RESEARCH ARTICLE
published:31 January 2023
doi: 10.21070/jas.v7i1.1681

The Role of Profitability in Moderating Political Connections, Corporate Risk, Leverage and Firm Size to Tax Avoidance

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This study examines the effect of political connection, corporate risk, leverage, and firm size on tax avoidance with profitability as a moderating variable. The data used are annual financial reports of food and beverage registered in the Indonesia Stock Exchange (IDX) for the 2018-2021. The sample used was 99 companies, obtained using a purposive sampling technique. The data analysis used is Multiple Linear Regression and Moderated Regression Analysis (MRA). In this study, there is a novelty, namely the addition of profitability as a moderating variable, because, in previous studies, the use of moderation with the same independent and dependent variables was not found in this study. The result of this study shows that political connection, corporate risk, and firm size do not affect tax avoidance. Meanwhile, leverage has a significant positive effect on tax avoidance. In addition, profitability can moderate the effect of firm size on tax avoidance. However, profitability cannot moderate the effect of political connection, corporate risk, and leverage on tax avoidance. Based on these results, the implication of this study is that leverage in companies must be considered because the greater the level of corporate leverage, the lower the tax burden borne by the company so that debt becomes a management priority to avoid a larger tax burden. Therefore, the greater the leverage ratio, the greater the level of corporate tax avoidance. Likewise, profitability can moderate the effect of company size on tax avoidance must also be considered because the larger the size will enable the company to earn high profits. The firm value will also increase, so the company can control tax avoidance.

Keywords: Corporate Risk, Firm Size, Leverage, Political Connection, Profitability, Tax Avoidance

OPEN ACCESS
ISSN 2548-3501 (online)

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Received :20 December 2022
Accepted :05 January 2023
Published :31 January 2023
Citation : Mu'minah, Kristiana and Hanum (2023) **The Role of Profitability in Moderating Political Connections, Corporate Risk, Leverage, and Firm Size to Tax Avoidance**

INTRODUCTION

In a country, taxes have an important role, especially in development. In covering all costs and development costs, the state uses a source of income called taxes. In law Number 16 of 2009 about Public Stipulation and Procedures for Taxing, clause 1 paragraph (1) defines taxes as contributions paid by taxpayers to the country following the constitution without direct compensation, used for people's welfare (Indonesia, 2019).

Taxes, the largest source of state revenue, help finance state expenditures. Taxpayers strive to pay as little tax as possible. On the other, the government needs funds to fund governance, most of which comes from income taxes. Because of this difference in benefits, taxpayers tend to reduce their tax payments legally and illegally. People expect high from the field of taxation that taxpayers voluntarily comply with their tax obligations by applicable tax regulations, given the opportunities available due to weak tax regulations (Indarti et al., 2019).

[Table 1. about here]

Table 1 shows the phenomenon in food and beverage companies that shun their tax avoidance. We can see from a large amount of corporate tax debt. In addition, there are also companies whose tax debt each period has increased. The amount of the tax expense paid each period should not cause the tax payable or the tax payable to be nil. So, we can see one tax evasion indication in the existence of tax debt to the company. Based on the phenomenon above, the company's goal in carrying out this practice is to minimize what the government should pay and maximize profits without infringing on tax laws.

Tax Avoidance is taxpayers' legal and safe practice of tax avoidance following applicable tax regulations. The methods used are inclined to take benefit of the weaknesses of the tax regulations themselves (grey areas) to reduce taxes and minimize tax payments (Pohan, 2018). Corporate taxpayers usually carry out tax avoidance because companies want to minimize their tax burden to increase company profits. Even though tax avoidance is legal, the government still does not want it because it will reduce state revenue (Kalbuana et al., 2020).

The first variable is political connections. Political connection is a situation where there is a relationship between specific parties and parties who have an interest in politics used to achieve certain things that can benefit both parties (Khairina & Widiastuti, 2021). Munawaroh & Ramdany (2019) and Nainggolan & Muhammad (2022) stated that political connections positively influence tax avoidance because companies with political connections believe they are less likely to be investigated. Therefore, they are more confident in taking steps to avoid taxes. Tiberias et al. (2021) and Rindiani & Asalam (2022) stated that political connections affect tax avoidance because companies will tend to be careful in making decisions and policies. In contrast, Darmayanti & Merkusiwati (2019), Ahmad (2020), and Sawitri et al., (2022) stated that political connections do not affect tax avoidance because companies whose shares are mostly owned by the government. They are determined as low-risk taxpayers or do not take tax avoidance actions. The results show inconsistencies in the research results, so it is necessary to repeat the research.

The Second variable is corporate Risk. Corporate risk is the measurement of the volatility of the corporate's income using the standard deviation formula. If the corporate's risk is high, the corporate's standard deviation is also high. (Romadona & Setiyorini, 2020). Based on research, (Prihananto et al. 2018), Mulyati et al. (2019), and Rizky & Puspitasari (2020) state that corporate risk has a positive influence on tax avoidance because, with a high level of risk, the level of tax avoidance in the company will also be higher. The rise and fall of corporate risk reflect the tendency of a company's leadership. While Ayem & Tarang (2021), and Ratu & Meiriasari (2021), stated that corporate risk negatively influences tax avoidance because companies tend not to take high-risk steps which will also affect the level of company performance both by company executives and by company management. Moeljono (2020), Veronica & Kurnia (2021), and Nurjanah & Masripah (2022) stated that corporate risk do not affect tax avoidance because the sample companies as a whole taking company funding combine internal and external company funding to achieve an optimal and ideal capital structure for the company. Optimal capital structure is a hope that must be realized by company management because, with an optimal capital structure, the company will be free to manage and implement the company's strategy to obtain maximum profits. In contrast, the company's risk is the impact of implementing the company's management strategy. In the results of the research above there are inconsistencies in the results of the research so it is necessary to repeat the research.

The third variable is leverage. Leverage is the ability of a corporate to pay off all of its debts (both short and long-term). A corporation is solvable when it has adequate assets to pay all its debts, but it is not necessarily mean it is liquid (Indarti et al., 2019). Based on research by Mahdiana & Amin (2020), Sadeva et al. (2020) and Pratiwi et al. (2020), leverage has a positive influence on tax avoidance because the higher the level of leverage in a company. The tax burden borne by the company will decrease, so the debt measure is preferred by management as an effort to avoid a larger tax burden.

In contrast, Oktivina et al. (2020), Kalbuana et al. (2020) and Darsani & Sukartha (2021) stated that leverage harms tax avoidance because the higher the level of debt held, the higher the interest expense that arises. The use of loans by companies can be used to save taxes by obtaining incentives in the form of interest charges which will be a deduction from taxable income. Different from the research conducted by Kartadjumena & Muntazhar (2021), Tiberias et al., (2021), Sopiyana (2022), states that leverage do not affect tax avoidance because if the company has high tax obligations, the company will also have high debt; therefore the company will try to do tax avoidance. This is because large companies are more likely to use their resources rather than finance from debt. In the results of the research above, there are inconsistencies in the results, so it is necessary to repeat the research.

The fourth variable is firm size. Firm size is a measure reckoned by the size of the total assets or corporate assets using the measurement of the logarithmic value of total assets (Sopiyana, 2022). Based on previous research, Indarti et al. (2019), Mulyati et al. (2019), and Sari et al. (2021) stated that firm size has a positive influence on tax avoidance because the larger the size of the company, the more complex the transaction will be. So it allows companies to exploit existing loopholes to perform tax avoidance actions for each transaction. Meanwhile, Vemberain & Triyani (2021), Windaryani & Jati (2020), and M. F. Handayani & Mildawati (2018) stated that firm size has a negative influence on tax avoidance. The larger the company's size, the less the tax avoidance tendency. The larger company needs to maintain the company image. Companies with large sizes will be more stable and capable of generating profits and carrying out their obligations than companies with small sizes. Different from the research conducted by Kalbuana et al., (2020), Mahdiana & Amin (2020) and Ariska et al., (2020) states that leverage do not affect tax avoidance because the company complies with not violating the applicable tax provisions. The company does not want to take the risk of being bothered with the inspection process or being subject to sanctions that could cause a bad impact on the company's image. In the results of the research above, there are inconsistencies in the results of the research so it is necessary to repeat the research.

In this study, a moderating variable was added because knowing a variable can strengthen or weaken the effect of the independent variable on the dependent variable. In other words, the moderating variable is a third-party variable that modifies the relationship between the independent variable and the dependent variable. The moderating variable in this study is profitability. Profitability is the capability of a corporate to yield profits during a definite period at a specific extent of sales, assets, and share capital. The profitability obtained by the corporate will affect the actions that the company will take to maximize the amount of net profit that the company receives (Darsani & Sukartha, 2021). Based on agency theory explains things that can spur agents to increase corporate profits. A company with high profitability must position itself in tax planning, which can reduce the total burden of tax obligations.

This research aims to empirically prove whether political connections, corporate risk, leverage, and firm size affect tax avoidance with profitability as a moderating variable in Food and Beverage registered on the IDX 2018-1021. This study is a development of the research by Sari et al. (2021) using the variable equations of leverage and firm size. Researchers added political connection and corporate risk as independent variables in this study. The addition of political connection variables in this study is intended to determine the effect of political connections on tax avoidance because companies with political connections can encourage tax evasion efforts due to protection from the government. Then add the company risk variable to determine the effect of company risk on tax avoidance because company leaders are risk takers or dare to take risks to avoid taxes. In this study, profitability is added as a moderating variable. The addition of moderating variables is to determine whether profitability can moderate the effect of political connections, company risk, leverage, and company size on tax avoidance. In this study, there is a novelty, namely the addition of profitability as a moderating variable, because, in previous studies, the use of moderation with the same independent and dependent variables was not found in this study.

Hypothesis Development

Jensen and Meckling (1976) first developed agency, which explains the distinction in importance between principal and agent. According to agency theory, management has more knowledge about information and prospects of the company than shareholders and other interested parties, so management (agent) and shareholders (principal) have information asymmetry. Understanding from agency theory that there are differences among principals and agents gives rise to potential conflicts that can affect the company's financial condition. Thus, we need a control mechanism that balances the two parties' interests. Financial reporting is presented to stakeholders to minimize the information asymmetry that occurs. It means that financial reports are a means of communicating financial information to external parties (Indarti et al., 2019).

Tax Avoidance is legal and safe tax avoidance by taxpayers following applicable tax regulations. The methods used are inclined to take benefit of the weaknesses of the tax regulations themselves (grey areas) to reduce taxes and minimize tax payments (Pohan, 2018). Corporate taxpayers usually carry out tax avoidance because companies want to minimize their tax burden to increase company profits. Even though tax avoidance is legal, the government still does not want it because it will reduce state revenue (Kalbuana et al., 2020).

Political connection is a situation where there is a relationship between specific parties and parties who have an interest in politics used to achieve certain things that can benefit both parties (Khairina & Widiastuti, 2021). The greater the political relationship, the smaller the company will benefit from the political relationship to tax avoidance. Based on agency theory, the political connection is a condition where there is a relationship between one party and a party with an interest in politics so that both can benefit. Companies with political connections can encourage tax avoidance efforts because of protection from the government. Research conducted by Tiberias et al. (2021) and Rindiani & Asalam (2022) with political connections results in harmful Tax Avoidance. Based on the existing analysis, the hypothesis lodge is as follows.

H1: Political connection has a negative influence on Tax Avoidance.

Corporate risk is the measurement of the volatility of the corporate's income using the standard deviation formula. We can interpret corporate risk as a deviation or standard deviation of earnings. If the corporate's risk is high, the corporate's standard deviation is also high. The higher the corporate risk, the higher the existing business risk. Whether the corporate is high or low risk indicates whether the executive's personality is risk-taker or risk-averse (Romadona & Setiyorini, 2020). Based on agency theory states that the risk level of a company indicates whether the company's executives are classified as risk takers or risk averse. Greater the company's risk means a risk-taker executive. In contrast, the smaller risk reported by the corporate means a risk-averse executive. Research conducted by Rizky & Puspitasari (2020) and Prihananto et al. (2018) with corporate risk results positively affect Tax Avoidance. Based on the existing analysis, the hypothesis lodge is as follows:

H2: Corporate risk has a positive influence on Tax Avoidance

Leverage is the capability of a corporate to pay off all of its debts (both short and long-term). A corporation is solvable when it has adequate assets or assets to pay all its debts, but it is not necessarily mean that it is liquid. The greater the leverage ratio, the greater the loan and interest expense arising from debt (Indarti et al., 2019). Based on agency theory, by utilizing leverage, managers want to minimize tax payments to get more profits, but the government wants to get more income from taxation. The greater the leverage of a corporate, the less tax it bears, thereby creating priority debt management to avoid increasing tax burdens. Research conducted by Putu Asri Darsani & Sukartha (2021), Oktivina et al. (2020), and Kalbuana et al. (2020) with leverage results harm Tax Avoidance. Based on the existing analysis, the hypothesis lodge is as follows:

H3: Leverage has a negative influence on Tax Avoidance

Firm size is a measure of the firm reckoned from the size of the total assets or corporate assets using the measurement of the logarithmic value of total assets. The greater the firm size, the greater the total corporate assets (Sopiyana, 2022). Based on agency theory, at company size, the use of company resources by agents can provide maximum protection for agent performance. In other words, it can decrease the company's tax expenses and improve corporate performance. Research conducted by Indarti et al. (2019), Mulyati et al. (2019), and Sari et al. (2021) with firm size results has a positive influence on Tax Avoidance. Based on the existing analysis, the hypothesis lodge is as follows:

H4: Firm size has a positive influence on Tax Avoidance

Profitability quantifies a corporation's ability to manage its assets to result in profits from multiple sales, assets, and equity during a specific period. Business success is inseparable from political influence. If a company is politically connected in some way or seeks to forge close ties with politicians or the government, it is called a political connection (Wati et al., 2017). The higher the political connection, the lower the profitability is. Due to the influence of political connections, the profits obtained will be smaller. Smaller companies will take advantage of this political relationship to avoid taxes. Based on this elucidation, the study hypothesis formulation is as follows:

H5: Profitability Does Not Moderate Political Connection to Tax Avoidance.

The tax avoidance practice will be more significant if the executive becomes a risk taker. High corporate risk illustrates that company leaders are more willing to take risks. Profitability quantifies a corporation's ability to manage its assets to result in profits from multiple sales, assets, and equity during a definite period. The higher the profitability, the greater the corporate risk. Corporate leaders will be more willing to take risks so that the profits earned will increase. Thus, causing the corporate to be vulnerable to tax avoidance. Based on this elucidation, the study hypothesis formulation is as follows:

H6: Profitability Moderates the Corporate Risk of Tax Avoidance

(Indarti et al., 2019) Profitability quantifies a corporation's ability to manage its assets to result in profits from multiple sales, assets, and equity during a specific period. Leverage shows the relationship between total assets and ordinary stock capital, indicating the use of debt to upgrade company profits (Indarti et al., 2019). At a high leverage ratio, the increase in interest expense affects the profit earned, thereby reducing the tax liability. A lower tax burden tends to reduce tax evasion efforts—the larger the leverage, the lower the company's tax avoidance. Therefore, we can consider profitability because leverage is the main factor that affects company profitability. Based on this elucidation, the study hypothesis formulation is as follows:

H7: Profitability Moderates Leverage on Tax Avoidance.

Firm size is a measure of the firm reckoned by the size of the total assets or corporate assets using the logarithmic value of total assets. The greater the firm size, the greater the total corporate assets (Sopiyana, 2022). Profitability quantifies a corporation's ability to manage its assets to result in profits from multiple sales, assets, and equity during a specific period. The larger the firm size, the higher the level of profitability. Firm size is often used as a consideration when financial institutions provide funding to companies. Larger firm sizes make it easier for companies to get sufficient capital to influence corporate financial performance positively. Based on this elucidation, the study hypothesis formulation is as follows:

H8: Profitability Moderates Firm Size on Tax Avoidance.

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METHOD

This kind of research is quantitative. This study uses secondary data from annual financial reports of food and beverage registered on the IDX for 2018-2021. This study uses manufacturing companies in the consumer goods industry sector as research objects because the food and beverage sector is one of the business sectors that will continue to experience growth. Along with the increasing population growth and current economic conditions in

Indonesia, consumer demand for food and beverages continues to increase. So that companies may do big tax evasion because companies want to have big profits by minimizing the tax burden. This study also uses the years 2018-2021 due to the consideration that this period will obtain newer data. The variables in this study are the dependent variable (Y), the independent variable (X), and the moderating variable (Z). Based on Table 2 indicators used to measure variables are as follows :

[Table 2. about here]

The population in this research is Food and Beverage registered on the Indonesia Stock Exchange for the 2018-2021 period. The sample used was 99 corporate. Based on table 3 Sampling was determined using a purposive sampling technique by the following criteria:

[Table 3. about here]

Then the analytical method used in this research is the Multiple Linear Regression analysis method, and the interaction test using Moderated Regression Analysis (MRA).

RESULTS AND DISCUSSION

Descriptive Statistical Analysis Result

[Table 4. about here]

Based on table 4, the descriptive statistics analysis indicates that during 2018-2021, with 99 sample data, we can see that variables have an average value higher than the standard deviation. It shows relatively stable data distribution with good results.

Multiple Linear Regression Test Results

[Table 5. about here]

Moderated Regression Analysis (MRA) Test Results

[Table 6. about here]

The Influence of Political Connection on Tax Avoidance

Based on table 5, political connections have a t count of 1,345 with a significance value of 0,182, higher than 0,05 (0,182 > 0,05). We reject H1, meaning that political connections do not influence tax avoidance. Since the closeness between companies and politicians certainly provides various benefits, companies must prioritize the long-term consequences of tax avoidance practices. An unscrupulous corporate image will have a long-term impact, so public trust will decrease and cause losses. It makes companies with political connections even more careful in making company policies or decisions. These results do not match the research conducted by Tiberias et al. (2021) and Rindiani & Asalam (2022) with the result that Political Connection has a negative and significant influence on Tax Avoidance. The outcome of this research follows Khairina & Widiastuti (2021), who states that political connections do not affect tax avoidance.

The Influence of Corporate Risk on Tax Avoidance

Based on table 5, the corporate risk has a t-count of -1,451 with a significance value of 0,150, higher than 0,05 (0,150 > 0,05). We reject H2, meaning corporate risk does not affect tax avoidance. It is because most of the executive characters in this research sample are risk averse; that is, they tend to avoid risks that will also affect the level of company performance, both those carried out by company executives and company management. It can happen because the state has started controlling tax evaders, so companies are afraid to do so. These results are different from the study conducted by Rizky & Puspitasari (2020) and Prihananto et al. (2018), in which the outcome that corporate risk positively influences Tax Avoidance. Veronica & Kurnia's (2021) 's research outcome states that corporate risk does not influence tax avoidance.

The Influence of Leverage on Tax Avoidance

Based on table 5, leverage has a t-count of 2,306 with a significance value of 0,023, which is more deficient than 0,05 (0,023 < 0,05). So, it can be concluded that H3 is rejected, which means that leverage significantly influences tax avoidance positively. It is because the higher level of corporate leverage, the lower the tax expense certified by the corporate, so debt becomes a priority for management to avoid a higher tax expense. Therefore, the larger the leverage ratio, the more significant level of company tax avoidance. These outcomes are inconsistent with studies conducted by Darsani & Sukartha (2021), Oktivina et al. (2020), and Kalbuana et al. (2020) with the outcome that leverage has a negative influence on Tax Avoidance. The outcome of this research by (Alfina et al., 2018) reveals that leverage has a significant favorable influence on tax avoidance. The high level of debt in a company will cause interest expenses. A very high level of interest expense in a company can reduce the tax expense, so companies with a high tax expense will choose to owe capital to other parties to reduce the tax expense. The outcome of this leverage test has a significant positive direction—the greater the value, the greater the leverage and the potential for tax avoidance in the corporate.

The Influence of Firm Size on Tax Avoidance

Based on table 5, firm size has a t-count of -0,201 with a significance value of 0,842, higher than 0,05 (0,842 > 0,05). So it can be concluded that H4 is rejected, which means that firm size does not influence tax avoidance. Firm size is told no influence on tax avoidance because firm size, as measured by total assets owned, does not influence the corporate decision to take tax avoidance actions. The outcome is inconsistent with a study conducted by Indarti et al. (2019) and Mulyati et al. (2019), with the outcome that firm size positively influences tax avoidance. The outcome of this study by Kalbuana et al. (2020) states that firm size does not affect tax avoidance. Tax payment is an obligation for all citizens and entities or companies. Management wants to be assessed well in its performance by shareholders so that the size of a small or large company is independent of management taking tax avoidance actions.

The Influence of Political Connection on Tax Avoidance with Profitability as a Moderating Variable

Based on table 6, political connections moderated by Profitability (CP_PRO) have a t count of -0,115 with a significance value of 0,909 greater than 0.05 (0,909 > 0,05). So it can be concluded that H5 is accepted, which means that profitability cannot moderate the influence of political connections on tax avoidance. These outcomes show that the greater the political connection, the lower the profitability. It is because the benefits derived from the reduced influence of political connections. Smaller companies will take advantage of political relationships to avoid taxes. Proximity to political parties or the government provides several advantages for the company, but the company must consider its long-term impact. An unscrupulous corporate image will have a long-term impact, so public trust will decrease and cause losses.

The Influence of Corporate Risk on Tax Avoidance with Profitability as a Moderating Variable

Based on table 6, company risk moderated by Profitability (CR_PRO) has a t-count of 0,577 with a significance value of 0,566, higher than 0,05 (0,566 > 0,05). So, it can be concluded that H6 is rejected, which means that profitability cannot moderate the effect of corporate risk on tax avoidance. These outcomes show that the higher the profitability, the higher the corporate risk is. Company leaders will be more willing to take risks so that the profits earned will increase. It makes the company vulnerable to tax avoidance. Most of the executive characters in this research sample are risk-averse. They tend to avoid risks that will affect the company's profit level. It can happen because the state has started controlling tax evaders, so companies are afraid to do so.

The Influence of Leverage on Tax Avoidance with Profitability as a Moderating Variable

Based on table 6, moderated leverage Profitability (LEV_PRO) has a t-count of -0.867 with a significance value of 0.388, which is higher than 0.05 (0.388 > 0.05). We reject H7, which means that profitability cannot moderate the effect of leverage on tax avoidance. These results indicate that debt can cause losses for the company. This means that the company's management will not be able to manage its debt to finance its operations properly, and the company will experience losses that will affect its profitability. In this case, the debt ratio will be too large, and interest costs for debt repayment will increase, thus reducing the corporate tax burden paid by the company.

The Influence of Firm Size on Tax Avoidance with Profitability as a Moderating Variable

Based on table 6, company size moderated by Profitability (SIZE_PRO) has a t-count of -3,671 with a significance value of 0,000 deficient than 0,05 (0,000 <0,05). So it can be concluded that H8 is accepted, which means that profitability can moderate the effect of firm size on tax avoidance. The larger the firm size, the higher the profitability. Firm size is often used as a consideration when financial institutions fund companies. The larger the firm size, the easier it is for the company to obtain sufficient funding to impact corporate financial performance positively. These results support Sopiyana's (2022) research that profitability moderates firm size on tax avoidance. The greater the firm size will enable the corporate to get high profits, and the company's value will also increase so that the corporate can control tax avoidance.

CONCLUSION

In this study, there is a novelty, namely the addition of profitability as a moderating variable, because, in previous studies, the use of moderation with the same independent and dependent variables was not found in this study. Based on the outcome of research and discussion regarding the effect of political connections, corporate risk, leverage, and company size on tax avoidance with profitability as a moderating variable. We can conclude that leverage has a significant favorable influence in multiple linear regression analysis on tax avoidance. Meanwhile, political connections, corporate risk, and firm size do not influence tax avoidance. Then in Moderated Regression Analysis (MRA) analysis, profitability can moderate the effect of firm size on tax avoidance. However, profitability cannot moderate the effect of political connections, corporate risk, and leverage on tax avoidance.

Subsequent research examines using different research periods and objects, for example, in the mining, real estate, and banking sectors. Furthermore, it can add or replace independent variables such as corporate governance, sales growth, and transfer pricing and add moderating variables such as audit quality, corporate responsibility (CSR), and earnings management.

ACKNOWLEDGEMENT

This research was supported by the Ministry of Education, Culture, Research and Technology through the Merdeka Campus Competition Program, Accounting Study Program, Muhammadiyah University, Semarang

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Conflict of Interest Statement: The authors declare that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

List of Table

Table 1 | List of Taxes Debt in Food and Beverage Companies

(Data presented in Millions of Rupiah)

No	Company Code	Tax Debt			
		2021	2020	2019	2018
1	AALI	575.841	222.619	91.866	137.799
2	CPIN	496.573	364.543	260.477	643.613
3	ICBP	1.198.249	1.796.428	545.825	204.886
4	INDF	1.749.655	2.176.820	807.465	296.533
5	JPFA	238.230	299.507	137.356	447.970

Sources : www.idx.co.id, 2022

Table 2 | Variable Measurement

No	Variable	Measurement	Scale
1.	*Tax Avoidance* (Y)	ETR = $\frac{Income\ Tax\ Expense}{Income\ Before\ Tax}$	Ratio
2.	Political Connection(X1)	The criteria used to assess political connections referred to the research conducted (Wati et al., 2017) are: 1. A director or a commissioner is also a legislative, executive branch member, or government agency member, including a military or political party 2. member. 3. A director or a commissioner is also a former legislative member, former executive member, or former government agency employee, including the military. 4. An owner/shareholder above 10% is a political party member and has a relationship with senior politicians, officials, or former government officials, including the military.	Criteria
3.	Company Risk (X2)	Company Risk = $\frac{EBIT}{Total\ Assets}$	Ratio
4.	*Leverage* (X3)	DER = $\frac{Total\ Debt}{TotalEquity}$	Ratio
5.	Firm Size (X4)	*SIZE = Log (Total Assets)*	Ratio

Table 3 | Sample Determination Criteria

No	Criteria	Company Number
1.	Food and Beverage company registered on the Indonesia Stock Exchange in 2018-2021	72
2.	Companies that use foreign currencies in their financial reports	(1)
3.	Food and Beverage companies that did not publish complete financial report data during the research period in 2018-2021	(12)
4.	Companies that experienced losses during the 2018-2021 research period	(27)
5.	Food and Beverage companies fulfil the criteria	32
6.	Total Food and Beverage Companies fulfil the criteria (32 companies x 4 years)	128
5.	Outliers Data	(29)
	The number of Observational Samples used	99

Table 4 | Descriptive Statistic Analysis

Descriptive Statistical Analysis Result

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Political Connection	99	0	1	0.40	0.493
Corporate Risk	99	0.0064	0.2896	0.118072	0.0593200
Leverage	99	0.013	2.4158	0.865381	0.6399386
Firm Size	99	11.2115	14.2537	12.666565	0.6792411
Profitability	99	0.0005	0.2219	0.082091	0.0500337
Tax Avoidance	99	0.1482	0.3639	0.242127	0.0433885

Sources: Processed data (2022)

Table 5 | Multiple Linear Regression

Multiple Linear Regression Test Results

Variable	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig.
(Constant)	0.180	0.057		3.160	0.002
Political Connection	0.011	0.008	0.138	1.345	0.182
Corporate Risk	-0.110	0.076	-0.160	-1.451	0.150
Leverage	0.016	0.007	0.257	2.306	0.023
Firm Size	-0.001	0.006	-0.021	-0.201	0.842

Table 6 | Moderated Regression Analysis (MRA)

Moderated Regression Analysis (MRA) Test Results

Variable	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	-0.029	0.090		-0.320	0.750
Political Connection	0.015	0.016	0.167	0.897	0.372
Corporate Risk	0.953	0.271	1.303	3.522	0.001
Leverage	0.003	0.013	0.046	0.241	0.810
Firm Size	0.022	0.007	0.338	2.929	0.004
PC_PRO	-0.019	0.165	-0.023	-0.115	0.909
CR_PRO	0.703	1.220	0.208	0.577	0.566
LEV_PRO	-0.166	0.191	-0.150	-0.867	0.388
SIZE_PRO	-0.118	0.032	-1.698	-3.671	0.000

Sources: Processed data (2022)