The Impact of Corporate Governance on Indonesian Banking Tax Avoidance

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Abstract. *The company's goal in operating is to make a lot of money so that the tax burden on its income can lead to aggressive tax activities, such as tax avoidance. Since it does not violate the law, tax avoidance is a legitimate tactic to lessen the tax burden. However, because businesses and the government have different interests, tax avoidance can also be a barrier to maximizing tax revenues. Implementing corporate governance, as shown by independent commissioners, institutional ownership, managerial ownership, audit committees, and audit quality, is one strategy banks can use to lessen tax avoidance. The goal of the study is to demonstrate empirically how tax avoidance practices might be impacted by banking governance, which is listed on the Indonesia Stock Exchange. Quantitative description using data from annual reports is the study methodology employed. A bank operating between 2019 and 2023 serves as the research sample. Eviews-12 is a software tool that helps with this study. According to the research's findings, the Bank's number of independent commissioners and the Big Four KAP audit results can both lessen the bank management's tax evasion practices. The Bank's audit committee, managerial ownership, and institutional ownership make up the corporate governance component, although they are powerless to stop management's tax avoidance.*

Keywords: *Corporate Governance, Indonesian Banking, Tax Avoidance*

1 Introduction

Article 1 of the Income Tax Law states that income tax is a levy placed on the tax subject's earnings during the tax year [1]. Tax subjects, often known as taxpayers, are people or organizations that are subject to taxes if they receive or generate revenue [1]. Companies always try to pay as little tax as possible because tax is considered a responsibility and burden for the company which will reduce its net profit [2]. The obligation to pay taxes has existed since ancient times (Greece, Egypt, Rome and the Spanish Empire), although there have sometimes been attempts to reject it and cause conflict [3].

Companies in carrying out their operations aim to obtain high profits, so that the income tax burden for the Company can trigger aggressive tax actions [4]. Aggressive tax is a clear reduction in tax rates consisting of various tax management strategies and tax planning to avoid taxes [5]. Additionally, [6] found in their research that companies try to avoid taxes because of the tax burden. Since tax avoidance does not violate the

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law, it is a legitimate tactic to lower the tax burden and is safe for taxpayers [7]. The state dislikes tax avoidance because it lowers state revenue even though it does not break the law. Even while tax avoidance does not violate the law, the state dislikes it because it reduces state revenue. According to the government, taxes are the main source of possible governmental income [8]. Nevertheless, taxes reduce a company's net profits, which is in direct opposition to the company's primary objective of maximizing profits. As a result, companies try to manage their taxes more efficiently by carrying out tax planning to look for loop-holes so they can pay as little tax as possible.

According to https://www.idx.co.id/id/tangan-bei/ corporate governance, viewed 19 February 2024, corporate governance is a structure created to professionally guide a company's management based on the values of transparency, accountability, responsibility, independence, justice, and equality. The organization's governance serves to control and monitor the business to ensure that it abides with the law, stakeholder expectations, and relevant business ethics and standards. The topic of tax avoidance has been extensively studied. Numerous studies indicate that a company's decision to refrain from tax avoidance may be influenced by a number of factors.

According to research like those conducted by [9], executive traits also have a tendency to promote tax evasion [10]; [11]. Furthermore, businesses that make larger investments in fixed assets than other assets do not have an effect on tax avoidance, as shown by [13]; [14]; [15]. Other contradictory research findings include corporate governance characteristics including audit committee, audit quality, institutional ownership, management ownership, and independent board of commissioners. According to research conducted by [16]; [17], tax avoidance is associated with the quantity of independent commissioners. According to research by [18]; [14], the likelihood of tax avoidance decreases with the number of independent commissioners. Research findings from [15]; [19]; [20] indicate that a company's number of independent commissioners has little bearing on tax avoidance.

Institutional ownership determinants were studied by [21], [18], [22], and [23], who concluded that the findings had no bearing on tax avoidance. But as institutional ownership rises, the likelihood of tax avoidance would fall, according to [24] and [20], although [8] and [25] concur. Regarding audit committees, [9], [10], and [17] claim that they have no effect on tax avoidance. However, [21], [18], and [19] claimed that the audit committee contributes to tax evasion. Tax avoidance is unaffected by audit quality, according to [16]; [26]; [8]. Tax avoidance is negatively impacted by audit quality, according to [21]; [22]; and [8] contend that this is a good thing.

Taking the above findings into account, there is still room for similar research across industries. Therefore, this research will investigate a similar topic but with a focus on the banking sector using data from 2019 to 2023. The reason for sampling the banking sector is that the Indonesian banking industry is also inseparable from the issue of tax avoidance. Tax avoidance is carried out on various legal aspects of taxation because the aim is to minimize tax burdens and payments or maximize after-tax income.

From the discussion above, it can be concluded that there is no consistency in the results of research on corporate governance which can influence tax avoidance. Therefore, researchers are interested in re-examining corporate governance regarding tax avoidance in banks listed on the Indonesian Stock Exchange. The reason for taking the banking sector is that the banking industry is an industry that received policy stimulus in the National Economic Recovery Program in 2020 which is expected to improve the quality of profits so that it will gain investors' trust and have an impact in the future, namely being able to restore the condition of the Indonesian economy after the Covid-19 pandemic. Apart from that, there was also a case of tax evasion committed by PT. BCA Tbk. in 2003-2004 and PT. Panin Tbk. in 2021.

The following are the research questions posed in light of the previous description of the study problem: 1) Does tax avoidance improve as a result of independent commissioners? 2) Does tax avoidance have a negative relationship with institutional ownership? 3) Does tax avoidance have a negative relationship with management ownership? 4) Does tax avoidance have a negative relationship with the audit committee? 5) Does tax avoidance have a negative relationship with audit quality?

1.1 Our Contribution

This research provides the benefit of providing insight to Investors and the Government (Director General of Taxes) about the importance of the role of corporate governance applied in banking management, in order to reduce the level of tax avoidance by management.

1.2 Tax Avoidance

Since it does not violate tax laws, tax avoidance is an attempt to evade taxes that is done lawfully and safely for taxpayers. Companies avoid tax by reducing company profits by avoiding recognizing current income, which will be recognized in the future. In reality, although tax avoidance is not prohibited by the government (Directorate General of Taxes), it often receives negative attention because it has a negative connotation or is considered less nationalistic.

Tax avoidance can lead to agency conflicts between the interests of managers and investors. This can happen because tax avoidance turns personal costs into company operational costs, thereby reducing investor profits [28]. Another agency conflict is related to tax avoidance, namely differences in the interests of company owners and the state (fiscus) which has an interest in tax payments from companies [29]. The tax paid will depend on the profits the company makes and the tax will reduce the share of profits that will be distributed to the owners.

In Indonesia, tax avoidance was carried out by PT Bank BCA Tbk in 2003 and PT. Bank Panin, Tbk. in 2021. So, it can be concluded that the banking industry is not free from the problem of tax avoidance.

Tax avoidance uses an ETR measurement proxy where the formula is [30]:

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

Calculating ETR, income tax expense is income tax expense (PPh) which is included in the cost component charged in commercial financial reports, while profit before tax is profit before tax obtained from the profit and loss report.

1.3 Good Corporate Governance

A method for guiding and managing a business's operations is called governance (OECD, 1996). The division of responsibilities, rights, and duties among the organization's stakeholders—including shareholders, the management board, managers, and all non-shareholder stakeholders—is governed by governance. The allocation of responsibilities, rights, and duties serves as a framework for assessing the effectiveness of the company's management and board of directors.

According to the Indonesian Accountants Association (2015), there are 6 benefits that good governance produces: 1. Create and increase the company's competitive advantage; 2. Enables companies to operate efficiently, preventing fraud and malpractice; 3. Protect the interests of shareholders; 4. Increase company value; 5. Ensure compliance with laws and government; and 6. Help fight poverty by increasing social responsibility. To realize good corporate governance in the Company, governance mechanisms such as independent commissioners, audit committees, institutional ownership and managerial ownership are implemented. Where they are related to each other, have their own duties and responsibilities and can be accounted for.

A. Independent Commissioner

In accordance with Article 120, paragraph (2) of the PT Law, independent commissioners are commissioners appointed by a GMS decision and who are not connected to the major shareholders, the board of directors, or other commissioners. Therefore, independent commissioners must be outsiders, not corporate shareholders, and they must not be connected to the company's stockholders. Independent commissioners mediate between business owners and management when making strategic or policy decisions in order to prevent breaking applicable laws, including taxation decisions (tax evasion), according to research findings by [31].

From several research results on independent boards of commissioners which are linked to tax avoidance actions, one of the research results was by [30] which showed that tax avoidance was not influenced by independent boards of commissioners. The reason for this is that the Company's independent commissioners are only a sign that it complies with BEI regulations [30]. In addition, research conducted by [21] found that independent commissioners have a negative impact on tax avoidance; a greater number of independent commissioners is negatively correlated with the number of corporations engaging in tax avoidance. Because it can lessen agency disputes between shareholders and firm management, this can aid in the explanation of agency theory. Management tends to be more cautious when making choices, especially tax-related ones, because of the rigorous oversight provided by independent commissioners. Therefore, it is determined that tax avoidance can be decreased with more independent commissioners [32].

B. Institutional Ownership

Institutional ownership is the ownership of company shares held by organizations or businesses that typically serve as parties that keep an eye on the business [30]. [33]; [34] have conducted previous research on the impact of institutional ownership on tax avoidance. The results show that institutional owners have a detrimental impact on tax avoidance. This is due to the fact that institutional investors and owners have the ability to supervise corporate managers to reduce the possibility of tax avoidance.

C. Managerial Ownership

The amount of firm shares that management owns to put them in the same position as ordinary shareholders is known as managerial ownership [35]. [36] Research demonstrates that managerial ownership has a detrimental effect on tax evasion. The degree to which managers own shares can lessen the company's propensity to evade taxes. The lower the corporation's engagement in tax avoidance, the higher the percentage of shares owned by the company.

D. Audit Committee

The audit committee has a negative audit committee coefficient, meaning that as the audit committee becomes more effective, tax avoidance behavior declines. This implies that a decrease in tax avoidance behavior will follow an increase in the audit committee's efficiency [37]. Nevertheless, the findings of many studies carried out by [38] in Vietnamese non-financial companies demonstrate that the abundance of audit committees is ineffective at keeping an eye on management, which could lead to an increase in management's efforts to evade taxes.

E. Audit Quality

Implementing tax avoidance tactics becomes more challenging, and companies audited by The Big Four from Public Accounting Firms (KAP) typically have higher audit quality. Research by [8] shows that audit quality has a large influence on tax avoidance. Stated differently, the lower the corporate tax avoidance proxy with the cash effective tax rate, the higher the audit quality. However, the research results of [39] showed different findings that audit quality had no effect on tax evasion. These results also show that, during the financial report audit process involving four large and non-large Public Accounting Firms, both carried out the audit process and provided the same audit results.

1.4 Hypothesis Development

According to research by [51], the independent board of commissioners of mining companies listed on the IDX plays a crucial role in the organization as a supervisor and guides the business to operate in accordance with applicable regulations, preventing management from engaging in tax avoidance activities. According to the findings of the same study, [32] demonstrated that independent commissioners of mining companies listed on the IDX have the ability to mediate between owners and management when it comes to strategic or policy decisions in order to prevent violations of applicable laws, including tax evasion. Thus, the following hypothesis is put forth:

H1: Independent commissioners have a negative effect on tax avoidance

According to research by Sunarto et al. [31]; [34]; [35] institutional ownership has a detrimental impact on tax evasion. The rationale is that institutional owners and inves-

tors may be involved in keeping an eye on the company's agents (managers). Furthermore, because of their investing activities, institutional investors and owners have better access to information, which translates into a better understanding of the performance of the company. This results from the presumption that these investors have incentives and are able to effectively supervise management, allowing managers to make more adaptable judgments on tax payments for the company. Thus, the following hypothesis is put forth:
H2: Institutional ownership has a negative effect on tax avoidance

It has been demonstrated that businesses with significant managerial ownership can lessen tax avoidance practices [52]; [36]. Because corporations are less likely to engage in tax avoidance if a larger percentage of their shares are owned by managers. Thus, the following hypothesis is put forth:
H3: Managerial ownership has a negative effect on tax avoidance

Financial statements, corporate governance, and corporate monitoring are the three areas in which the audit committee has jurisdiction. According to a study by [20]; [38] there is a negative correlation between audit committees and tax avoidance practices. The premise behind the association between these variables is that a greater number of audit committees will result in more stringent company financial governance regulations, which will reduce tax evasion. Thus, the following hypothesis is put forth:
H4: The audit committee has a negative effect on tax avoidance

The findings of studies conducted in Malaysian public firms by [8] and [48] demonstrate that audit quality can lessen management's tax evasion practices. The rationale is that the Big Four KAPs are sizable KAPs with a big number of highly qualified auditors who possess international recognition, expertise, and training to identify potential management tax evasion. Thus, the following hypothesis is put forth:
H5: Audit quality has a negative effect on tax avoidance

2. RESEARCH METHOD

Purposive sampling technique states that sampling is based on data sources and considerations [49]. This is due to the fact that institutional investors and owners have the ability to supervise corporate managers to reduce the possibility of tax avoidance. Purposive sampling is the method used to determine the sample, which consists of banking businesses listed on the Indonesia Stock Exchange (BEI) for the 2019–2023 period. The goal is to obtain a sample that meets the predefined criteria.

Several criteria will be employed as research samples, including the following: (a) Consistently registered on the IDX throughout the 2019–2023 period; (b) Not experiencing losses during that time; (c) The financial reports utilize the current value of the rupiah; (d) Not conducting mergers during that time; (e) Not conducting an initial public offering (IPO) during that time; and (f) Not experiencing delisting from the IDX during that time. It was determined that 154 observations from 31 Bank annual reports across a five-year research period could be processed based on the previously mentioned criteria.

The following panel data regression equation is used to analyze this research model:

PPt = ait + bKIit + cKInsit + dKManit + eKoAit + fKAit + e ……….(1)

Information:

PP = Tax Avoidance
KI = Independent Commissioner
Kins = Institutional Ownership
Kman = Managerial Ownership
KoA = Audit Committee
KA = Audit Quality
E = Error

The operationalization of variables in this study is presented in Table 1.

Table 1. Operationalization of Variables

Variable	Measures
1. Dependent Variable	
Tax Avoidance {Sunarto Sunarto, Budiadi Widjaja, Rachmawati Meita Oktaviani (Journal of Asian Finance, Economics and Business, 8(3), tahun 2021} {Hanlon, Michelle, & Heitzman, Shane. (2010). A Review of Tax Research. *Journal of Accounting and Economics*, *50(issue 2-3)*, 127-128}	$\mathrm{ETR} = \frac{\text{Income Tax Expense}}{\text{Profit Before Tax}}$
2. Independent Variable	
Independent Commissioner {Sunarto, Sunarto, Budiadi Widjaja, Rachmawati Meita Oktaviani *Journal of Asian Finance, Economics and Business*, 8(3), tahun 2021}	Measured by dividing the proportion of the number of independent commissioners by the number of members of the board of commissioners.
Institutional Ownership {Sunarto, Sunarto, Budiadi Widjaja, Rachmawati Meita Oktaviani *Journal of Asian Finance, Economics and Business*, 8(3), tahun 2021}	Measured by the number of institutional shares divided by the number of shares outstanding.
Managerial Ownership {Fauzan, Pingkhan Mutia Dewi Arsanti, Ilham Nuryana Farchan *Jurnal Riset Akuntansi dan Keuangan Indonesia*, 6(2) September 2021}	Measured by the number of manager shares divided by the number of shares outstanding.
Audit Committee {Fauzan, Pingkhan Mutia Dewi Arsanti, Ilham Nuryana Farchan *Jurnal Riset Akuntansi dan Keuangan Indonesia*, 6(2) September 2021}	KA = Σ Audit Committee Member
Audit Quality	Measured with a dummy variable, where 1 for Big 4 KAP and 0 for Non-Big 4 KAP

Research using panel data regression techniques which according to [41]; [42] has several advantages, namely: a) Panel data can solve the problem of a larger spectrum and unbiased, which cannot be solved using cross-sectional or time series data alone; b) It generates more degrees of freedom and reduces the level of collinearity between explanatory variables, resulting in increased estimation efficiency. So, with these virtues, the classical assumption test on the panel data model does not have to be done [40]; [41].

The pooled OLS model, within-group fixed effects model, random effects model, and fixed effects least square dummy variable (LSDV) model are the four models utilized in panel data regression [40]. The model specification test determines which model should be utilized. Fixed effects and random effects are the two types of specification testing.

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

After the significance test, it is continued to determine the extent to which the research model is able to explain the variation of the dependent variable, called the coefficient of determination (R^2). The value of R^2 is usually in the range 0-1, so it is said that the closer to 1, the better the research model, and vice versa.

3. RESULT AND DISCUSSION

3.1 Panel Data Model Analysis Technique

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

H0: Common Effect

Ha: Fixed Effect

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

Effect Test	Probability
Cross-section F	0.0015
Cross-section Chi-square	**0.0001**

Source*: output Eviews 12*

Based on Table 2, it can be concluded that the correct model is fixed effect, because the probability value is 0.0001 < 5%. Next, the Hausman Test model is tested to select the best research model, whether a fixed effect model or a random effect model, with the following criteria:

H0: Random Effect

Ha: Fixed Effect

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

Table 3. Hausman test results Model

Test Summary	Chi-Sq.Statistic	Probability
Cross-section random	2.9188	0.7125

Source: *output Eviews 12*

Based on Table 3, it can be concluded that the best research model is random effect compared to fixed effect, because the random cross-section value has a probability of 0.7125 > 5%. Next, the research model is carried out by the Lagrange Multiplier test, namely selecting the best research model between the random effect model and the common effect model, with the following criteria:

H0: Common Effect
Ha: Random Effect

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

Table 4. Lagrange Model test results

Test Summary	Cross-section	Probability
Breusch-Pagan	14.20753	0.0002

Source: *output Eviews 12*

Based on Table 4, it can be concluded that the best research model is random effect compared to the common effect model, this is because the Breusch-Pagan probability value is 0.0002 < 5%.

Table 5. Model Estimation Results (Random Effect Model)

Variable	Coefficient	t-statistic	Probability
C	0.3808	7.9506	0.0000
KI	-0.1188	-2.1532	**0.0329**
KIns	-0.0352	-0.9792	0.3291
KM	-0.0032	-0.0367	0.9707
Koma	-0.0043	-0.6990	0.4856
KA	-0.0286	-1.5421	**0.0125**
R^2	0.5598	Durbin-Watson stat.	1.7615
Adjusted R^2	**0.2409**		
F-stats.	2.7553		
Prob. F-stats.	**0.0255**		

Source: *output Eviews 12*

3.2 Significance Test Results

1) **F test.** Based on table 5, the calculated F value is 2.7553 and the F probability is 0.0255. In this research, the significance level used is 10%, so it can be

concluded that the F test is proven to be significant. Therefore, it can be concluded that corporate governance can influence tax avoidance actions carried out by Bank Management in Indonesia.

Table 6. Table of Hypothesis Test Results

Hypothesis	Hypothesis Explanations	Prob.Value	Conclusion
H1	Independent commissioners have a negative effect on tax avoidance	0.0329	Accepted
H2	Institutional ownership has a negative effect on tax avoidance	0.3291	Rejected
H3	Managerial ownership has a negative effect on tax avoidance	0.9707	Rejected
H4	The audit committee has a negative effect on tax avoidance	0.4856	Rejected
H5	Audit quality has a negative effect on tax avoidance	0.0125	Accepted

2) t test. The results of the t test analysis are in table 6. shows that: (1) the varia ble number of independent commissioners owned by banks in Indonesia can reduce tax evasion carried out by banking management with a probability of 0.0329, where the value is smaller than the 10% significance level; (2) The variable institutional ownership of bank shares is proven to be unable to reduce tax avoidance actions carried out by management, with a probability value of 32.91% which is greater than the 10% significance level; (3) The same results are proven by the variable managerial ownership of Bank shares which is proven to be unable to reduce tax avoidance actions carried out by management, with a probability result of 97.07% (greater than the 10% significance level); (4) The number of audit committees owned by banks in Indonesia cannot reduce tax avoidance actions carried out by management with a probability value of 48.56% greater than the 10% significance level; (5) The audit quality variable, which is proxied by The Big Four KAP, which audits bank financial reports in Indonesia which produces annual reports, can reduce tax avoidance actions carried out by managers.
3) Coefficient of Determination (Adjusted R2). Adjusted R2 or model suitability based on statistical test results is 0.5598. This value indicates that the independent variable used in the research model contributes 55.98% in explaining the dependent variable. Meanwhile, 44.02% shows that there are other factors outside the research model which also have an influence in explaining the dependent variable.

The research model used is a random effect model with panel data multiple regression:

PP = 0.3808 – 0.1188*KI - 0.0352*KIns – 0.0032*KM – 0.0043*Koma –0.0286*KA

The constant coefficient value is 0.3808 based on the panel regression equation. In this model, the independent variables that have an impact on tax avoidance actions taken are:

H1: Independent commissioners have a negative effect on tax avoidance

The findings support hypothesis 1, which states that independent bank commissioners can lessen tax evasion. This is consistent with the average of 55.55% of independent commissioners owned by the Bank, which indicates that over half of the commissioners are independent commissioners who impartially oversee management to prevent them from engaging in tax evasion practices that could damage the Bank's reputation. [18] further support these findings, and [14] demonstrate that the likelihood of tax evasion decreases with the number of independent commissioners. This is because independent commissioners play a crucial role in the organization, serving as supervisors and guiding it to operate in accordance with relevant laws.

H2: Institutional ownership has no negative effect on bank tax avoidance

This research has provided evidence that rejects hypothesis 2, namely that institutional ownership of bank shares cannot reduce tax avoidance behavior by management. The research results support the research results of [32], namely that institutional ownership in manufacturing companies does not influence tax avoidance actions. The reason is that higher or lower institutional ownership will not affect a company's tax avoidance actions. It is not certain that institutional owners will control the company properly over the actions taken by management.

H3: Managerial ownership has no negative effect on bank tax avoidance

Hypothesis 3 provides results that reject the hypothesis that managerial ownership cannot reduce tax avoidance actions by management. In reality, in banks, the large proportion of managerial ownership in the company has not been able to enable managers to take advantage of opportunities to avoid taxes in order to gain greater profits [42]; [43]. In addition, the research results of [44] state that managerial ownership in manufacturing companies in the 2014-2017 research period proves that the smaller the proportion of managerial share ownership in the company, the less likely management is to pay attention to the interests of shareholders.

H4: The Audit Committee has no negative effect on bank tax avoidance

The findings of hypothesis 4, which states that the bank's audit committee cannot lessen tax evasion by bank management, are disproved. The findings corroborate research conducted by [38] in Vietnamese non-financial enterprises, demonstrating that an excessive number of audit committees is ineffective at supervising management in order to encourage management's tax evasion. The purpose of the Audit Committee is to shed light on matters pertaining to internal control, accounting, and financial policy. A sound financial policy will also boost the company's profit growth. The absence of regular Audit Committee meetings may be the reason for this, as it prevents the directors, board of commissioners, internal auditors, and external auditors from discussing issues pertaining to the company's financial reports [45]. The findings of this study are corroborated by research by [46], which demonstrates that the Audit Committee has little control over management's company avoidance tactics.

H5: Audit quality has a negative effect on bank tax avoidance

It has been established that Hypothesis 5 is true for banks that undergo KAP audits. The Big Four can lessen management's practice of tax evasion. Implementing tax evasion tactics becomes more challenging, and companies audited by the Big Four Public Accounting Firms (KAP) typically have higher audit quality. Consequently, a corporation is less likely to do so if the quality of its audits improves. Research [8] indicates that audit quality has a major effect on tax evasion. In other words, the higher the audit quality, the lower the company's tax avoidance activities with the effective cash tax rate. Similar results are proven by research by [47] on Indonesian and Malaysian manufacturing companies for the 2018 period which proves that audit results from KAP The Big Four can reduce tax avoidance actions carried out by management. The reason is that Big Four KAPs are large sized KAPs, which have many good quality auditors such as experience, training and international recognition who can detect possible profit manipulation by companies for tax purposes. In addition, Big Four (large) KAPs are synonymous with high reputation and have a lower risk of fraud so they will avoid lawsuits and risks that could impact the KAP's reputation in the eyes of the public.

4. CONCLUSIONS AND RECOMMENDATIONS

It has been demonstrated that bank corporate governance in Indonesia lessens the tax evasion practices of bank management. This is reinforced by the results of the number of independent commissioners owned by the Bank which can reduce tax avoidance behavior from management. Apart from that, reinforced by the results of KAPs including The Big Four which audit bank financial reports in Indonesia, it can reduce tax avoidance behavior by management. The Bank's audit committee, institutional ownership, and managerial ownership make up the corporate governance component, however they are powerless to stop management's tax evasion. There are a number of limitations to this study that should help guide or inform future research. Among these restrictions are: 1. Only corporate governance proxies—Independent Commissioners, Institutional Ownership, Managerial Ownership, Audit Committee, and Audit Quality—are employed in this study; 2. The sample is restricted to businesses in the banking industry.

In order to lower the degree of tax evasion by management, the research's implications will help investors and the government (Director General of Taxation) understand the significance of corporate governance's application in banking management. There are a number of limitations to this study that should help guide or inform future research. Among these restrictions are: Independent Commissioners, Institutional Ownership, Managerial Ownership, Audit Committees, and Audit Quality are the only corporate governance proxies considered in this study; 2. The study's sample is restricted to businesses in the banking industry.

Suggestions for further research could be to use other variables that can help banks reduce tax avoidance behavior by management, such as financial distress, leverage, capital intensity, audit committee characteristics, and others.

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