

# THE EFFECT OF POLITICAL AND CORPORATE GOVERNANCE CONNECTIONS ON TAX AVOIDANCE PRACTICES IN THE BANKING INDUSTRY IN INDONESIA WITH AUDIT QUALITY AS A MODERATING VARIABLES

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## ABSTRACT

Based on World Bank data, Indonesia has a relatively low tax to gross domestic product (GDP) ratio when compared to the world ratio. Research related to tax avoidance is an exciting topic to study in the accounting field because it has high variations in each country. Besides, this research is motivated because previous research has relatively inconclusive results, so that there may be other phenomena that cannot be explained by previous research. This study predicts that companies with good audit quality affect the relationship between political connections, corporate governance, and tax avoidance.

The research method used in this research is a quantitative method using a sample of companies in the financial industry listed on the Indonesia Stock Exchange 2015-2019 as many as 510 observations. Data analysis used in this study is multiple regression and Moderated Regression Analysis (MRA).

The results showed that the Political Connection variable did not affect Tax Avoidance Practices, while the governance of Corporate Governance (Institutional Ownership) affected Tax Avoidance Practices. Corporate Governance, which includes the Independent Board of Commissioners and the Audit Committee, does not affect Tax Avoidance Practices. The Audit Quality Hypothesis Moderates Political Connections and Tax Avoidance Practices are supported. The moderation of Audit Quality in the relationship between Corporate Governance and Tax Avoidance Practices only affects the Independent Board of Commissioners and the Audit Committee variables. Institutional Ownership is not proven to moderate the relationship between corporate governance and tax avoidance practices.

*Kata Kunci: Tax Avoidance Practices, Political Connections, Institutional Ownership, Independent Board of Commissioners, Audit Committee, Audit Quality*