummy Variables: 1= if the company is controlled by institutions 0= if the company is not controlled by institutions	
Koneksi Politik (Moderating)	A company is said to have political connections if at least one major shareholder (a person who has at least 10 percent of the voting rights based on the number of shares owned) or one of the leaders (CEO, president director, vice president	Political connections are measured using a dummy variable where 0 (zero) states there is no political connection through the company's directors and 1 (one) states there is a political connection through the company's directors, board of	

Variable	Concept	Indicator	Source Reference
	director, head of department or secretary) is a member of parliament , minister, or have close ties to political figures or parties	commissioners and audit committee.	
Tax Avoidance (Y) (Dependent)	Tax Avoidance is an effort by taxpayers to take advantage of opportunities (loopholes) that exist in the tax law, so that taxpayers pay lower taxes than they should.	*Effective Tax Rate* = Total tax burden: Profit before tax	Diantri et al, (2016)

FINDINGS AND DISCUSSION

Sample Selection and Data Collection

The sample that meets the criteria and can be used in this research is 109 companies from 2013 to 2022. The following is a table of descriptive statistical analysis results:

Table 4.1
Variable Description

	N	Min	Max	Mean	Std.Dev
ETR	109	-33,4055	20,20485	0,312538	1,869956
Politic Connection	109	0	1	0,40404	0,490705
ROA	109	-10,8894	4,693277	0,020391	0,391993
Size	109	18,00627	35,22819	27,45456	4,318474

Source: IDX data is processed

The shareholders in conglomerate companies using 5 cutoff limits as carried out in previous research by Faccio and Lang, 2003, namely at cutoffs of 10% 20% 30% 40% 50%. Based on the data table in conglomerate companies, it shows that the family is the most important controlling shareholder, namely 41% at the 10% cutoff, 40% at the 20% cutoff, 39% at the 30% cutoff, 39% at the 40% cutoff , 42% at the 50% cutoff.

Hypothesis testing

Hypothesis testing in this research used eviews software version 12. Testing was carried out using the Common Effect Model method. using General Least Square (weighted cross section) because the panel data in this study has a smaller amount of time compared to the number of individuals (Nachrowi, 2016) and contains heteroscedasticity. Table 4.4 below explains the results of hypothesis testing using eviews version 12 software:

Table 4.3
Research Model I Test Results

$ETR = \alpha + \beta 1\ PC + \beta 2\ ROA + \beta 3\ SIZE + e$ …

Variabe	Predict	Main Model	Sig	Hypotesis	Robust Model	Sig	Hypotesis
C		0,609706			0,273787		
PC	β+	0,072138	Sig***	Accepted	0,039606	Sig***	Accepted
		(7,485426)			(3,433688)		
ROA	β+	0,076903	Sig***		-		
		(2,940216)			-		
Size	β+	-0,012558	Not		-		
		(6,085250)			-		
R-squared		0,071708			0,010720		
Adjusted R-squared		0,069144			0,009811		
F-statistic		2,796355			11,79021		

*** Statistically supported at 1% alpha, at 5% alpha, at 10% alpha

The results of hypothesis testing in the table above can be explained as follows:

Hypothesis test (H1)

The regression coefficient obtained from the influence of the political connection variable on tax avoidance is 0.072138 with a t-statistic value of 7.485426 > 1.96 at a significance level = 0.01 (1%) with a significance value of 0.0000 < 0.01 which is states that political connections have a positive and significant effect on tax avoidance. The regression coefficient value of 0.072138 can be interpreted as if political connections increase by 1, then tax avoidance will increase by 0.072138 and vice versa. If political connections decrease by 1, then tax avoidance will decrease by 0.072138. The research results support the first hypothesis where there is a positive and significant influence between political connections on tax avoidance. Thus the hypothesis (H1) is accepted.

The research model in table 3.3 above can be explained as follows:

ETR = 0,072138PC + 0,076903ROA – 0,012558SIZE + *e*...

A constant value of 0.069084 can be interpreted as without the existence of independent and control variables, tax avoidance will increase by 0.072138. The Adjusted Rsquare (determination) value is 0.071708, meaning that tax avoidance is influenced by political connections, ROA and Size is 7.1708% and the remaining 92.8292% is influenced by other factors outside the research. Based on the robust test, the research model is quite sensitive, where when the control variables are dropped, all regression coefficients are still the same as the research model, but the political connection variable is not significant (output in the attachment).

Table 4.4
Research Model II Test Results

ETR = α + PC*β1 FRG10 + PC*β2 INST10 + PC*β3 FAM10 + PC*β4 STATE10 + β5 ROA + β6 SIZE + e …

	Main Model														
	Cut Off														
	10%	Signifikan	Hipotesis	20%	Signifikan	Hipotesis	30%	Signifikan	Hipotesis	40%	Signifikan	Hipotesis	50%	Signifikan	Hipotesis
C	0,727042			0,731354			0,697429			0,63929			0,628672		
PC*FRG	0,023539	Tidak signifikan	Ditolak	-0,001041	Tidak signifikan	Ditolak	0,020129	Tidak signifikan	Ditolak	-0,047047	Tidak signifikan	Ditolak	0,168794	Signifikan***	Diterima
T-statistik	(0,968121)			(-0,038071)			(0,687670)			(-1,469910)			(3,784419)		
PC*INST	-0,081161	Tidak signifikan	Ditolak	-0,041925	Tidak signifikan	Ditolak	-0,054480	Tidak signifikan	Ditolak	0,092949	Signifikan***	Diterima	0,090025	Tidak signifikan	Ditolak
T-statistik	(-2,072619)			(-1,119509)			(-1,926502)			(3,974068)			(2,369206)		
PC*FAM	0,024267	Tidak signifikan	Ditolak	0,066088	Tidak signifikan	Ditolak	0,095004	Signifikan***	Diterima	-0,071384	Tidak signifikan	Ditolak	0,00379	Tidak signifikan	Ditolak
T-statistik	(0,640247)			(1,800552)			(3,324674)			(-3,135786)			(0,178207)		
PC*STATE	0,084283	Tidak signifikan	Ditolak	0,116898	Tidak signifikan	Ditolak	0,101568	Tidak signifikan	Ditolak	0,092152	Tidak signifikan	Ditolak	0,181030	Signifikan***	Diterima
T-statistik	(2,948184)			(2,977776)			(3,240732)			(2,920236)			(4,483912)		
ROA	0,076709	Signifikan		0,065341	Tidak signifikan		0,06797	Tidak signifikan		0,08504	Tidak signifikan		0,0534	Tidak signifikan	
T-statistik	(2,639009)			(2,287102)			(2,353509)			(2,808150)			(2,160194)		
Size	-0,016172	Tidak signifikan		-0,016694	Tidak signifikan		-0,015724	Tidak signifikan		-0,013035	Tidak signifikan		-0,014998	Tidak signifikan	
T-statistik	(-6,995058)			(-6,836134)			(-6,223804)			(-5,368433)			(-5,248951)		
R-squared	0,064766						0,053623			0,047335			0,056811		
Adjusted R-squared	0,059585						0,04838			0,042057			0,051585		
F-statistic	1,249980						1,02274			8,968484			1.087.197		

*** Statistically supported at 1% alpha, at 5% alpha, at 10% alpha

	Robust Model														
	Cut Off														
	10%	Signifikan	Hipotesis	20%	Signifikan	Hipotesis	30%	Signifikan	Hipotesis	40%	Signifikan	Hipotesis	50%	Signifikan	Hipotesis
C	0,295929			0,286315			0,284818			0.310275			0,239459		
PC*FRG	-0,02762	Tidak signifikan	Ditolak	-0,025161	Tidak signifikan	Ditolak	-0,0122	Tidak signifikan	Ditolak	-0.052674	Tidak signifikan	Ditolak	0,127488	Tidak signifikan	Ditolak
T-statistik	(-1,135865)			(-0,858806)			(-0.377431)			(-1,8465)51			(2,254806)		
PC*INST	-0,082046	Tidak signifikan	Ditolak	-0,068804	Tidak signifikan	Ditolak	-0,113245	Tidak signifikan	Ditolak	0.110852	Signifikan***	Diterima	0,039466	Tidak signifikan	Ditolak
T-statistik	(-1,988152)			(-1,9294)45			(-4618891)			(5,332287)			(0,924776)		
PC*FAM	0,046729	Tidak signifikan	Ditolak	0,080543	Tidak signifikan	Ditolak	0,125988	Signifikan***	Diterima	-0.115637	Tidak signifikan	Ditolak	0,018887	Tidak signifikan	Ditolak
T-statistik	(1,151291)			(2,268285)			(4,854098)			(-6,241449)			(1,029842)		
PC*STATE	0,020159	Tidak signifikan	Ditolak	0,020091	Tidak signifikan	Ditolak	0,019431	Tidak signifikan	Ditolak	0.030651	Tidak signifikan	Ditolak	0,124026	Tidak signifikan	Ditolak
T-statistik	(0,505541)			(0,553829)			(0,419719)			(0,707330)			(2,682519)		
R-squared	0,012773			0,006095			0,024613			0.038845			0,012048		
Adjusted R-squared	0,009134			0,002431			0,021017			0.035302			0,008405		
F-statistic	3,509554			1,663512			6.844.706			1,0962620			3,307736		

*** Statistically supported at 1% alpha, at 5% alpha, at 10% alpha

The results of hypothesis testing in table 3.4 above show that there are political connections in conglomerate companies whose share ownership is held by the family and the state with cutoff limits of 30%, 40% and 50%. The presence of high-ranking officials or former high-ranking officials is able to bridge tax activities including tax rate relief and various conveniences. This result is strengthened by the significant ROA results. Another finding is that agency ownership is moderated by political connections at the 40% cutoff, then foreign ownership is moderated by political connections at the 50% cutoff.

Table 4.5
Research Model III Test Results

ETR = α + β1 PC + β2 FRG10 + β3 INST10 + β4 FAM10 + β5 STATE10 + β6 ROA + β7 SIZE + e …

	Main Model														
	Cut Off														
	10%	Signifikan	Hipotesis	20%	Signifikan	Hipotesis	30%	Signifikan	Hipotesis	40%	Signifikan	Hipotesis	50%	Signifikan	Hipotesis
C	0,551229			0,543483			0,440775			0,701368			0,511985		
PC	0,058582	Signifikan***	Diterima	0,061543	Tidak signifikan	Ditolak	0,048947	Signifikan***	Diterima	0,072211	Signifikan***	Diterima	0,045667	Signifikan***	Diterima
T-statistik	(4,320186)			(-4,200877)			(3,370513)			(4,673722)			(3,297037)		
FRG	-0,037457	Tidak signifikan	Ditolak	0,014926	Tidak signifikan	Ditolak	0,057475	Tidak signifikan	Ditolak	-0,02388	Tidak signifikan	Ditolak	0,177371	Signifikan***	Diterima
T-statistik	(-1,634514)			(0,470892)			(2,310378)			(-0,782501)			(4,504244)		
INST	-0,096442	Tidak signifikan	Ditolak	-0,055752	Tidak signifikan	Ditolak	-0,03106	Tidak signifikan	Ditolak	0,079463	Tidak signifikan	Ditolak	0,227727	Signifikan***	Diterima
T-statistik	(-3,523105)			(-1,681261)			(-1,229441)			(-5,612014)			(5,790910)		
FAM	0,052362	Tidak signifikan	Ditolak	0,133175	Signifikan***	Diterima	0,152197	Signifikan***	Diterima	-0,069151	Tidak signifikan	Ditolak	0,150737	Signifikan***	Diterima
T-statistik	(1,641424)			(5,108263)			(8,069671)			(-2,628584)			(3,992763)		
STATE	0,03189	Tidak signifikan	Ditolak	0,087004	Tidak signifikan	Ditolak	0,118763	Signifikan***	Diterima	0,122973	Signifikan***	Diterima	0,291267	Signifikan***	Diterima
T-statistik	(-0,906185)			(2,071114)			(4,187548)			(3,807419)			(6,949907)		
ROA	0,071802	Tidak signifikan		0,038379	Tidak signifikan		0,035385	Tidak signifikan		0,05013	Tidak signifikan		0,066507	Tidak signifikan	
T-statistik	(-2,265821)			(1,678525)			(1,492029)			(2,133424)			(2,501183)		
Size	-0.009676	Tidak signifikan		-0.013280	Tidak signifikan		-0.011162	Tidak signifikan		-0,017592	Tidak signifikan		-0,01541	Tidak signifikan	
T-statistik	(-3,414150)			(-5,003328)			(-4,136432)			(-6,458688)			(-5,781426)		
R-squared	0,048356			0,062116			0,086802			0,154884			0,089993		
Adjusted R-squared	0,042199			0,056048			0,080894			0,149417			0,084106		
F-statistic	7,854275			10,23722			14,69242			28,32824			15,28596		

*** Statistically supported at 1% alpha, at 5% alpha, at 10% alpha

	Robust Model														
	Cut Off														
	10%	Signifikan	Hipotesis	20%	Signifikan	Hipotesis	30%	Signifikan	Hipotesis	40%	Signifikan	Hipotesis	50%	Signifikan	Hipotesis
C	0,426274			0,204555			0,173488			0,283506			0,121321		
PC	0,031447	Tidak signifikan	Ditolak	0,040478	Tidak signifikan	Ditolak	0,034237	Tidak signifikan	Ditolak	0,063317	Signifikan***	Diterima	0,04326	Signifikan***	Diterima
T-statistik	(2,108034)			(2,427017)			(2,083308)			(4,484701)			(3,433411)		
FRG	-0,124802	Tidak signifikan	Ditolak	0,007879	Tidak signifikan	Ditolak	0,043455	Tidak signifikan	Ditolak	-0,076752	Tidak signifikan	Ditolak	0,133663	Signifikan***	Diterima
T-statistik	(-6,626848)			(0,275467)			(1,727537)			(-2,651233)			(3,752252)		
INST	-0,174762	Tidak signifikan	Ditolak	-0,055358	Tidak signifikan	Ditolak	-0,04691	Tidak signifikan	Ditolak	0,012301	Tidak signifikan	Ditolak	0,177743	Signifikan***	Diterima
T-statistik	(-7,414810)			(-1,816782)			(-1,868536)			(0,882137)			(4,555817)		
FAM	0,020033	Tidak signifikan	Ditolak	0,12616	Signifikan***	Diterima	0,139267	Signifikan***	Diterima	-0,057362	Tidak signifikan	Ditolak	0,143521	Signifikan***	Diterima
T-statistik	(0,735306)			(5,608149)			(7,312545)			(-2,165736)			(4,168037)		
STATE	-0,063306	Tidak signifikan	Ditolak	0,024834	Tidak signifikan	Ditolak	0,043854	Tidak signifikan	Ditolak	0,018419	Tidak signifikan	Ditolak	0,195227	Signifikan***	Diterima
T-statistik	(-1,975070)			(0,825329)			(1,484918)			(0,491849)			(4,487817)		
R-squared	0,063304			0,036964			0,063684			0,033202			0,034374		
Adjusted R-squared	0			0,032522			0			0			0		
F-statistic	14,65184			8,32131			14,74569			7,445387			7,717635		

*** Statistically supported at 1% alpha, at 5% alpha, at 10% alpha

Table 4.6
Research Model III Test Results

ETR = α + PC*β1 FRG10 + PC*β2 INST10 + PC*β3 FAM10 + PC*β4 STATE10 + β5 ROA + β6 SIZE + e …

	Main Model														
	Cut Off														
	10%	Signifikan	Hipotesis	20%	Signifikan	Hipotesis	30%	Signifikan	Hipotesis	40%	Signifikan	Hipotesis	50%	Signifikan	Hipotesis
C	0,727042			0,731354			0,697429			0,63929			0,628672		
PC*FRG	0,023539	Tidak signifikan	Ditolak	-0,001041	Tidak signifikan	Ditolak	0,020129	Tidak signifikan	Ditolak	-0,047047	Tidak signifikan	Ditolak	0,168794	Signifikan***	Diterima
T-statistik	(0,968121)			(-0,038071)			(0,687670)			(-1,469910)			(3,784419)		
PC*INST	-0,081161	Tidak signifikan	Ditolak	-0,041925	Tidak signifikan	Ditolak	-0,054480	Tidak signifikan	Ditolak	0,092949	Signifikan***	Diterima	0,090025	Tidak signifikan	Ditolak
T-statistik	(-2,072619)			(-1,119509)			(-1,926502)			(3,974068)			(2,369206)		
PC*FAM	0,024267	Tidak signifikan	Ditolak	0,066088	Tidak signifikan	Ditolak	0,095004	Signifikan***	Diterima	-0,071384	Tidak signifikan	Ditolak	0,00379	Tidak signifikan	Ditolak
T-statistik	(0,640247)			(1,800552)			(3,324674)			(-3,135786)			(0,178207)		
PC*STATE	0,084283	Tidak signifikan	Ditolak	0,116898	Tidak signifikan	Ditolak	0,101568	Tidak signifikan	Ditolak	0,092152	Tidak signifikan	Ditolak	0,181030	Signifikan***	Diterima
T-statistik	(2,948184)			(2,977776)			(3,240732)			(2,920236)			(4,483912)		
ROA	0,076709	Signifikan		0,065341	Tidak signifikan		0,06797	Tidak signifikan		0,08504	Tidak signifikan		0,0534	Tidak signifikan	
T-statistik	(2,639009)			(2,287102)			(2,353509)			(2,808150)			(2,160194)		
Size	-0,016172	Tidak signifikan		-0,016694	Tidak signifikan		-0,015724	Tidak signifikan		-0,013035	Tidak signifikan		-0,014998	Tidak signifikan	
T-statistik	(-6,995058)			(-6,836134)			(-6,223804)			(-5,368433)			(-5,248951)		
R-squared	0,064766						0,053623			0,047335			0,056811		
Adjusted R-squared	0,059585						0,04838			0,042057			0,051585		
F-statistic	1,249980						1,02274			8,968484			1.087.197		

*** Statistically supported at 1% alpha, at 5% alpha, at 10% alpha

	Robust Model														
	Cut Off														
	10%	Signifikan	Hipotesis	20%	Signifikan	Hipotesis	30%	Signifikan	Hipotesis	40%	Signifikan	Hipotesis	50%	Signifikan	Hipotesis
C	0,295929			0,286315			0,284818			0.310275			0,239459		
PC*FRG	-0,02762	Tidak signifikan	Ditolak	-0,025161	Tidak signifikan	Ditolak	-0,0122	Tidak signifikan	Ditolak	-0.052674	Tidak signifikan	Ditolak	0,127488	Tidak signifikan	Ditolak
T-statistik	(-1,135865)			(-0,858806)			(-0.377431)			(-1,8465)51			(2,254806)		
PC*INST	-0,082046	Tidak signifikan	Ditolak	-0,068804	Tidak signifikan	Ditolak	-0,113245	Tidak signifikan	Ditolak	0.110852	Signifikan***	Diterima	0,039466	Tidak signifikan	Ditolak
T-statistik	(-1,988152)			(-1,9294)45			(-4618891)			(5,332287)			(0,924776)		
PC*FAM	0,046729	Tidak signifikan	Ditolak	0,080543	Tidak signifikan	Ditolak	0,125988	Signifikan***	Diterima	-0.115637	Tidak signifikan	Ditolak	0,018887	Tidak signifikan	Ditolak
T-statistik	(1,151291)			(2,268285)			(4,854098)			(-6,241449)			(1,029842)		
PC*STATE	0,020159	Tidak signifikan	Ditolak	0,020091	Tidak signifikan	Ditolak	0,019431	Tidak signifikan	Ditolak	0.030651	Tidak signifikan	Ditolak	0,124026	Tidak signifikan	Ditolak
T-statistik	(0,505541)			(0,553829)			(0,419719)			(0,707330)			(2,682519)		
R-squared	0,012773			0,006095			0,024613			0.038845			0,012048		
Adjusted R-squared	0,009134			0,002431			0,021017			0.035302			0,008405		
F-statistic	3,509554			1,663512			6.844.706			1,0962620			3,307736		

*** Statistically supported at 1% alpha, at 5% alpha, at 10% alpha

The results of hypothesis testing in table 3.4 above show that there are political connections in conglomerate companies whose share ownership is held by the family and the state with cutoff limits of 30%, 40% and 50%. The presence of high-ranking officials or former high-ranking officials is able to bridge tax activities including tax rate relief and various conveniences. This result is strengthened by the significant ROA results. Another finding is that agency ownership is moderated by political connections at the 40% cutoff, then foreign ownership is moderated by political connections at the 50% cutoff. The results of this research indicate that company ownership structure plays a role in determining political connections in conglomerate companies. Family and state controlling shareholders in politically connected companies tend to dominate the board of commissioners so that they can make deals with government officials and enjoy exclusive benefits between them, this is in accordance with research by Chen et al, 2011.

Furthermore, from the model 3 test, state controlling shareholders have a positive and significant effect on ETR at all cutoff limits, namely 10%, 20%, 30%, 40%, 50% at a significance level of 1%. Meanwhile, controlling shareholders of public companies only have a positive effect on ETR at the 50% limit. The family controlling shareholder has a positive influence only on ETR at the limits of 20%, 30%, 50%. Furthermore, foreign control shareholders are significant only at the 50% cutoff. Based on the analysis results, the higher the cutoff limit, the greater the controller's influence on ETR. The results of this test are in accordance with the results of the robust test, the test results show that the second model is robust. So, this research is in line with the results of Vidiyanna and Bella, 2017, showing that institutional ownership has a significant effect on tax avoidance.

CONCLUSION

Political connections have a significant positive effect on Tax Avoidance. This empirical evidence shows that politically connected companies tend to practice Tax Avoidance. Political connections are unable to moderate the influence of foreign shareholders, institutional, family and state at the 10% cut off on Tax Avoidance. This means that the existence of an independent board of commissioners as a company monitoring function in politically connected companies has no impact on preventing tax avoidance. However, the existence of an Audit Committee in politically connected companies has a negative and significant effect on Tax Avoidance, meaning that the audit committee is able to suppress the potential for Tax Avoidance. At the cut off of 20% foreign shareholders, agencies and countries do not have a significant impact on Tax Avoidance. At the cutoff point of 30% foreign shareholders, agencies and families are unable to significantly moderate the influence. Furthermore, at the cutoff point of 40% foreign shareholders, agencies and families do not have a significant effect on tax avoidance. Political connections strengthen all shareholders at the 50% cutoff. This shows that the larger the shareholder cutoff, the greater the influence.

Based on research findings, political connections have a positive and significant effect on tax avoidance. The existence of political connections within the company can encourage tax avoidance. This shows that companies that have political connections tend to obtain tax benefits through tax avoidance to reduce political costs. The implications of this research for regulators

can be material for evaluating tax policies and increasing supervision of companies with political connections. Furthermore, investors can use research findings to make investment decisions involving companies that have political connections and/or blockholder ownership.

Research has limitations that must be taken into account, so interpretation of research findings must be done carefully. There are companies in the blockholder category that are not included in the sample because the percentage of share ownership at each layer of the ownership structure is not shown in the annual report if the public company is indirectly controlled by the blockholder. So it is recommended that future research combine tax avoidance measurement methods to find out the most effective results in describing tax avoidance. This research uses dummy variables to measure political connections, and future research could apply to broader aspects of political connections, such as political campaign contributions, to better represent the social domain.

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