

The Impact of Financial Distress, Women on Boards and Profitability on Corporate Tax Avoidance

Avit Tri Laksono¹, Erna Handayani^{2*}

Universitas Muhammadiyah Purwokerto

Corresponding Author: Erna Handayani ernahandayani@ump.ac.id

ARTICLE INFO

Keywords: Tax Avoidance, Financial Distress, Women on Boards, Profitability

Received : 12, January

Revised : 13, February

Accepted: 12, March

©2024 Laksono, Handayani: This is an open-access article distributed under the terms of the [Creative Commons Attribution 4.0 International](https://creativecommons.org/licenses/by/4.0/).



ABSTRACT

Taxes are one of the highest sources of state income, especially in developing countries, but taxes are actually one of the biggest expenses for companies which will reduce the profits they get. Companies will of course be encouraged to reduce expenditure to increase income, one of which is by avoiding taxes. Tax avoidance is a strategy employed to lawfully minimise company expenditures by reducing the amount of corporate tax paid to the government. While this practise is permissible, it has the potential to diminish the state's tax revenue. The aim of this study was to examine the impact of financial distress, women on boards, and profitability on corporate tax avoidance. The population for this study consisted of companies that were classified under the LQ45 category on the Indonesia Stock Exchange (BEI) between 2013 and 2022. The sample was selected using a purposive sampling technique. This study use the statistical method of multiple regression for data analysis. The results of these study indicated that research with financial distress, Profitability, and Women on Board Commissioners has positively effect on corporate tax avoidance. Meanwhile, the Women on Board Director had no effect on tax avoidance.

INTRODUCTION

Tax is one of the most important contributions to a country paid by individuals or companies. Because it is mandatory and regulated by law, all citizens as taxpayers must obey to pay it (Putu & Gunaasih, 2021, p. 106). In Indonesia, taxes are still the largest source of state income. The following is a table of state income from taxes and non-taxes :

Table 1. Table Revenue from taxes and non-taxes

Year	Income Taxes	Non-Taxes Income
2017	Rp 1,151.03 trillion	Rp 49,78 billion
2018	Rp 1,313.32 trillion	Rp 25,67 billion
2019	Rp 1,332.66 trillion	Rp 43,03 billion
2020	Rp 1,072.11 trillion	Rp 38,18 billion
2021	Rp 1,278.65 trillion	Rp 42.81 billion

Source: Annual Report DJP (2017-2021)

As can be seen from the table above, Indonesia still relies heavily on taxes as its main source of income. Taxes play a critical part in a country's financial independence. Taxes also contribute significantly to the country's development in areas such as education, health, and industry. As a result, tax regulations must be administered in such a way that tax obligations can be met in line with applicable regulations. Taxpayers should pay in accordance with applicable laws and proper accounting principles, according to the industry, so that tax avoidance does not violate the tax regulations applicable in the government and the state (Pohan, 2018). The government and businesses as taxpayers have different interests. Taxes are a source of revenue for the state to finance government administration, but taxes are a burden that reduces the net profit made by the enterprise (Mutia Dewi Arsanti & Nuryana Fatchan, 2021).

Therefore, according to (Dang & Tran, 2021) corporate tax prompting management to devise tax planning techniques aimed at minimizing expenses in order to achieve profit targets and address capital requirements, particularly during moments of financial distress. It has subsequently sparked a covert conflict between lawmakers and corporations, each with their own valid justifications. Most companies use some means or strategies to reduce the costs that must be paid because it is a burden that must be paid that we can call tax avoidance. Tax Avoidance is an effort done legally and safely for taxpayers without conflicting with applicable taxation provisions where the methods and techniques used tend to exploit the weaknesses contained in the laws and tax regulations themselves to reduce the amount tax payable (Pohan, 2018). Tax avoidance aims to reduce and minimise corporate tax liability by trying to take advantage of the weaknesses of tax law (Kalbuana et al., 2022). Based on

observations made by the Tax Justice Network, in 2020 Indonesia lost around 4.86 billion US dollars due to tax avoidance.

Companies consistently strive to optimize benefits and enhance profitability as primary objectives. These objectives are accomplished by maximizing revenue or lowering costs. Specifically, the corporation consistently endeavors to reduce corporate income tax as it directly affects the actual profitability of the business. Businesses are consistently driven to reduce corporate income tax through tax avoidance since this action does not break any laws (Dang & Tran, 2021). Companies that engage in tax avoidance will immediately reduce the financial resources available to the government, especially in developing countries, thereby placing underprivileged groups in a disadvantaged position. Therefore, the issue of tax avoidance has always been a concern for the government, the business world and individuals (Dang & Tran, 2021). The government must make preventative efforts by minimizing regulatory gaps that are exploited by companies to carry out tax avoidance.

This research aims to find out how big the influence of financial distress, Women on Boards, and Profitability is on tax avoidance in companies in the LQ45 category on the Indonesia Stock Exchange for the period 2013 - 2022. The object on this study from LQ45 companies because This research identified prominent and well-known companies listed on the Indonesian Stock Exchange under the LQ 45 category; the shares owned by these companies are extremely liquid and have a large enough market capitalization, and they frequently participate in transactions to attract investors. This research is expected to provide empirical evidence regarding the influence of financial distress, Women on Boards, and Profitability on tax avoidance. It is hoped that this research can provide additional information and references for academics, managers and regulators in government to be able to make decisions and regulations to make all efforts to prevent tax avoidance in companies in order to increase state income.

THEORETICAL REVIEW

Agency Theory

Agency theory focuses on addressing two issues that may arise in agency relationships. The first issue is the agency problem, which occurs when there is a disagreement between the wants or goals of the principal and agent, and when it is challenging or costly for the principal to confirm the agent's real actions. The issue at hand is the principal's inability to authenticate the agent's proper conduct. (Jensen & Meckling, 1976).

In the case of tax avoidance, the principal is represented by the tax collector and the agent is represented by the company. The principal will carry out supervisory actions intended to prevent the agent from committing tax evasion which in the long term will be detrimental to the principal or agent. The

principal will make efforts to collect as much tax as possible through existing regulations. On the other hand, the agent will make every effort to pay the lowest possible taxes in order to increase company income (Kalbuana et al., 2023; Ratnawati et al., 2019; Rima Masurroch et al., 2021).

Tax avoidance refers to the lawful practice of shifting government revenue from the government to corporations. This saved income could be utilized by firms for productive purposes and could be exploited by managers for personal gain at the expense of investors. It has been observed that agency theory significantly affects managers' tax planning decisions. Managers experience pressure due to the demanding expectations of owners, particularly from risk-averse shareholders, and employ tax avoidance tactics to enhance post-tax earnings in order to meet the owner's expectations, and occasionally for their personal advantage (Duhoon & Singh, 2023).

Research hypothesis

Financial Distress and Corporate Tax Avoidance

Financial Distress refers to a scenario where the amount of cash available is insufficient to meet existing financial obligations (Wruck, 1990). Financial distress increases the incentives for risk-shifting activity to occur by shareholders and their agents (Richardson, Taylor, et al., 2015). During a financial crisis, investors and creditors tend to be more cautious when deciding whether to invest in or lend money to a struggling business. Stakeholders frequently exhibit negative responses to the current circumstances. To address the problems causing financial distress and prevent bankruptcy, prompt action must be taken by the company's management (Kalbuana et al., 2023). The company's management will employ diverse strategies to rectify the company's financial equilibrium, one of which entails the practice of tax avoidance.

According to (Richardson, Taylor, et al., 2015) It is possible for financially troubled companies to alter accounting procedures in order to temporarily raise operating income and avoid loan default or negatively impacting their creditor payment capacity. companies may be aggressive in their tax planning if they are aggressive in their accounting practices, accounting estimate derivation, and disclosures. Companies assume greater levels of risk, which might potentially shift wealth from creditors to shareholders by intensifying their tax avoidance strategies during periods of Financial Distress (Richardson, Lanis, et al., 2015).

H¹ = Financial Distress positively affects Corporate Tax Avoidance

Women on Boards Commissioners and Corporate Tax Avoidance

A diverse board makes better decisions because it is more independent and considers a wider range of viewpoints. Female representation in corporate decision making is of significant importance to legislators Female (Terjesen et

al., 2009). Individuals exhibit a lower propensity to partake in unethical conduct within the professional setting with the intention of obtaining monetary incentives (Krishnan & Parsons, 2008a). According to the results obtained from (Betz et al., 1989) Men exhibit a higher propensity than women to engage in illegal activities such as insider trading and contravene business regulations. With respect to expense reports, with the intention of gaining personal financial benefit.

The average level of moral development among female accountants is higher than that of males (Bernardi & Arnold, 1997). According to (Kastlunger et al., 2010a) Male individuals had lower levels of compliance compared to females and displayed a higher tendency to employ strategic approaches while fulfilling their tax avoidance. Moreover, he discovered a correlation between gender-role orientation and tax compliance, specifically noting that individuals with higher levels of masculinity were more inclined to engage in tax evasion as a means to boost their profits. Based on studies conducted by (Kastlunger et al., 2010b; Lanis et al., 2017; Lars, 1999) found that the inclusion of women on corporate boards leads to the emergence of ethical conduct, thereby enhancing the company's moral principles thus diminishing tax avoidance.

H² = Women on Boards Commissioners negatively affects Corporate Tax Avoidance

Women on Boards Director and Corporate Tax Avoidance

Female director is a term that refers to a woman who is a director on a company board. According prior study by (Betz et al., 1989) found that women prioritise supporting others, whereas males prioritise financial gain and upward mobility within the organisational structure. Significantly, women exhibit higher ethical standards in their professional endeavours and are less prone than males to engage in unethical behaviour for the sake of financial advantage. Gender differences have also been observed in decision-making and risk-taking behaviour. Previous research indicates that women exhibit lower levels of tolerance towards opportunistic behaviour while making decisions inside an organisation (Krishnan & Parsons, 2008b).

Woman conducts more strict and efficient supervision like the independent board (Prasetyo, 2019). Women generally exhibit lower levels of assertiveness and self-confidence, while displaying a greater inclination towards legitimacy, risk aversion, and ethical behavior. Moreover, women serving on boards of directors seldom employ an autocratic leadership approach (Gull et al., 2018). Individuals with higher scores on masculinity traits exhibited a greater tendency to engage in tax evasion as a means of maximizing their profits (Kastlunger et al., 2010b).

H³ = Women on Boards Director negatively affects Corporate Tax Avoidance

2.2.4 Profitability and Corporate Tax Avoidance

Profitability is a key metric used to assess a company's performance. Profitability is a measure of a company's capacity to earn profits within a specific timeframe, taking into account sales, assets, and share capital. Return on Assets (ROA) is a metric that measures a company's financial performance. A higher ROA number indicates better financial success (Ernawati et al., 2019). The corporate taxes must be raised in response to the company's increased earnings resulting in a higher return on assets (ROA) (Ciptani et al., 2023). Due to this, companies with a high level of profitability tend to increase tax avoidance practices to reduce their expenses.

The tax authorities aim to maximize tax income, while the corporation must strive to achieve substantial profits while minimizing tax liability. The company's actions to maximize net profit are influenced by the level of profitability it achieves. As the level of firm profitability increases, the potential profit that the company can create also increases, resulting in a higher tax levied on company profits (Darsani & Sukartha, 2016). The higher the tax imposed, the more companies will tend to avoid taxes. This is supported by research conducted by (Marlinda et al., 2020; Putu & Gunaasih, 2021) that profitability has a positive effect on tax avoidance.

H⁴ = Profitability positively affects on Corporate Tax Avoidance

Conceptual Framework

This conceptual framework describes the relationship between independent and dependent variables. Research places Financial Distress, Board Size, Women on Board, and Profitability as independent variable, corporate tax avoidance as dependent variable.

The research framework is as follows as seen in Figure 1.

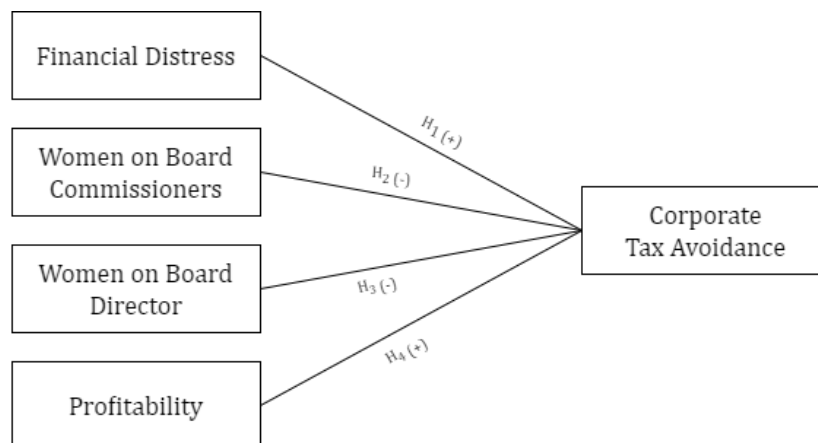


Figure 1. Conceptual Framework

METHODOLOGY

Research Design

This research uses quantitative research, which focuses on evaluating theory by measuring research variables. This research aims to determine the influence of Financial Distress, Women on Boards and Profitability on Corporate Tax Avoidance on companies listed on the Indonesia Stock Exchange from 2013 to 2022.

Population and Sample

This research specifically examines companies belonging to the LQ45 category listed on the Indonesia Stock Exchange from 2013 to 2022. The sample was obtained using purposive sampling, a technique that involves selecting individuals based on specified criteria. Criteria for selecting research samples include:

1. This company has been consistently listed in the LQ45 category on the Indonesian Stock Exchange from 2013 to 2022.
2. The company publishes its annual report on December 31 every year for the period 2013 - 2022
3. The sample companies utilize the Rupiah currency individually in order to maintain consistency in their currency measurement standards.
4. In order to avoid any manipulation of the Cash Effective Tax Rate (CETR), it is necessary for enterprises to sustain a sequence of uninterrupted positive profit figures (Richardson & Lanis, 2007).

Data Analysis Method

The research employs multiple linear regression analysis as the method of analysis. The findings of the multiple linear regression tests must adhere to the BLUE (Best Linear Unbiased Estimation) criteria (Hansen, 2020), which ensures that decisions based on the F-test and T-test are unbiased. Hence, it is important to conduct tests to assess normality, multicollinearity, autocorrelation, and heteroscedasticity. The model used in this investigation is the regression equation :

$$CTA = \alpha + \beta_1FD + \beta_2WOMC + \beta_3WOMD + \beta_4ROA + \varepsilon$$

Table 2. Description of variable

Data		Variable Description
A	=	Constant
$\beta_1, \beta_2, \beta_3, \beta_4$	=	Variable regression coefficient FD, WOMD, WOMC, ROA
CTA	=	Tax Avoidance
FD	=	Financial Distress

WOMC	=	Women on Board of Commisioners
WOMD	=	Women on Board of Director
ROA	=	Profitability
E	=	Error Term

Variable Operational Definition and Variable Measurement

Tax Avoidance

Tax Avoidance as an active tax resistance effort, namely all efforts and actions that are directly aimed at the tax authorities and aim to avoid taxes. The methods and techniques used are to exploit the weaknesses (gray areas) contained in the tax laws and regulations themselves, to reduce the amount of tax payable Pohan (2013: 23). According to Dyreng et al., 2010 The amount of tax avoidance can be seen from the comparison between cash spent on tax costs and profit before tax (Cash Effective Rate/ CETR).

$$\text{Cash Effective Cash Rate} = \frac{\text{Payment of Taxes}}{\text{Earning Before Taxes}}$$

Financial Distress

Financial distress refers to the advanced phase of company deterioration that occurs before more severe occurrences like bankruptcy or liquidation (Platt & Platt, 2002). Bankruptcy may be defined as a state or circumstance in which a business ceases operations or becomes incapable of repaying its debts due to an insufficiency of funds to establish operations once more. Financial distress can be predicted based on incompetence company or unavailability of funds for pay its obligations as they fall due. The financial distress in this study is formulated with the formula:

$$DER = \frac{\text{Total Liability}}{\text{Total Equity}}$$

Women on Board of Commissioner

The Board of Commissioners has a position to monitor , supervise and penalise the highest managements in a corporation. According to (Lanis et al., 2017) There is a clear and statistically significant correlation between having more women on the board of directors and being less aggressive in tax practises, even after accounting for other factors that could influence the results. The female board of commissioner variables in this study are formulated with a formula:

$$\text{WOMC} = \frac{\text{Total of Female Members of the Board of Commissioners}}{\text{Total of Members of the Board of Commissioners}}$$

Women on Board of Director

A board of directors is the common pinnacle of decision control systems in both large and small firms, have the authority to approve and oversee significant choices in addition to having the authority to recruit, fire, and pay top-level decision managers (Fama & Jensen, n.d.). The term "Women board of directors" refers to the presence of females on a company's boards of directors. According to prior by (Bernardi & Arnold, 1997; Betz et al., 1989), the findings indicate that female exhibit significantly more moral development on average compared to male. These studies demonstrate that women are less inclined to participate in immoral conduct in the workplace in exchange for financial incentives. In this study, the Female Board of Directors is formulated with a formula:

$$WOMD = \frac{\text{Total of Female Members of the Board of Directors}}{\text{Total of Members of the Board of Directors}}$$

Profitability

Profitability ratio is a method used by managers to measure the effectiveness of management and recognize the size of the level of profit obtained from sales or investments. Profitability is measured by the return on assets (ROA), which is an indicator that measures a firm's financial success. A higher ROA number indicates better financial performance for the organization (Ernawati et al., 2019). The ROA ratio positively correlates with the practise of tax avoidance by corporations. This is due to the fact that companies with higher profits are more likely to exploit loopholes in tax management to reduce their tax burden (Ixti & Kurniawati, n.d.). The profitability ratio is proxied with the Return on Asset calculated according to the formula:

$$ROA = \frac{\text{Net Profit}}{\text{Total Assets}}$$

RESULTS

The data analysis process through the initial stage of the data normality test using the Kolmogorov-Smirnov method obtained the sig value is equal to 0,200, as shown in table 3. Therefore, it is concluded that the research data is normal because it meets the standard greater than 0.05. (Ghozali, 2016)

Table 4: Normality Test.

One-Sample Kolmogorov-Smirnov Test		
N		
140		
Normal Parameters ^{a,b}	Mean	,0000000
	Std. Deviation	,02468286
Most Extreme Differences	Absolute	,059
	Positive	,059
	Negative	-,058
Test Statistic		,059
Asymp. Sig. (2-tailed) ^c		,200 ^d

Multicollinearity Test

Likewise, with the data test to see whether there is multicollinearity data as shown in table 5, the Tolerance value > 0.1 is obtained, while the VIF value is <10, which concludes there is no multicollinearity symptom (Santoso, 2012).

Table 5: Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
1 DER_X1	,806	1,240
WOMC_X2	,935	1,070
WOMD_X3	,779	1,284
ROA_X4	,697	1,436

a. Dependent Variable: CETR_Y

Autocorrelation Test

Next is the test data with the autocorrelation test as a table 6. result value test Durbin Watson was 1.014. This value lies between -2 and 2, so it is stated that there is no autocorrelation of data(Santoso, 2012).

Table 6: Autocorrelation Test

Model Summary ^b		
Model	Std. Error of the Estimate	Durbin-Watson
1	,02505	1,808

a. Predictors: (Constant), ROA_X4, WOMC_X2, DER_X1, WOMD_X3

b. Dependent Variable: CETR_Y

Heteroscedasticity Test

In table 7 indicated that the independent variable's significance value is more significant than 0.05, indicating normal data and not experiencing heteroscedasticity (Santoso, 2012) We employ the Glesjer test with the Weighted

Least Square (WLS) approach to test for heteroscedasticity symptoms. When compared to OLS, the WLS approach has an advantage in that it can regulate the relevance of each observation, whereas OLS assumes that the estimated value of the regression parameters is the same for each observation. If the variance of the disturbance variable is unknown, the only way to solve the heteroscedasticity problem is to know the heteroscedasticity pattern itself. (Ayu et al., 2015; Hanifah et al., 2015).

Table 7: Heteroscedasticity Test

Model	Coefficients ^a				Sig.	
	Unstandardized Coefficients		Standardized Coefficients			
	B	Std. Error	Beta	t		
1	(Constant)	9119,791	5560,597		1,640	,103
	X1_2	,000	,001	-,185	-,767	,444
	X2_2	,091	,046	,166	1,966	,051
	X3_2	-38394,901	54057,364	-,060	-,710	,479
	X4_2	,002	,002	,245	1,015	,312

a. Dependent Variable: ABS_RES

Coefficient of Determination

The coefficient of determination is the fraction of total variability in the dependent variable that the regression equation in the independent variable(s) accounts for. A R2 value of 1 implies that the fitted regression equation accounts for all of the variability in the dependent variable values in the sample data. A value of 0 for R2 shows that the regression equation does not account for any of the variability (Hahn, 1973). In the table below in the R Square section, the number 0.219 is written, which means that the Corporate Tax Avoidance variable can be explained by Independent Variables such as Financial Distress, Women on Board Commissioners, Women on Board Directors and Profitability of 21.9% and the rest is influenced by other variables that are not in model.

Table 8: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,468 ^a	,219	,196	,02505

a. Predictors: (Constant), ROA_X4, WOMC_X2, DER_X1, WOMD_X3

Furthermore, the T-test is carried out to see the effect of the independent variable on the dependent variable, as shown in Table 9 below :

Table 9: T-test

Table 9. T-tests results				
Variable	B	T	Sig.	Note
(Constant)	,124	29,121	,000	
FD	-,004	-3,474	,001	H ₁ Accepted
WOMC	-,061	-3,253	,001	H ₂ Rejected
WOMD	-,015	-1,056	,293	H ₃ Rejected
ROA	-,061	-2,168	,032	H ₄ Accepted

DISCUSSION

The T test (table 9) shows the results of the Debt to Equity Ratio (DER) with a sig value of 0.001, which is smaller than the a value of 0.05. Likewise, WOMC shows a significance value of 0.001 and ROA with a significance value of 0.032, which means these three variables have a significant effect on CETR. Meanwhile, the WOMD variable shows a significance value of 0.293, which means that this variable has no effect on the CETR variable or dependent variable. To better understand, the following is an interpretation of the previous hypothesis.

Hypothesis Test 1 : Financial distress positively affects corporate tax avoidance

The initial hypothesis posits that financial distress exerts a favorable impact on the practice of tax avoidance. The analysis in Table 6. reveals that the regression coefficient β is -0.004, with a significance value of 0.001. This indicates that the coefficient is statistically significant because smaller than the predetermined threshold $\alpha = 0.05$. Consequently, it can be concluded that Financial Distress has a significant influence on Corporate Tax Avoidance. The regression coefficient β_1 of -0.004 suggests a negative correlation between DER and CETR. The company's CETR value is inversely proportional to its DER value. A greater DER value corresponds to a lower CETR value, while a lower DER value corresponds to a higher CETR value. The Debt to Equity Ratio (DER) is a quantitative measure employed to assess the ratio of debt compared to equity. The ratio is calculated by comparing the aggregate debt, encompassing both current and long-term debt, with the overall equity. This ratio is useful for assessing the proportion of cash provided by the borrower (creditor) compared to the company owner. A higher ratio signifies a heightened probability of firm failure, whereas a lower ratio indicates a less potential of failure. A decrease in the percentage refers to a diminished likelihood of failure inside the firm. CETR serves as a proxy for assessing the extent of corporate tax evasion. Through the

optimization of tax avoidance strategies, the CETR value will decrease, leading to negative regression test findings. The CETR value exhibits an inverse relationship with tax avoidance (Dyreng et al., 2008). According to (Dyreng et al., 2008) there is an inverse relationship between the percentage level of CETR and the level of business tax avoidance. In other words, as the CETR percentage increases, the degree of tax avoidance by companies decreases. Based on the data, there is a direct correlation between the level of financial difficulty and the likelihood of corporations engaging in tax avoidance. In simpler terms, financial distress has a positive impact on tax avoidance, this is in line with previous research conducted by (Dang & Tran, 2021; Richardson, Taylor, et al., 2015). Hypothesis 1 has been confirmed.

Financial distress amplifies the motivation for shareholders and their agents to engage in risk-shifting activity (Richardson, Taylor, et al., 2015). According to (Edwards et al., 2013) During periods of financial distress, the corporation may find techniques that were previously considered hazardous or expensive to be more attractive and feasible, as the potential advantages of tax avoidance become more significant. Moreover, companies may consider the potential benefits of tax avoidance to outweigh the potential drawbacks, leading management to adopt more risky strategies to minimise the company's current tax obligations (Richardson, Taylor, et al., 2015). Empirical evidence demonstrates a negative correlation between a firm's equity, as shown by a low debt equity ratio, and its propensity for tax avoidance, put simply, companies that are riskier in terms of their financial standing are more likely to partake in tax evasion practices. Conversely, if the company's capital is increasingly at risk, it will engage in greater levels of tax avoidance.

Hypothesis Test 2 : Women on Board Commissioners negatively affects corporate tax avoidance

The t-test results showed that Women on Board Commissioners had a statistically significant positive impact on business tax evasion, with a p-value of 0.001 less than 0.05 (5%). The coefficient is -0.61, indicating that the test results empirically illustrate an association between a higher number of female directors and more corporate tax avoidance. This means that the first hypothesis, which expected that having women on boards of directors would have a negative effect on immoral actions such as tax avoidance, was rejected, in line with research by (Kalbuana et al., 2022). However, this makes sense in light of the agency theory, which serves as the foundation for this discovery's results, focuses on the relationship between principals and agents in company. This paradigm holds agents largely accountable for the success of the organizations they govern. In this situation, the commissioner is a shareholder

delegate who is responsible for ensuring that the corporation makes as much profit as possible. Female commissioners conduct themselves professionally in order to maximize company revenues as part of his responsibility in overseeing the company. As a result, female commissioners are more tolerant of opportunistic behaviors in order to increase earnings.

Hypothesis Test 3 : Women on Board Director negatively affects corporate tax avoidance

The first hypothesis contends that having a Women on a board of directors has a negative effect on Corporate Tax Avoidance. The analysis findings in Table 3. show that the significant value is 0.293, which is greater than $= 0.05$. This number suggests that the presence of a Women on the board of directors has no impact on corporate tax avoidance. It is true that there is an imbalance in the proportion of female and male directors in corporations; nevertheless, numerous governments throughout the world have highlighted this problem in order to balance the proportion of directors in corporations, as Norway has done. Since 2008, all Norwegian public companies have been required to have at least 40% of their board seats occupied by women. And, in 2012, the European Commission debated legislation that would have required all EU public firms to achieve a minimum of 40 percent female board representation by 2020. Meanwhile, in Indonesia itself there are no clear regulations regarding the minimum number of female directors in companies. The Indonesian Financial Services Authority (OJK) also stated that the contribution of female directors in public companies is still very minimal. In research conducted by (Burgess & Tharenou, 2002) mentioned that Women directors, particularly outsider directors, bring an independent perspective to the board and have proved how one Women director's intervention can shift a company's strategic direction. It is suggested that having women in key positions is related with long-term company success and competitive advantage.

Hypothesis Test 4 : Profitability positively affects corporate tax avoidance

The analysis findings presented in Table 3. indicate that the coefficient value of the profitability variable is -0.61, which is statistically significant at a level of 0.032, this significance level is lower than the predetermined research threshold of 0.05 (5%). These findings indicate that profitability has a positive effect on Corporate Tax Avoidance. As Return on Asset increases, the Cash Effective Tax Rate value decreases. A higher amount of corporate tax avoidance is indicated by a lower CETR percentage level (Dyreng et al., 2008). Therefore, as the profitability ratio of a company rises, the degree to which the company

engages in tax avoidance activities also increase. This study's fourth hypothesis is therefore considered to be valid. The results of this research are consistent with the (Darsani & Sukartha, 2016; Kismanah et al., 2018) claim that enhanced profitability positively influences tax avoidance. The principles of agency theory, which assert that the principal (in this instance, the government) will maximize the amount of tax revenue obtained from the corporation, are also supported by the aforementioned findings. On the contrary, the agent (company) will utilise tax avoidance strategies in order to diminish tax payments to the principal. The company is obligated to remit a corresponding quantity of tax to the tax authorities as its profits increase. Firms are averse to increasing tax payments on the grounds that doing so would reduce company expenses and maximize earnings.

CONCLUSIONS AND RECOMMENDATIONS

Based on the preceding statement and explanation, a conclusion can be drawn. Financial distress positively affects corporate tax avoidance; Women on Board Commissioners positively affects corporate tax avoidance; Women on Board Director doesn't affect corporate tax avoidance; and Profitability positively affects corporate tax avoidance. Corporate tax avoidance activity increases along with the increasing ratio of company financial distress; conversely, corporate tax avoidance activity decreases if the Financial Distress get lower. The rises of the Women on Board Commissioners affected increasing corporate tax avoidance activities; otherwise, the lower Women on Board Commissioners affected decreasing corporate tax avoidance activities. While the higher or lower the Women on Board Director doesn't affect corporate tax avoidance activities. The higher Profitability affects increasing corporate tax avoidance activities; otherwise, the lower Profitability reduces corporate tax avoidance activities.

These results offer empirical support in accounting and management for decisions made regarding financial distress, Women on Board Commissioners, Women on Board Director, and profitability in relation to corporate tax avoidance and agency theory. This theory describes the role of agents in making financial distress policies, Women on Board Commissioners, Women on Board Director, and profitability on corporate tax avoidance. financial distress, Women on Board Commissioners, Women on Board Director, and profitability on corporate tax avoidance are the implications of these empirical findings for company management in policy making. Apart from that, it contributes empirically to advancing science in the field of accounting and becomes a reference for research in the years to come. This research offers valuable insights into the relationship between financial difficulties, women on board, profitability and tax avoidance which can be beneficial for policymakers,

investors, and regulators worldwide. For example, tax authorities should increase their vigilance in detecting companies that engage in substantial tax avoidance, particularly focusing on firms experiencing financial distress and increasing levels of profitability. then the government can also regulate the proportion of women on board to balance the proportion of the board in terms of gender and internationalize business.

FURTHER STUDY

This research has unavoidable limitations. Disclosure of limitations aims to make the research understandable with interpretations that are not misleading. Apart from that, disclosing limitations also has the aim that further research can fill in the gaps in this research: The elements in conducting content analysis on companies are taken from annual reports and LQ45 Factsheets of LQ 45 companies listed on the Indonesia Stock Exchange in 2013– 2022 period and use of search results. In this research, the sample is limited to LQ45 companies that have never left this category between 2013-2022. Future research hopes to use other sectors that have more research samples.

REFERENCES

- Bernardi, R. A., & Arnold, D. F. (1997). An examination of moral development within public accounting by gender, staff level, and firm. *Contemporary Accounting Research*, 14(4), 653–668. <https://doi.org/10.1111/j.1911-3846.1997.tb00545.x>
- Betz, M., O'Connell, L., & Shepard, J. M. (1989). Gender differences in proclivity for unethical behavior. *Journal of business ethics*, 8, 321-324.
- Burgess, Z., & Tharenou, P. (2002). Why women are needed on boards.
- Ciptani, M. K., Rizka, H., & Situmorang, V. (2023). The Effect of Profitability, Capital Intensity, Company Size, Institutional Ownership, and Corporate Social Responsibility on Corporate Tax Avoidance. *Journal of Accounting Auditing and Business*, 6(2), 84–95. <https://doi.org/10.24198/jaab.v6i2.48932>
- Dang, V. C., & Tran, X. H. (2021). The impact of financial distress on tax avoidance: An empirical analysis of the Vietnamese listed companies. *Cogent Business and Management*, 8(1). <https://doi.org/10.1080/23311975.2021.1953678>

- Darsani, P. A., & Sukartha, I. M. (2016). The Effect of Institutional Ownership, Profitability, Leverage and Capital Intensity Ratio on Tax Avoidance. In *American Journal of Humanities and Social Sciences Research* (Issue 5). www.ajhssr.com
- Duhoon, A., & Singh, M. (2023). Corporate tax avoidance: a systematic literature review and future research directions. *LBS Journal of Management & Research*, 21(2), 197–217. <https://doi.org/10.1108/LBSJMR-12-2022-0082>
- Dyreng, S. D., Hanlon, M., & Maydew, E. L. (2008). Long-Run Corporate Tax Avoidance. In *THE ACCOUNTING REVIEW* (Vol. 83, Issue 1).
- Dyreng, S. D., Hanlon, M., & Maydew, E. L. (2010). The effects of executives on corporate tax avoidance. *Accounting Review*, 85(4), 1163–1189. <https://doi.org/10.2308/accr.2010.85.4.1163>
- Edwards, A., Schwab, C., Shevlin, T., Bauer, A., Blaylock, B., Call, A., Campbell, J., Ehinger, A., Laplante, S., Liao, S., Lynch, D., Mescall, D., Nesbitt, W., Richardson, G., & Utke, S. (2013). Financial Constraints and the Incentive for Tax Planning.
- Ernawati, S., Chandrarin, G., & Respati, H. (2019). Analysis of the Effect of Profitability, Company Size and Leverage on Tax Avoidance (Study on Go Public Companies in Indonesia). *International Journal of Advances in Scientific Research and Engineering*, 05(10), 74–80. <https://doi.org/10.31695/ijasre.2019.33547>
- Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *The journal of law and Economics*, 26(2), 301-325.
- Ghozali, I. (2016). Aplikasi analisis multivariete dengan program IBM SPSS 23.
- Gull, A. A., Nekhili, M., Nagati, H., & Chtioui, T. (2018). Beyond gender diversity: How specific attributes of female directors affect earnings management. *British Accounting Review*, 50(3), 255–274. <https://doi.org/10.1016/j.bar.2017.09.001>
- Gunaasih, S. A. P. P. (2021). The profitability, leverage, and company size of the IDX80 index on tax avoidance in Indonesia Stock Exchange. *Review of Integrative Business and Economics Research*, 10, 106-113.

- Hahn, G. J. (1973). The coefficient of determination exposed. *Chemtech*, 3(10), 609-612.
- Hanifah, N., Herrhyanto, N., & Agustina, F. (2015). Penerapan metode weighed least square untuk mengatasi heteroskedastisitas pada analisis regresi linear. *Jurnal EurekaMatika*, 3(1), 105-114.
- Hansen, B. E. (2022). A modern Gauss–Markov theorem. *Econometrica*, 90(3), 1283-1294.
- Ixti, S., & Kurniawati, L. The Effect of Audit Committee, Profitability, Leverage and Capital Intensity on Tax Avoidance (Empirical Study of Manufacturing Companies in Food and Beverage Sector Listed on the Indonesia Stock Exchange in 2018-2021).
- Jensen, M. C., & Meckling, W. H. (1976). THEORY OF THE FIRM: MANAGERIAL BEHAVIOR, AGENCY COSTS AND OWNERSHIP STRUCTURE. In *Journal of Financial Economics* (Vol. 3). Q North-Holland Publishing Company.
- Kalbuana, N., Taqi, M., Uzliawati, L., & Ramdhani, D. (2022). The Effect of Profitability, Board Size, Woman on Boards, and Political Connection on Financial Distress Conditions. *Cogent Business and Management*, 9(1). <https://doi.org/10.1080/23311975.2022.2142997>
- Kalbuana, N., Taqi, M., Uzliawati, L., & Ramdhani, D. (2023). CEO narcissism, corporate governance, financial distress, and company size on corporate tax avoidance. *Cogent Business and Management*, 10(1). <https://doi.org/10.1080/23311975.2023.2167550>
- Kastlunger, B., Dressler, S. G., Kirchler, E., Mittone, L., & Voracek, M. (2010a). Sex differences in tax compliance: Differentiating between demographic sex, gender-role orientation, and prenatal masculinization (2D:4D). *Journal of Economic Psychology*, 31(4), 542-552. <https://doi.org/10.1016/j.joep.2010.03.015>
- Kimsen, K., Kismanah, I., & Masitoh, S. (2019). Profitability, leverage, size of company towards tax avoidance. *JIAFE (Jurnal Ilmiah Akuntansi Fakultas Ekonomi)*, 4(1), 29-36.

- Krishnan, G. V., & Parsons, L. M. (2008). Getting to the bottom line: An exploration of gender and earnings quality. *Journal of Business Ethics*, 78(1-2), 65-76. <https://doi.org/10.1007/s10551-006-9314-z>
- Lanis, R., Richardson, G., & Taylor, G. (2017). Board of Director Gender and Corporate Tax Aggressiveness: An Empirical Analysis. *Journal of Business Ethics*, 144(3), 577-596. <https://doi.org/10.1007/s10551-015-2815-x>
- Lars, F. (1999). Gender, Exposure to Tax Knowledge, and Attitudes Towards Taxation; An Experimental Approach. *Journal of Business Ethics*, 18, 173-184.
- Marlinda, D. E., Titisari, K. H., & Masitoh, E. (2020). Pengaruh Gcg, Profitabilitas, Capital Intensity, dan Ukuran Perusahaan terhadap Tax Avoidance. *Ekonomis: Journal of Economics and Business*, 4(1), 39. <https://doi.org/10.33087/ekonomis.v4i1.86>
- Masrurroch, L. R., Nurlaela, S., & Fajri, R. N. (2021). Pengaruh profitabilitas, komisaris independen, leverage, ukuran perusahaan dan intensitas modal terhadap tax avoidance. *Inovasi*, 17(1), 82-93.
- Maziyya, P. A., Sukarsa, I. K. G., & Asih, N. M. (2015). Mengatasi heteroskedastisitas pada regresi dengan menggunakan weighted least square. *E-Jurnal Matematika*, 4(1), 20-25.
- Platt, H. D., & Platt, M. B. (2002). Predicting corporate financial distress: Reflections on choice-based sample bias. *Journal of economics and finance*, 26(2), 184-199.
- Pohan, C. A. (2022). *Optimizing corporate tax management: Kajian perpajakan dan tax planning-nya terkini*. Bumi Aksara.
- Prasetyo, N. B. (2019). THE ROLE OF GENDER DIVERSITY ON THE BOARD OF DIRECTORS AND TAX AVOIDANCE. *Russian Journal of Agricultural and Socio-Economic Sciences*, 87(3), 107-115. <https://doi.org/10.18551/rjoas.2019-03.14>
- Ratnawati, V., Wahyunir, N., & Abduh, A. (2019). The effect of institutional ownership, board of commissioners, audit committee on tax Aggressiveness; firm size as a moderating variable. *International Journal of Business and Economy*, 1(2), 103-114.

- Richardson, G., & Lanis, R. (2007). Determinants of the variability in corporate effective tax rates and tax reform: Evidence from Australia. *Journal of Accounting and Public Policy*, 26(6), 689–704. <https://doi.org/10.1016/j.jaccpubpol.2007.10.003>
- Richardson, G., Lanis, R., & Taylor, G. (2015). Financial distress, outside directors and corporate tax aggressiveness spanning the global financial crisis: An empirical analysis. *Journal of Banking and Finance*, 52, 112–129. <https://doi.org/10.1016/j.jbankfin.2014.11.013>
- Richardson, G., Taylor, G., & Lanis, R. (2015). The impact of financial distress on corporate tax avoidance spanning the global financial crisis: Evidence from Australia. *Economic Modelling*, 44, 44–53. <https://doi.org/10.1016/j.econmod.2014.09.015>
- Singgih, S. (2010). *Statistik Parametrik Konsep dan Aplikasi dengan SPSS*. Jakarta: PT. Elex Media Komputindo.
- Terjesen, S., Sealy, R., & Singh, V. (2009). Women directors on corporate boards: A review and research agenda. *Corporate Governance: An International Review*, 17(3), 320–337. <https://doi.org/10.1111/j.1467-8683.2009.00742.x>
- Wruck, K. H. (1990). Financial distress, reorganization, and organizational efficiency. *Journal of financial economics*, 27(2), 419–444.