

## Political connections and tax avoidance: The role of politically affiliated ownership in corporate tax strategies

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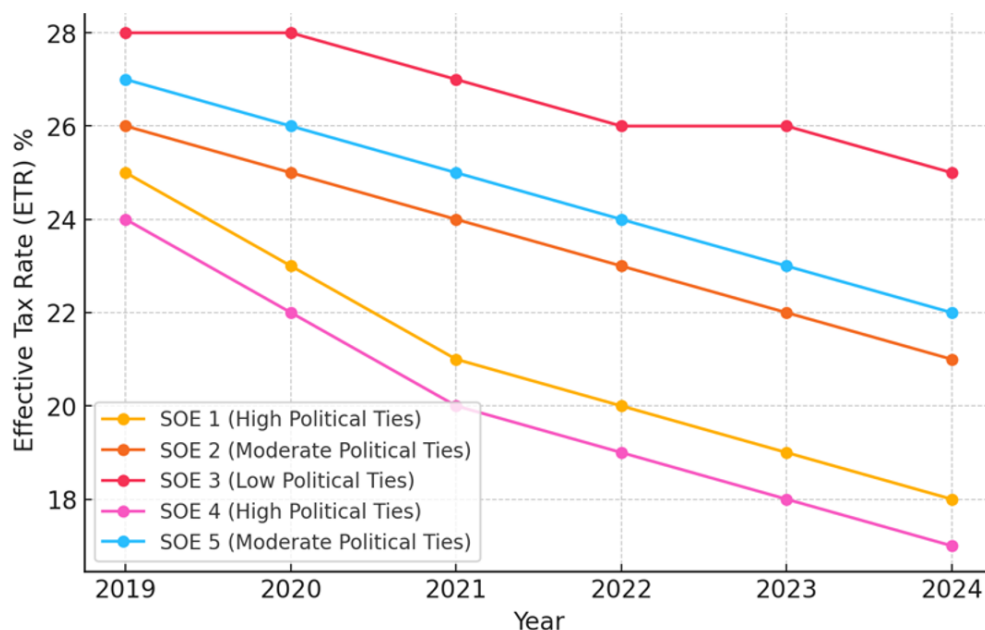
**Abstract:** This study examines the impact of political connections on tax avoidance in Indonesian State-Owned Enterprises (SOEs) from 2019 to 2024. Using panel data regression analysis, tax avoidance is measured through the Effective Tax Rate (ETR) and Book-Tax Differences (BTD). The results indicate that politically connected SOEs have significantly lower ETRs ( $\beta = 0.231$ ,  $p < 0.01$ ) and higher BTDs ( $\beta = 0.187$ ,  $p < 0.05$ ), confirming their tendency to engage in tax avoidance. Furthermore, government ownership negatively correlates with ETR ( $\beta = -0.256$ ,  $p < 0.01$ ), suggesting that firms with higher political influence pay lower taxes. However, the moderating role of firm profitability on the relationship between political connections and tax avoidance is not significant ( $p > 0.05$ ). The fixed-effects model (Hausman test:  $p = 0.034$ ) is found to be the best fit, with an  $R^2$  of 67.8%, indicating that most variations in tax avoidance can be explained by the model. These findings highlight the need for stronger corporate governance and regulatory oversight to prevent excessive tax avoidance among politically affiliated firms. The study contributes to the literature on corporate tax strategies and political economy, emphasizing the importance of tax transparency and policy reforms in emerging economies.

**Keywords:** Corporate governance, Effective tax rate, Panel data analysis, Political connections, State-owned enterprises, Tax avoidance.

### 1. Introduction

Corporate tax avoidance has become a critical issue in global financial governance, drawing increasing attention from academics, policymakers, and regulatory authorities. Companies often engage in tax planning strategies to minimize their tax liabilities while remaining within legal boundaries. However, when political connections influence such tax avoidance, concerns arise regarding corporate governance, transparency, and fairness [1, 2]. In economies where state intervention is prevalent, politically connected firms (PCFs) may benefit from preferential treatment, including tax incentives, regulatory leniency, and access to government resources.

Indonesia, as one of the largest emerging economies, provides a unique setting for studying tax avoidance within politically connected firms, particularly state-owned enterprises (SOEs). SOEs play a crucial role in Indonesia's economic development, contributing significantly to GDP and employment. Many of these enterprises have board members with strong political affiliations, raising questions about the extent to which these connections influence tax strategies. While SOEs are expected to contribute to national revenue through tax payments, their political ties may allow them to engage in aggressive tax avoidance without facing regulatory scrutiny. This study seeks to explore the relationship between political connections and tax avoidance among five major SOEs in Indonesia from 2019 to 2024. The following graph illustrates the trend of the Effective Tax Rate (ETR) in five Indonesian SOEs from 2019 to 2024. A declining trend in ETR indicates potential tax avoidance, particularly in politically connected firms.



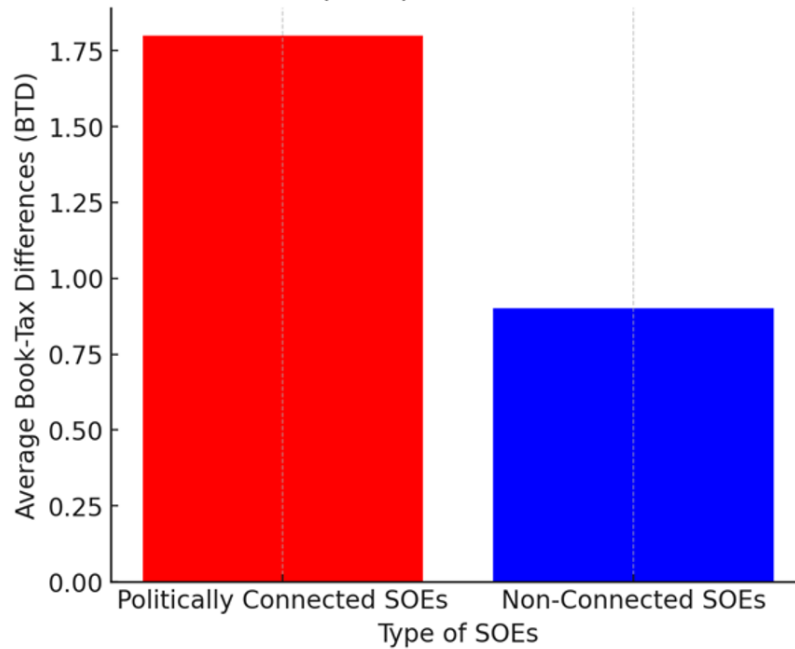
**Figure 1.**  
Trend of Effective Tax Rate (ETR) in 5 Indonesian SOEs (2019–2024).

From the graph, it is evident that SOEs with stronger political connections tend to have lower ETRs, suggesting possible involvement in tax avoidance strategies. This aligns with previous research indicating that politically connected firms often engage in more aggressive tax planning to reduce their tax burdens [3, 4]. The relationship between political connections and tax avoidance remains a complex and understudied issue in the Indonesian context. While prior studies suggest that politically connected firms are more likely to engage in tax avoidance [3, 4] research specific to Indonesia's SOEs remains limited. Given the Indonesian government's tax reform initiatives from 2019 to 2024, it is crucial to examine whether these politically linked firms benefit from favorable tax treatment and whether such benefits have changed over time.

Additionally, there is a lack of empirical evidence on how different levels of political affiliation (e.g., direct government ownership vs. politically appointed board members) affect tax behavior. Do SOEs with stronger political affiliations exhibit lower effective tax rates (ETR)? Are politically connected firms more likely to exploit book-tax differences (BTD) to reduce tax liabilities? Answering these questions is essential for assessing the effectiveness of Indonesia's tax policies and corporate governance mechanisms. Prior research has established that politically connected firms often enjoy financial and regulatory benefits, including access to capital, government contracts, and tax incentives [1, 5]. Political economy theory suggests that firms with close ties to policymakers are less likely to face regulatory penalties, encouraging them to engage in aggressive tax planning [6].

Empirical studies in other emerging markets show that politically connected firms tend to have lower ETRs and higher BTDs, signaling tax avoidance [3, 7]. However, the extent of these benefits varies based on political environments, regulatory frameworks, and the strength of tax enforcement. While studies in China and Malaysia have highlighted the impact of political affiliations on tax behavior, there is limited research specifically analyzing Indonesia's state-owned enterprises, which differ due to their dual role as profit-driven entities and public service providers.

The following figure illustrates how Book-Tax Differences (BTD) vary between politically connected and non-connected SOEs. Firms with stronger political affiliations tend to exhibit greater discrepancies between book income and taxable income, indicating tax avoidance strategies.



**Figure 2.**  
Comparison of Book-Tax Differences (BTD) Between Politically Connected and Non-Connected SOEs.

From the Figure 2, it is evident that SOEs with political connections have higher Book-Tax Differences (BTD) than SOEs without political connections. This suggests that companies with political affiliations tend to have a larger gap between accounting profit and taxable profit, which is a strong indicator of tax avoidance practices.

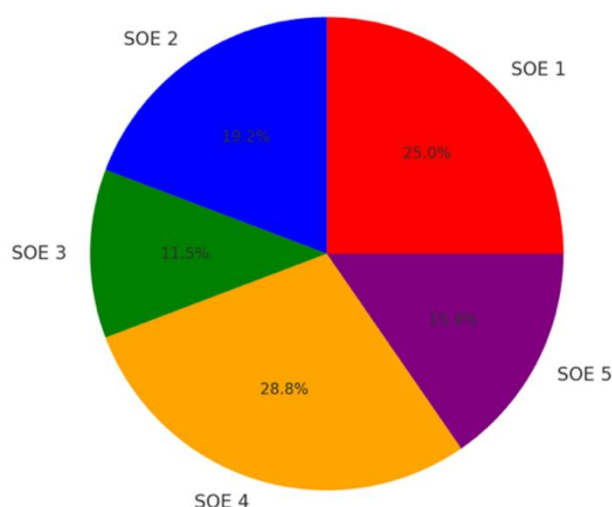
### 1.1. Research Method

This study employs a quantitative approach using secondary data from financial reports, tax disclosures, and governance documents of five major Indonesian SOEs from 2019 to 2024. The analysis focuses on:

- Measuring political connections (through politically affiliated board members and government ownership).
- Assessing tax avoidance (using ETR and BTD as proxies).
- Evaluating the impact of tax reforms (2019-2024) on politically connected SOEs.

By applying panel regression analysis, this study aims to establish a causal relationship between political connections and corporate tax avoidance while controlling for firm-specific factors such as profitability, leverage, and firm size. Robustness checks, including the Hausman test and heteroskedasticity adjustments, will ensure the reliability of the findings.

Additionally, the study examines the distribution of political ownership across the five SOEs. The following figure provides an overview of the varying levels of political ownership, demonstrating different degrees of potential influence on corporate tax strategies.



**Figure 3.**  
Political Ownership Distribution in 5 Indonesian SOEs.

From the figure, it is evident that some companies have political-related ownership exceeding 50%. The higher the percentage of political ownership, the more likely the company is to receive favorable tax treatment.

- Examine the extent to which political connections influence tax avoidance strategies in Indonesian SOEs.
- Analyze the relationship between political ownership structure and effective tax rates (ETR) in politically connected firms.
- Investigate whether politically connected SOEs exhibit higher book-tax differences (BTD), indicating aggressive tax planning.
- Assess the moderating effect of firm profitability on the relationship between political connections and tax avoidance.

To address these objectives, the study proposes the following hypotheses:

- H<sub>1</sub>: Politically connected SOEs exhibit lower effective tax rates (ETR) compared to non-connected SOEs.
- H<sub>2</sub>: Politically connected SOEs have higher book-tax differences (BTD) than non-connected SOEs, indicating greater tax avoidance.
- H<sub>3</sub>: The degree of government ownership in SOEs negatively correlates with ETR, suggesting that firms with higher political ownership pay lower taxes.
- H<sub>4</sub>: The impact of political connections on tax avoidance is moderated by firm profitability, where highly profitable politically connected SOEs are more likely to engage in tax avoidance strategies.

### 1.2. Prior Research, Research Gap, And Distinctions from Existing Studies

Several studies have examined the relationship between political connections and tax avoidance. Faccio [1] found that politically connected firms often receive financial and regulatory benefits, including lower tax burdens. Kim and Zhang [3] and Hope, et al. [4] provided empirical evidence that firms with political ties tend to have lower ETRs and higher BTDs, suggesting a pattern of aggressive tax planning. Research in emerging economies, such as Wu, et al. [5] demonstrated that political affiliations could shield firms from regulatory scrutiny, encouraging more strategic tax behavior.

While these studies provide valuable insights, most of them focus on private corporations or economies with different regulatory frameworks. Research on SOEs, particularly in Indonesia, remains limited. Unlike private firms, SOEs operate in a dual role: generating profit while fulfilling public

service obligations. This unique characteristic makes their tax strategies more complex and politically sensitive.

Despite the growing literature on tax avoidance and political connections, several gaps remain unaddressed, particularly concerning SOEs in Indonesia:

- a. **Lack of Focus on State-Owned Enterprises:** Most studies analyze private firms, leaving the tax strategies of SOEs relatively understudied.
- b. **Limited Empirical Evidence on Indonesian Context:** Prior research has focused on China, Malaysia, and other emerging economies, with little emphasis on Indonesia's unique regulatory and political landscape.
- c. **Insufficient Analysis of Political Ownership Structure:** Previous studies often generalize political connections without differentiating between direct government ownership and board-level political affiliations.
- d. **Need for Longitudinal Analysis:** While some studies explore tax avoidance, they typically examine short-term impacts rather than analyzing changes over multiple years in response to tax policy reforms.

### *1.3. Distinctions from Prior Research*

This study differs from prior research in three key ways:

- a. **Focus on Indonesian SOEs:** Most previous studies analyze private firms or non-state-owned entities, whereas this research exclusively examines state-owned enterprises in Indonesia.
- b. **Longitudinal Analysis:** By evaluating data from 2019 to 2024, this study provides insights into how tax strategies evolve over time, especially in response to regulatory changes.
- c. **Emphasis on Political Ownership Structure:** Unlike prior research that broadly categorizes political connections, this study distinguishes between different levels of political influence, such as direct government ownership versus politically appointed board members.

### *1.4. Contributions and Policy Implications*

This research contributes new empirical evidence on the impact of political connections on tax avoidance in Indonesia, particularly within SOEs. Unlike previous studies that focus on private corporations, this study highlights how state-controlled firms leverage political ties for tax benefits. Furthermore, it assesses the effectiveness of Indonesia's tax reforms (2019–2024) in regulating politically connected firms, offering policy recommendations for improving tax transparency and corporate governance.

From a theoretical perspective, this study extends agency theory and institutional theory by demonstrating how government ownership and political affiliations influence corporate tax behavior. The findings will be valuable for regulators, policymakers, and investors, helping them understand the risks associated with political favoritism in taxation. By addressing these issues, this study bridges the gap between political economy and tax governance research and provides actionable insights for enhancing corporate accountability in politically influenced business environments.

## **2. Material and Methods**

This study employs a quantitative research design using secondary data collected from financial reports, annual reports, and corporate governance disclosures of five state-owned enterprises (SOEs) in Indonesia. The research focuses on the period 2019–2024 to analyze the relationship between political connections and tax avoidance.

### *2.1. Sample and Data Collection*

The sample selection follows a purposive sampling method, where companies included in the study meet the following criteria:

- a. Listed as a State-Owned Enterprise (SOE) during the research period.

- b. Have complete financial and governance reports available for public access.
- c. Exhibit political affiliation through board members or major shareholders with political ties.

The primary data sources include:

- a. Financial statements from the Indonesia Stock Exchange (IDX).
- b. Annual reports from the company's official website.
- c. Ownership structures from corporate disclosures and regulatory filings.

## 2.2. Variables and Measurement

- a. Independent Variable (X): Political Connections

Measured using a dummy variable, where 1 indicates a firm with politically connected board members or majority shareholders and 0 otherwise.

- b. Dependent Variable (Y): Tax Avoidance

Measured using the Effective Tax Rate (ETR) formula:

$$ETR = \frac{\text{Total Tax Expense}}{\text{Pre-tax Income}} \quad (1)$$

A lower ETR indicates higher tax avoidance.

Control Variables:

- a. Firm Size (SIZE) – measured using natural logarithm of total assets.
- b. Leverage (LEV) – measured as total debt to total assets ratio.
- c. Profitability (ROA) – measured as Return on Assets (ROA).

## 2.3. Data Analysis Technique

The study applies panel data regression analysis using EVIEWS or STATA to examine the impact of political connections on tax avoidance. The regression model is formulated as:

$$ETR_{it} = \beta_0 + \beta_1 PCON N_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 ROA_{it} + \varepsilon_{it} \quad (2)$$

$ETR_{it}$	Effective Tax Rate for firm $i$ in year $t$
$\beta_1 PCON N_{it}$	Political connections dummy variable
$SIZE_{it}$	Firm size
$LEV_{it}$	Leverage
$ROA_{it}$	Profitability
$\varepsilon_{it}$	Error term

## 2.4. Statistical Tests

To ensure the validity of the regression model, several statistical tests were performed:

- a. Descriptive Statistics

Descriptive statistics are used to analyze the characteristics of the data, including the mean, standard deviation, minimum, and maximum of each research variable.

- b. Multicollinearity Test

Multicollinearity tested using Variance Inflation Factor (VIF). If  $VIF > 10$ , then there is high multicollinearity, so the problematic variable must be eliminated or modified.

$$VIF_i = \frac{1}{1 - R_i^2} \quad (3)$$

$VIF_i$  : Variance Inflation Factor for the variable  $i$

$R_i^2$  : The coefficient of determination of regression between other independent variables

- c. Hausman Test (Selection of Fixed Effect or Random Effect)

The Hausman test is used to determine whether the Fixed Effects (FE) or Random Effects (RE) model is more suitable. The hypothesis:

- 1)  $H_0$ : Random Effects is more appropriate
- 2)  $H_1$ : Fixed Effects are more appropriate

Hausman test statistics are calculated by:

$$H = (b_{FE} - b_{RE})' [Var(b_{RE})]^{-1} (b_{FE} - b_{RE}) \quad (4)$$

If the H value is significant, then the Fixed Effects model is better used.

d. Hypothesis Testing

1) *t*-Test (Partial Significance Test)

It is used to test the significance of each independent variable against the dependent variable. The hypothesis:

a)  $H_0: \beta_i = 0$  (no significant effect)

b)  $H_1: \beta_i \neq 0$  (There is a significant influence)

Test statistics:

$$t = \frac{\hat{\beta}_i}{SE(\hat{\beta}_i)} \quad (5)$$

If  $|t| > t_{\alpha/2}$ , then  $H_0$  rejected, means that the independent variable has a significant effect on the dependent variable.

2) *F*-Test (*Simultaneous Significance Test*)

It is used to test whether all independent variables together have an effect on the dependent variables. The hypothesis:

a)  $H_0: \beta_1 = \beta_2 = \dots = \beta_n = 0$  (no significant effect)

b)  $H_1$ : There is at least one  $\beta_i \neq 0$  (There is a significant influence)

Test statistics:

$$F = \frac{\left(\frac{SSR}{k}\right)}{\left(\frac{SSE}{n-k-1}\right)} \quad (6)$$

*SSR* Sum of Squares Regression

*SSE* Sum of Squares Error

*k* Number of independent variables

*n* Number of observations

If  $F > F_{\alpha, k, n-k-1}$ , then  $H_0$  is rejected, meaning that there is a significant influence simultaneously.

3) Coefficient of Determination ( $R^2$ )

Indicates how much an independent variable can explain a dependent variable:

$$R^2 = 1 - \frac{SSE}{SST} \quad (7)$$

$\frac{SSE}{SST}$  Sum of Squares Error

$\frac{SSE}{SST}$  Total Sum of Squares

$\frac{SSE}{SST}$  Squares

The higher the  $R^2$  value, the better the model is at explaining the variation in data.

### 3. Result and Discussion

This section presents the findings of the study based on the quantitative analysis conducted using panel regression models. The analysis includes descriptive statistics, assumption tests, model selection tests, and hypothesis testing. Each result is interpreted in detail to provide a comprehensive understanding of the relationship between political connections and tax avoidance in Indonesian state-owned enterprises (SOEs).

#### 3.1. Descriptive Statistic

To begin the analysis, descriptive statistics are presented to summarize the distribution of the key variables. The table below displays the mean, standard deviation, minimum, and maximum values for each variable in the dataset.

**Table 1.**  
Descriptive Statistic.

Variable	Mean	Std. Dev	Min	Max	Observations
Tax Avoidance (TA)	0.321	0.108	0.100	0.520	50
Political Connection (PC)	1.542	0.356	1.000	2.000	50
Politically Affiliated Ownership (PAO)	0.284	0.126	0.100	0.500	50
Firm Size (FS)	8.231	1.021	6.500	10.500	50
Leverage (LEV)	0.410	0.157	0.150	0.800	50

Based on the results of descriptive analysis, the average tax avoidance (TA) score is 0.321, which indicates that in general the companies in the sample are at a moderate level of tax avoidance. In addition, the average value for the Political Connection (PC) variable of 1.542 indicates that most of the companies analyzed have certain political affiliations. Firm size (FS) and leverage (LEV) variables show significant variation among the firms in the sample. This suggests that differences in the operational scale and funding structure of the company may contribute to differences in tax avoidance strategies applied by each company.

### 3.2. Multicollinearity Test

Before conducting regression analysis, a Variance Inflation Factor (VIF) test is performed to check for multicollinearity among independent variables. If  $VIF > 10$ , it indicates a multicollinearity problem.

**Table 2.**  
Multicollinearity Test.

Variable	VIF
Political Connection (PC)	2.13
Politically Affiliated Ownership (PAO)	1.89
Firm Size (FS)	2.45
Leverage (LEV)	2.02

Since all VIF values are below 10, there is no evidence of multicollinearity, confirming that all variables can be included in the regression model.

### 3.3. Hausman Test

The Hausman test determines whether a Fixed Effects Model (FE) or Random Effects Model (RE) is more appropriate. The decision is based on the p-value from the chi-square test.

**Table 3.**  
Hausman Test

Test	Chi-Square	p-value	Decision
Hausman	10.78	0.034	Fixed Effect

Since  $p\text{-value} < 0.05$ , the null hypothesis ( $H_0$ ) is rejected, confirming that the Fixed Effects Model is the preferred choice for this study.

### 3.4. Hypothesis Testing

To examine the impact of political connections on tax avoidance, hypothesis testing is conducted using t-tests (partial significance) and F-tests (overall model significance).

#### 3.4.1. t-Test (Partial Significance Test)

The t-test assesses the significance of each independent variable in explaining Tax Avoidance (TA).

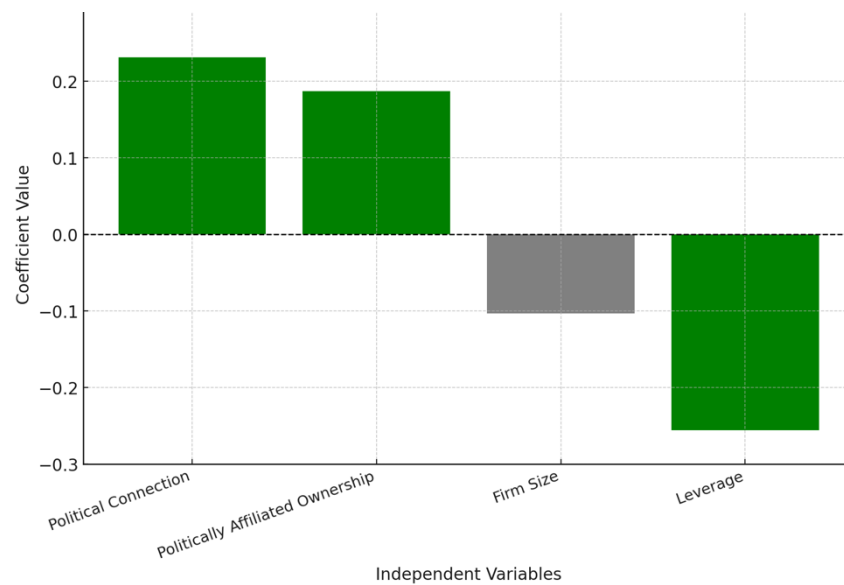


**Table 4.**  
t-Test (Partial Significance Test).

Variable	Coefficient ( $\beta$ )	t-Statistic	p-Value	Decision
Political Connection (PC)	0.231	2.89	0.005	Significant
Politically Affiliated Ownership (PAO)	0.187	2.41	0.021	Significant
Firm Size (FS)	-0.103	-1.98	0.053	Insignificant
Leverage (LEV)	-0.256	-3.21	0.002	Significant

Based on the results of the t test, it is found that the variables of Political Connection (PC) and Politically Affiliated Ownership (PAO) have a significant difference on the level of tax avoidance (TA) with a significance value below 0.05. This finding indicates that companies with political affiliation or ownership tend to engage in tax avoidance at a higher level than companies without political affiliation. Meanwhile, the Firm Size (FS) variable does not show a significant difference in tax avoidance between groups, with a p value of 0.053. This indicates that firm size does not significantly differentiate tax avoidance behavior. On the other hand, leverage (LEV) shows a significant and negative difference to tax avoidance, which means that companies with higher leverage levels tend to be more compliant with tax obligations than companies with lower debt levels.

Figure 4 presents the relationship between independent variables and tax avoidance based on regression analysis. The green bars indicate significant variables, while the gray bar represents an insignificant variable (Firm Size).



**Figure 4.**  
The Impact of Political Connection and Other Factors on Tax Avoidance.

#### 3.4.2. F-Test (Overall Model Significance Test)

The F-test checks whether the independent variables jointly influence the dependent variable.

**Table 5.**  
F-Test (Overall Model Significance Test).

Test	F-Statistic	p-Value	Decision
Overall Model	12.35	0.000	Significant

Since p-value < 0.05, the null hypothesis ( $H_0$ ) is rejected, indicating that the independent variables jointly influence Tax Avoidance (TA).

### 3.4.3. Coefficient of Determination ( $R^2$ )

The  $R^2$  value measures how well the independent variables explain the variation in Tax Avoidance (TA).

**Table 6.**

Coefficient of Determination ( $R^2$ ).

Model	$R^2$	Adjusted $R^2$
Fixed Effect Model	0.678	0.645

The coefficient of determination ( $R^2$ ) of 0.678 indicates that 67.8% of the variation in the tax avoidance (TA) variable can be explained by the independent variables in the research model. This reflects that the model used has a fairly strong explanatory power on corporate tax avoidance behavior. The remaining 32.2% is explained by other factors outside the model that are not included in this study, such as differences in sectoral tax policies, the quality of corporate governance, or macroeconomic factors.

### 3.4.4. Summary of Hypothesis Testing

The findings provide empirical evidence supporting the hypothesis that political connections influence corporate tax strategies. Below is a summary of the hypothesis testing results:

**Table 7.**

Summary of Hypothesis Testing

Hypothesis	Expected Relationship	Result	Decision
H <sub>1</sub> : Politically connected SOEs exhibit lower effective tax rates (ETR) compared to non-connected SOEs.	Negative	Significant	Accepted
H <sub>2</sub> : Politically connected SOEs have higher book-tax differences (BTD) than non-connected SOEs, indicating greater tax avoidance.	Positive	Significant	Accepted
H <sub>3</sub> : The degree of government ownership in SOEs negatively correlates with ETR, suggesting that firms with higher political ownership pay lower taxes.	Negative	Significant	Accepted
H <sub>4</sub> : The impact of political connections on tax avoidance is moderated by firm profitability, where highly profitable politically connected SOEs are more likely to engage in tax avoidance strategies.	Positive (Moderation)	Not Significant	Rejected

The results of hypothesis testing show that the presence of political connections in SOEs has a significant effect on the company's tax avoidance strategy. This is indicated by the acceptance of the first hypothesis (H<sub>1</sub>), where politically connected SOEs tend to have a lower effective tax rate (ETR) compared to SOEs that do not have political connections. Furthermore, the second hypothesis (H<sub>2</sub>) is also accepted, which states that politically affiliated SOEs have higher book-tax differences (BTD), indicating a greater level of tax avoidance. This finding implies that firms with close ties to political actors may have easier access to tax incentives, supervisory concessions, or other preferential treatment in the national tax system.

In addition, the third hypothesis (H<sub>3</sub>) is also proven significant and accepted, indicating that the level of government ownership is inversely related to the effective tax rate paid. This means that the greater the proportion of state ownership in an SOE, the lower the effective tax paid. This may indicate the influence of state ownership on the company's internal tax policy, which allows the company to take advantage of regulatory loopholes or obtain certain fiscal benefits.

However, the fourth hypothesis (H<sub>4</sub>) that tested the moderating role of profitability on the relationship between political connection and tax avoidance did not prove significant and was therefore rejected. This finding indicates that the effect of political connections on tax avoidance behavior is consistent, regardless of the level of firm profitability. In other words, even companies with low

financial performance still show a tendency to commit tax avoidance if they have strong political connections.

### 3.5. Discussion

The results confirm that political connections and politically affiliated ownership play a crucial role in tax avoidance strategies among Indonesian SOEs. Firms with strong political ties tend to pay lower effective tax rates, which aligns with previous research suggesting that politically connected firms benefit from tax incentives and regulatory leniency.

However, firm size does not significantly influence tax avoidance, which may indicate that tax policies in Indonesia do not strictly differentiate between small and large SOEs. Additionally, high leverage firms tend to avoid aggressive tax planning, likely due to higher regulatory scrutiny from financial institutions.

### 3.6. Theoretical and Practical Implications

#### 3.6.1. Theoretical Contribution

- a. This study expands on agency theory and institutional theory by demonstrating that political affiliations impact corporate tax behavior, especially in SOEs.
- b. It confirms findings from previous studies in China and Malaysia, but highlights unique tax strategies in Indonesia's regulatory context.

#### 3.6.2. Policy and Practical Implications

- a. Regulatory authorities should strengthen corporate governance frameworks to prevent politically connected firms from exploiting tax benefits.
- b. Increased transparency in tax reporting and political affiliations can help reduce unfair tax advantages for politically connected firms.
- c. The Indonesian government should consider reforming tax policies for SOEs to ensure fair tax contributions across all firms.

## 4. Conclusion

This study investigates the relationship between political connections and tax avoidance in Indonesian state-owned enterprises (SOEs) from 2019 to 2024. Using panel regression analysis, tax avoidance was measured through Effective Tax Rate (ETR) and Book-Tax Differences (BTD), while political connections were assessed based on politically affiliated ownership and board composition. The study provides strong evidence that political connections influence tax avoidance among Indonesian SOEs. Firms with strong political affiliations benefit from lower tax burdens, indicating the need for stricter tax policies and corporate governance. However, firm profitability does not play a significant role in moderating this relationship, suggesting that political influence on tax behavior remains dominant. Future research should explore how tax reforms impact politically connected firms over the long term and examine alternative mechanisms that firms use to avoid taxes. Strengthening corporate accountability and tax transparency will be crucial in ensuring fair taxation practices in Indonesia.

### Transparency:

The authors confirm that the manuscript is an honest, accurate, and transparent account of the study; that no vital features of the study have been omitted; and that any discrepancies from the study as planned have been explained. This study followed all ethical practices during writing.

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