DIRECT AND INDIRECT INFLUENCE OF CORPORATE GOVERNANCE ON AGGRESSIVE TAX AVOIDANCE AND PARTICIPATION IN THE TAX AMNESTY PROGRAM

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Abstract

Corporate governance (CG) is widely believed to prevent management from engaging in harmful actions that could adversely affect the company. A company is expected to perform better if its CG index or value is high. However, facts indicate that not all companies with a high CG index also demonstrate good performance (AlHares & AlBaker, 2023). The issue addressed in this research is the mixed findings regarding tax compliance and CG. Some studies indicate a negative impact of CG, while others show the opposite results. This study aims to examine the influence of CG on tax compliance and participation in tax amnesty programs, which are believed to enhance taxpayers' compliance in the future. The method employed in this research is multiple regression analysis with tax compliance as the intervening variable. Test results show that the CG index has a negative impact on aggressive tax avoidance abnormal books tax difference (ABTD). These findings suggest that CG can prevent companies from committing tax violations. The research also discovered that CG does not directly influence a company's participation in the tax amnesty program in Indonesia. Instead, CG indirectly affects participation in the tax amnesty program through aggressive tax avoidance.

Keywords: Corporate Governance, Aggressive, Tax Amnesty, Avoidance

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1. INTRODUCTION

Corporate governance (CG) is a key element in enhancing economic efficiency, encompassing a set of relationships among company management, the board of directors, shareholders, and other stakeholders Organization for Economic Co-operation and Development (OECD). CG mechanisms are systems that control and direct a company's operations. CG can enhance the profitability of financial companies through service innovation but not for non-financial companies (AlHares & AlBaker, 2023).

CG can enhance tax compliance to avoid tax penalties. Good CG will steer companies away from detrimental tax evasion. The varied implementation of good CG causes not all companies to achieve this goal. CG guides companies to engage in tax avoidance to achieve greater profits. CG also has the potential to assess the risks associated with tax avoidance, ensuring that tax avoidance does not result in losses for the company. (Kovermann & Velte, 2019).

Strict supervision of CG implementation can lead to negative effects for the company. Tight supervision of CG implementation increases the pre-tax income ratio. The increase in pre-tax income will decrease the effectiveness of tax management (Martinez et al., 2023).

Tax amnesty will only succeed if it provides additional tax revenue for the government, and the policy is genuinely needed and requested by taxpayers. Governments require funds from tax amnesty, especially to increase short-term and long-term national income. Tax amnesty programs are associated with lower-than-planned tax revenues, disrupting national income achievement (fiscal stress). Political factors strongly influence tax amnesty policies, and without political support, such policies are unlikely to succeed, especially concerning their timing. In some countries, tax amnesty policies are considered to increase tax revenue, although they are often deemed unfair to compliant taxpayers (Le Borgne, 2006).

The government enforces amnesty, primarily to increase tax revenue. An additional benefit is that tax amnesty allows tax authorities to reduce administrative document backlog and arrears, saving some administrative costs. Amnesty supporters argue that voluntary tax compliance might genuinely increase after amnesty. They argue that a significant source of increased compliance comes from individuals who previously did not pay taxes for a year or more but, by participating in the tax amnesty program, return to the tax system. These individuals seek to rectify their previous illegal actions but fear prosecution and penalties that usually accompany tax evasion discovery. The opportunity to correct their previous tax evasion and re-enter the system increases voluntary compliance: these individuals no longer hide by engaging in tax avoidance, their errors decrease, and tax authorities now have records of their activities.

Compliance will also increase if amnesty is followed by stronger law enforcement efforts. The government aims to enhance law enforcement activities fairly. Participants may also increase if amnesty is accompanied by broader taxpayer services and better education about taxpayer responsibilities, both of which make taxpayers more willing to pay taxes.

Some experts argue that revenue from tax amnesty programs is relatively small, and even smaller when considering the administrative costs of amnesty. The long-term revenue impact of amnesty may be negative (Alm et al., 1990). This negative impact can occur for several reasons:

- Honest taxpayers view amnesty as an unfair tax reduction for tax evaders, reducing voluntary compliance.
- Amnesty diminishes guilt as a motivating factor, and post-amnesty compliance will suffer. Amnesty announcements make taxpayers aware of widespread non-compliance, something they were previously unaware of. Amnesty announcements also make taxpayers aware of the ease of tax avoidance; taxpayers may feel that tax avoidance will be quickly detected and punished, but amnesty signals that tax authorities cannot enforce tax laws.
- Individuals expecting future amnesty may decide to pay less. Taxpayers assume this avoidance will be forgiven at some point in the future. Government statements that amnesty will not be repeated may not occur if the government lacks credibility.
- Tax amnesty can also have negative effects, taxpayers who receive information about a tax amnesty policy tend to engage in tax avoidance, expecting to follow future tax amnesty programs to obtain tax payment relief and avoid penalties. Tax avoidance tends to increase, especially when tax amnesty or repeated tax amnesty programs are implemented, and is often exploited by small and medium-sized enterprises.
- Compliance decreases after amnesty if the tax amnesty program is not accompanied by other programs that can provide legal certainty, policy consistency, and socialization programs. The Colorado tax amnesty had no long-term effect on tax revenue and did not affect levels and growth rates (Alm et al., 1990).
- Tax amnesty is influenced by political considerations; politicians are reluctant to increase taxes before general elections. Tax amnesty as a revenue source can increase income from past-due taxes. These programs may be more expensive politically because law-abiding taxpayers may consider tax forgiveness unfair (Le Borgne, 2006).
- This research aims to examine the influence of CG on corporate tax policies. It seeks to determine whether CG affects tax avoidance and whether it influences participation in tax amnesty programs, which are believed to encourage greater compliance by companies.

The rest of the paper is organized as follows. We present the conceptual framework and the literature review in Section 2. Then, we describe the empirical design and the methodology in Section 3. Further, we focus on the empirical results in Section 4. Finally, we conclude the study in Section 5.

2. LITERATURE REVIEW

2.1. Corporate governance

Corporate governance is a key element in improving the efficiency and performance of a company. It serves as a reference for managing a company according to the principles established by institutes and the government. CG entails a set of policies created to regulate the relationships among company management, the board of directors, shareholders, and other stakeholders OECD. CG mechanisms constitute a system that controls and directs a company's operations. The mechanisms of CG can reduce agency costs and improve governance even though their effectiveness is greatly influenced by the social, political, and economic conditions of the country (Haroon & Zaka, 2023).

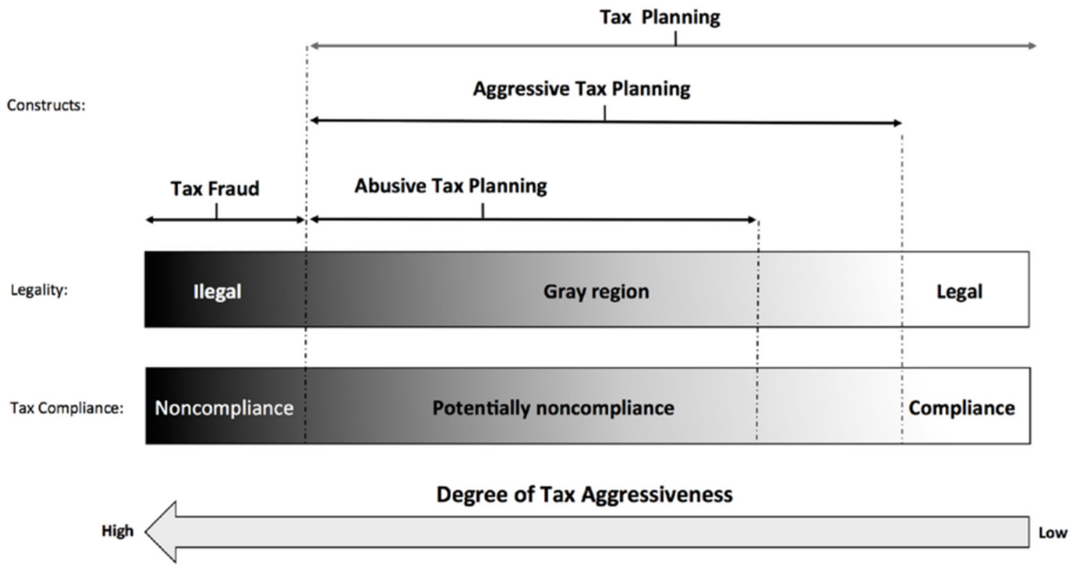
Managers, as agents, often manipulate a company's earnings for various purposes, whether for the company's efficiency or opportunistic goals. Research findings indicate that companies engaging in earnings management cannot evade their responsibility to pay taxes. Companies involved in earnings management, whether for efficiency or opportunistic reasons, must be accountable for the increased income taxes they owe. The level of agency problems in companies varies but can be detected using various tools such as financial ratios (Flayyih & Khiari, 2023).

2.2. Tax planning

Various efforts to minimize the amount of taxes owed and delay the payment of taxes. Taxpayers employ positive tax avoidance measures, exploiting gaps in accounting and tax principles, as well as negative tax evasion methods involving data manipulation.

Tax planning based on existing tax regulations will lead to taxpayer compliance. The compliance diagram is clearly illustrated by Martinez (2017) based on Lietz (2013).

Figure 1. Tax level of compliance



Source: Martinez (2017, p. 107).

Aggressive tax planning can potentially lead taxpayers to violate existing tax regulations, making them non-compliant. Taxpayers' non-compliance by violating general tax regulations is not categorized as tax planning by some experts but is considered tax fraud.

Tax compliance with the self-assessment system carries a mission and consequences related to changes in citizens' attitudes (awareness) to voluntarily pay taxes. The level of tax compliance is more crucial than the amount of tax payments. It introduces the theory of criminal economics or economics of crime, where individuals are assumed to maximize their utility expectations through a tax avoidance game involving under-reporting. The amount of income concealed depends on the probability of an audit and the amount of fines. The A-S model (Allingham & Sandmo, 1972) is widely used by researchers to test taxpayer compliance. This model assumes taxpayers as entirely amoral entities making decisions about tax evasion, considering risk in maximizing expected utility. The issue of tax evasion in Indonesia is related to the tax system and tax morality. The tax system, including tax rates, audit probabilities, and sanctions, theoretically contributes to low tax compliance.

Earnings management is the selection of accounting policies by managers from existing accounting standards and naturally can maximize their utility or the company's market value (Scott, 2006). The size of income significantly influences management behavior in recognizing the company's profit, which usually correlates with the amount of income tax.

CG, aggressive tax avoidance, and participation in the tax amnesty program. The implementation of good CG will impact the improvement of company performance, company value, a better balance sheet, protection of shareholder rights, and attracting larger investments, especially for publicly traded companies. Good CG is crucial for companies emphasizing sustainability, especially those listed on the stock exchange. The implementation of good CG also protects companies from poor management, which can lead to a decline in the company's reputation.

Tax amnesty aims to increase compliance and enhance the tax institution's trust in the private sector. Therefore, it aligns with the values of good CG (Yustiari, 2016). The implementation of good CG encourages companies to participate in tax amnesty programs.

Avoiding tax payments is not a good signal for companies. Tax avoidance, especially when publicly known, creates a negative perception among investors about the company's management, raising suspicions of potential issues such as profit manipulation and financial statement manipulation by the company.

Indonesia Institute Corporate Governance (IICD) data indicates a continuous improvement in CG scores. Some argue that governance changes in companies may influence investor perceptions more than protecting shareholder interests, and these changes may not affect company performance.

Foreign ownership has an influence on the dependent variables of company performance and value. This means that the higher the ownership of shares by foreign groups, the higher the company's performance. Foreign ownership is one of the characteristics of CG that can influence company performance and value. Foreign companies receive better training in accounting from the parent company abroad.

Good CG reduces tax evasion. Research conducted in Greece shows that tax evasion is lower when the board chairman is also the owner of the company. Strong negative results are also found in the relationship between tax evasion and a) the percentage of ownership of shares by the owner and family members and b) the percentage of stock owned by board members.

Tax amnesty is closely related to financial statements. Tax amnesty will affect the recording of assets disclosed in the company's balance sheet, which also affects the recording in the income statement for the payment of tax amnesty redemption funds. Research results show that companies tend to prepare financial statements not in accordance with standards when they obtain information about the tax amnesty program (Buckwalter et al., 2014).

One of the goals of the tax amnesty policy is to increase tax compliance. Tax amnesty is expected to encourage taxpayers who were previously non-compliant to become compliant. The tax amnesty program will eliminate fines, sanctions, and penalties that taxpayers should have received. The elimination of these burdens is expected to make taxpayers compliant. Research results show that this is not entirely supported; tax amnesty does not affect the compliance of taxpayers, especially those who reject the policy, particularly those who were initially compliant (Cassone & Marchese, 1995).

Tax amnesty can also have a negative impact; taxpayers who receive information about the tax amnesty policy tend to engage in tax avoidance. Taxpayers expect to follow the tax amnesty program in the future to obtain relief in tax payments and penalties. Tax avoidance tends to increase, especially when tax amnesty is about to be implemented or when a tax amnesty program is repeated, and it is generally exploited by small and medium-sized enterprises (Chen et al., 2010).

Companies manipulate depreciation accruals to minimize corporate tax liability during a tax rate reduction. This study finds that companies shift depreciation to periods with higher tax rates with the aim of benefiting from the tax rate reduction policy (Gordon & Gordon, 1991).

Companies manipulate temporary and permanent differences to minimize their tax liability during a tax reduction. Manipulation of income is carried out if there is a new tax reduction policy to be implemented in the future. The time before the tax rate reduction policy is utilized by taxpayers to manipulate income by shifting it to periods when the tax rate is reduced (Manzon & Plesko, 2001). Companies reduce accruals to obtain lower tax liabilities during a tax rate reduction (Dhaliwal et al., 2004).

Governance and tax morale often represent the most misunderstood and undervalued aspects of tax compliance, despite their critical importance to the success of tax policy and administration (Sebele-Mpofu, 2020). Based on this exposition, several hypotheses are formulated:

H1: Corporate governance affects aggressive tax avoidance.

H2: Corporate governance affects participation in the tax amnesty program.

H3: Corporate governance indirectly affects participation in the tax amnesty program.

3. RESEARCH METHODOLOGY

3.1. Research design

This research was conducted in Jakarta, the capital city of Indonesia. The research method used by the authors is quantitative. The quantitative method refers to a systematic scientific study of components and phenomena as well as their relationships, using mathematical models, theories, and/or hypotheses. This method involves direct research on the Indonesia Stock Exchange (IDX) and the official IDX website[1] to obtain the necessary data related to the research problem.

Model 1

$$ABTD_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 Debt\beta_{it} + \beta_3 NI_{it\,t} + \varepsilon_{it} \quad (1)$$

Model 2

$$TAM_{it} = \beta_0 + \beta_1 CG_{it} + \beta_2 Debt\beta_{it} + \beta_3 NI_{it\,t} + \beta_4 ABTD_{it} + \varepsilon_{it} \quad (2)$$

where,

- *ABTD* — abnormal books tax difference;
- *CG* — corporate governance;
- *Debt* — total debt;
- *NI* — net income;
- *TAM* — participation in the tax amnesty program. Tax amnesty status is coded as 1 for those who participated in the tax amnesty and 0 for those who did not participate.

This research can also be conducted using qualitative or mixed methods with different data sources. Qualitative. In addition to quantitative measurement of CG indices, add in-depth qualitative analysis. This could involve case studies of companies to understand the unique contexts in which governance is applied, the challenges faced, and its impact on company performance. Combine quantitative and qualitative approaches to gain a more holistic understanding of CG. This can help reduce measurement bias and provide deeper insights.

3.2. Measurement

Aggressive tax avoidance in this study uses abnormal book-tax differences. The books tax difference (BTD), is further divided into ABTD and normal books tax difference (NBTD) (Tang & Firth, 2012).

Regression analysis is applied with the following equation:

$$BTD_{it} = \beta_0 + \beta_1 \Delta INV_{it} + \beta_2 \Delta REV_{it} + \beta_3 TL_{it} + \beta_4 TLU_{it} + \beta_5 \Delta EB_{it} + \varepsilon_{it} \quad (3)$$

where,

- BTD_{it} represents the book-tax difference for company *i* in year *t*, which is the difference between the accounting profit and tax profit;

[1] https://www.idx.co.id/id

- ΔINV_{it} signifies the change in fixed assets and intangible assets for company *i* in year *t*;
- ΔREV_{it} represents the change in revenue for company *i* in year *t*;
- ΔEB_{it} is the change in employee benefit value for company *i* in year *t*;
- TL_{it} is the amount of tax loss for company *i* in year *t*;
- TLU_{it} is the amount of loss compensation for company *i* in year *t*.

These variables are used in a research context to analyze the relationships and impacts of these factors on tax avoidance or other relevant financial outcomes. In this formula, *BTD* represents the BTD for a specific entity at time *t*. The coefficients β_0, β_1, β_2, β_3, β_4, and β_5 are used to measure the relationships between BTD and the various variables ΔINV_{it}, ΔREV_{it}, TL_{it}, TLU_{it}, and ΔEB_{it}. The term ε_{it} represents the error term (ABTD).

CG is measured using a CG index. The corporate index is calculated based on the CG indicators of state-owned enterprises Badan Usaha Milik Negara (BUMN), which are continually updated to reflect business developments in Indonesia.

Debt (control variable) refers to the total indebtedness of a company, which indicates the proportion of liabilities it holds. *Debt* provides a real insight into the financing aspect of the total balance sheet. *Debt* is obtained from the magnitude of liabilities reported in the annual report.

Profit (control variable) is derived from the figure of net income found in the audited income statement. The data on tax amnesty is obtained from the annual reports of companies in accordance with Statement of Accounting Standard No. 70. Companies that participate in the tax amnesty will disclose it in their financial reports. The data on tax amnesty disclosed by companies during the observation year is used as a proxy for tax amnesty in this study. The company's profit is obtained from the audited income statement. The profit used is the audited net profit of the company.

The tax amnesty program is measured with a dichotomous value, with 1 indicating participation in the tax amnesty program and 0 indicating otherwise. Participation in the tax amnesty program can be obtained from the annual report in the notes to the financial statements.

4. RESULT AND DISCUSSION

4.1. Results

Classic assumption testing is conducted to ensure that the data to be tested is ready or suitable for the intended testing. Classic assumption testing begins with the normality test. The normality test of the data is carried out to ensure that the research data is normal and does not have significant deviations. The normality of research data is one of the prerequisites that must be met in linear testing. Based on the research results, it was found that the research data is normal, as evidenced by a significance value of 0.1. A significance value > 0.05 indicates that the data is normal. After obtaining the results of the normality test and confirming that the data is normal, the next test will be the heteroskedasticity test.

The heteroskedasticity test is conducted to ensure that there is no similarity in errors from the research data, resulting in random errors (white error). Based on the test results, all independent variables are not significantly affected. The significance value for all variables is > 0.05.

The multicollinearity test is designed to determine whether there is a high correlation between independent variables in a multiple linear regression model. If there is a high correlation between independent variables, the relationship between independent variables and the dependent variable is disturbed. The research data indicates that the tolerance value is > 0.1 and the variance inflation factor (VIF) value is < 10. The tolerance and VIF values obtained from this research show that there is no multicollinearity in the research variables.

Autocorrelation testing is a test conducted to see if there is a correlation between one period and previous periods. In simpler terms, so there should be no correlation between observations and previous observation data (Sugiyono, 2019).

The population of this study is all manufacturing companies listed on the IDX until 2018. The registered companies cannot be used as samples due to technical constraints such as being delisted by the exchange, being suspended by the exchange, and their financial statement data not being available for the years 2014 to 2018. Stock trading data is also not available, making it impossible to obtain complete data.

The observational data in this study consists of 106 companies listed on the IDX for five years from 2014 to 2018. The observational data is taken up to 2018 because the economic and business conditions changed and became abnormal due to the impact of COVID-19 in 2020. During the pandemic, many companies experienced losses, making their data not consistent with previous years. The complete and consistent data for the observation years is available for 106 companies, which are used as samples in this study. Some companies in the sample are significantly dominant compared to others, such as Astra International, whose assets and profit and loss are far above the other samples. Companies with data that significantly deviates from others will be considered outliers and excluded from the research sample.

Economic factors are one of the factors that affect taxpayers' compliance. The amount of taxable income and tax liabilities are considerations for compliance in paying taxes. Large tax liabilities tend to make taxpayers reconsider complying with tax payments OECD. Taxpayers are likely to make adjustments or manipulate their taxable income to reduce their tax liabilities, resulting in smaller or minimal tax payments or cash outflows.

Table 1. Results for *ABTD* and *TAM*

Variables	***ABTD***		***TAM***	
	Coef.	***Sig.***	***Coef.***	***Sig.***
Constant	9.5	1.906	0.062	0.129
CG		-0.045	0.050**	1.008
ABTD			-16900	0.000***
Debt	0.393	0.000	0.062	0.525
NI	-0.078	0.000	1008	0.002**

*Note: ***, ** Variable description significant < 0.01 and < 0.5, respectively. NI — net income.*

The research outcomes reveal a significant negative impact of *CG* on aggressive tax avoidance. This indicates that *CG* can effectively reduce aggressive tax avoidance. The better the CG, the smaller the aggressive tax avoidance. This result serves as evidence that companies should enhance CG to mitigate aggressive tax avoidance. A reduction in aggressive tax avoidance is also likely to decrease the likelihood of companies engaging in tax evasion, as several studies suggest a positive relationship between aggressive tax avoidance and tax evasion.

These findings carry substantial implications for corporate practices. Firstly, companies should prioritize the improvement of their CG structures. This involves reinforcing mechanisms that promote transparency, accountability, and adherence to ethical business practices. A robust CG framework acts as a deterrent to aggressive tax avoidance, aligning the company's interests with legal and ethical tax practices.

Secondly, the study underscores the interconnectedness of aggressive tax avoidance and tax evasion. By addressing aggressive tax avoidance through enhanced CG, companies can contribute to a broader effort to minimize the potential for tax evasion. This has broader implications for regulatory bodies and policymakers, suggesting that promoting good CG may indirectly contribute to the overall integrity of the tax system.

This research is supported by international literature (Badertscher et al., 2013), which has explored and identified aspects of CG interacting with tax aggressiveness practices. Mechanisms to mitigate their impact, in these aspects, show that studies related to CG, ownership structure, and incentive compensation interact to encourage managers to make optimal tax planning decisions. Tax avoidance schemes can be addressed through good CG (Desai et al., 2001). The results of this study are also supported by the research of Kourdoumpalou (2016) investigated whether good CG reduces tax evasion. The study conducted in Greece showed that tax evasion is lower when the board chairman is also the owner of the company. A strong negative correlation was found between tax evasion and a) the percentage of share ownership by the owner and family members and b) the percentage of stock owned by board members. The study also found that tax evasion is higher when board members are also company employees.

However, this study is not supported by Waluyo's (2017) research. Waluyo found the opposite results when testing the influence of CG on tax evasion. CG was proxied by the audit committee, the proportion of independent commissioners, institutional ownership, and audit quality. Tax avoidance was measured by the effective tax rate gap. The research used a quantitative research design and data from the Financial Services Authority (*Otoritas Jasa Keuangan* — OJK) registered with the IDX. Regression results identified that the proportion of independent commissioners and company performance negatively affected tax evasion. The audit committee, audit quality, and company size positively influenced tax avoidance. The study also found that institutional ownership did not significantly affect tax evasion.

Based on the data, it is evident that *CG* does not have a direct effect on tax amnesty, as indicated by the lower-level confidence interval (LLCI) of -0.351 and upper-level confidence interval (ULCI) of 0.960. According to this data, it appears that *CG* does not have a direct effect on the decision to participate in the tax amnesty program. The impact of *CG* will be observed in tax avoidance.

Table 2. Direct effect of *CG* on *TAM*

Effect	*SE*	*z*	*p*	*LLCI*	*ULCI*
0.0305	0.0334	0.9110	0.3623	-0.0351	0.096

Based on the data, it is evident that *CG* has an indirect effect on and negatively influences Tax Amnesty, as seen from the boot LLCI and boot ULCI values of -0.0539 and -0.0016, respectively. The test data indicates that *CG* significantly negatively influences tax avoidance. The better the *CG*, the decrease in tax avoidance behavior.

Table 3. Indirect effect(s) of *CG* on *TAM*

Variable	*Indirect effect of CG on TAM*			
	Effect	*BootSE*	*BootLLCI*	*BootULCI*
ABTD	-0.0218	0.0134	-0.0539	-0.0016

Note: SE — standard error.

These research findings are supported by Yustiari (2016). The implementation of good CG encourages companies to participate in the tax amnesty program. Tax amnesty aims to increase compliance and enhance the tax institution's trust in the private sector, aligning with the values of good CG. The research results also align with studies by (Desai et al., 2001), where tax avoidance schemes can be addressed with good CG, and its implementation will discourage management from engaging in tax avoidance (Desai et al., 2001).

Accounting profit serves as a reference for making fiscal corrections to obtain fiscal profit, which forms the basis for corporate income tax assessment. The difference between accounting profit and fiscal profit has been utilized in several studies as an indicator of tax avoidance by taxpayers. The net profit in accounting versus fiscal profit does differ, given the distinct bases used for recognition. Therefore, this difference is not inherently wrong; it falls within acceptable limits or may indeed be appropriate, constituting tax avoidance.

Tax avoidance is indicated when the difference between accounting profit and fiscal profit is exceptionally extreme and unusual compared to taxpayers in similar industries with conditions akin to the company in question. Data indicates that profits in 2019 tended to decrease due to the widespread impact of COVID-19 in several countries, including Indonesia. Additional taxpayers recorded negative profits during this period.

4.2. Discussion

Corporate governance, as evidenced by various studies, has a positive impact on tax compliance. A well-established governance framework ensures that a company's management adheres to tax obligations. The mechanisms of good CG involve monitoring management policies, and programs and ensuring their alignment with regulations and laws, including taxation aspects.

Effective CG enhances a company's performance, increases its value, improves the balance sheet, safeguards shareholders' rights, and attracts larger investments, especially for publicly traded companies. Good CG is crucial for sustainability in businesses listed on the stock exchange.

The implementation of good CG will pressure management not to engage in tax avoidance, creating standardized procedures and monitoring based on CG principles. Foreign ownership influences the dependent variables of performance and company value. This implies that the higher the foreign group's share ownership, the higher the company's performance. Foreign ownership is one of the characteristics of CG that can affect performance and company value. Foreign companies receive better training in accounting from their parent companies abroad. CG, based on various studies, has a positive impact on compliance with taxation. Effective governance will ensure that the management of the company complies with tax obligations. The mechanisms of good governance involve monitoring policies and management programs, ensuring that they align with regulations and laws, including taxation.

Good CG enhances the performance, value, and financial position of the company, protecting the rights of shareholders and attracting larger investments, particularly in publicly traded companies. CG is vital for companies that emphasize sustainability or continuity, especially those listed on the stock exchange.

This research is supported by international literature, such as the work of Badertscher et al. (2013), which identifies aspects of CG interacting with tax aggressiveness practices. Mechanisms in these aspects, related to CG, property structure, and incentive compensation, interact to encourage managers to make optimal tax planning decisions. Schemes of tax avoidance can be overcome with good CG (Desai et al., 2001). The implementation of good CG will pressure management not to engage in tax avoidance, creating standardized procedures and monitoring based on CG principles.

Foreign ownership influences the dependent variables of performance and the value of the company, meaning that the higher the foreign ownership of shares, the higher the company's performance. Foreign ownership is one of the characteristics of CG that can influence the performance and value of a company. Foreign companies receive better training in accounting from their parent companies overseas.

Good CG always advocates for management to adopt policies that comply with the law and are beneficial for the company. Tax amnesty is a favorable policy when considering the rates participants must pay compared to normal tax rates. Good CG continually oversees management performance and ensures that management formulates policies in line with the principles of good CG.

The hypothesis testing results related to good CG and tax amnesty from the data in this study show that good CG has a positive impact on participating in the tax amnesty program at a 5% level. The values of good CG applied in the company prove to encourage participation in the tax amnesty program. These values align with the objectives of the tax amnesty program, so companies with high CG values.

However, the results of this research differ from Waluyo's (2017) findings, which found the opposite. Waluyo's research aimed to test the influence of CG on tax evasion. CG was proxied by the audit committee, the proportion of independent commissioners, institutional ownership, and audit quality. Tax avoidance was measured by the effective tax rate gap. The research used a quantitative research design and data from the OJK registered with the IDX. Regression results identified that the proportion of independent commissioners and company performance negatively affected tax evasion. The audit committee, audit quality, and company size positively influenced tax avoidance. The study also found that institutional ownership did not significantly affect tax evasion.

5. CONCLUSION

Corporate governance, measured using an index created by the state-owned enterprises BUMN, directly affects aggressive tax avoidance, with a 5% level of significance. This research provides hope for the implementation of good governance; improving governance will increase taxpayer compliance.

Good CG does not significantly affect direct participation in tax amnesty programs. Still, good CG indirectly influences participation in tax amnesty programs through aggressive tax avoidance. The research results show that with good CG, taxpayers will participate in tax amnesty programs if they are non-compliant.

This research indicates that good CG is a crucial factor in increasing taxpayer compliance. Taxpayers with good governance will become more compliant or will become compliant by participating in tax amnesty programs.

The board of commissioners always evaluates management performance. One way to evaluate performance is by assessing CG. The board of commissioners considers that CG is very important to ensure that the company will achieve targets and perform well. This research also indicates that commissioners pay attention to tax compliance. The commissioner wants management to always comply with tax regulations and provisions.

CG does not pay special attention to tax amnesty. This is understandable because the tax amnesty program is not a routine government program. The tax amnesty program is a way out for non-compliant taxpayers. Taxpayers who participate in the tax amnesty program are expected not to commit violations again in the future. CG plays a role in ensuring that companies participating in the tax amnesty program remain compliant and preventing companies from violating tax provisions.

The implementation of tax amnesty policies by governments is infrequent due to the potential negative consequences, such as a decrease in taxpayer compliance. Therefore, it is crucial to conduct research both before and after the implementation of tax amnesty policies to understand their effects comprehensively.

This research employs a quantitative method, with a sample of manufacturing companies. This study can be further developed by increasing the sample size or employing a qualitative method to explore the quality of governance more deeply through interviews and direct observations of the sample.

This research can be further developed in the future by strengthening the measurement of CG indices through direct observation of the CG implementation processes within companies, aimed at reducing measurement bias. Conduct direct observations of the CG implementation processes within companies. This may involve interviews with key stakeholders, observing board of directors meetings, analyzing policy documents, and evaluating the implementation of CG practices. In addition to quantitative measurement of CG indices, add in-depth qualitative analysis. This could involve case studies of companies to understand the unique contexts in which governance is applied, the challenges faced, and its impact on company performance. Mixed-methods approach: Combine quantitative and qualitative approaches to gain a more holistic understanding of CG. This can help reduce measurement bias and provide deeper insights.

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APPENDIX

Table A.1. Statistics result

Panel A: Model summary (Outcome variable: ABTD)[a]						
R	***R-square***	***MSE***	***F***	***df1***	***df2***	***p***
0.2136	0.0456	2.7881	4.9729	1.0000	104.0000	0.0279
Model						
Variable	***Coeff.***	***SE***	***t***	***p***	***LLCI***	***ULCI***
Constant	14.4004	1.9684	7.3157	0.0000	10.4969	18.3039
CG	-0.0577	0.0259-	-2.2300	0.0279	-0.1089	-0.0064

Panel B: Model summary (Outcome variable: TAM)[b]	
TAM	***Analysis***
0.00	0.00
1.00	1.00

Panel C: Model summary						
-2LL	***ModelLL***	***df***	***p***	***McFadden***	***CoxSnell***	***Nagelkrk***
137.3757	8.9671	2.0000	0.0113	0.0613	0.0811	0.1084

Panel C: Results in a log-odds metric						
Variable	***Coeff***	***SE***	***t***	***p***	***LLCI***	***ULCI***
Constant	-5.9490	3.1281	-1.9018	0.0572	-12.0799	0.1819
CG	0.0305	0.0334	0.9110	0.3623	-0.0351	0.0960
ABTB	0.3789	0.1370	2.7662	0.0057	0.1104	0.6473

Panel D: Direct and indirect effects of CG on TAM (Direct effect of X on Y)					
Effect	***SE***	***z***	***p***	***LLCI***	***ULCI***
0.0305	0.0334	0.9110	0.3623	-0.0351	0.0960

Panel E: Indirect effect(s) of X on Y				
Variable	***Effect***	***BootSE***	***BootLLCI***	***BootULCI***
ABTD	-0.0218	0.0134	-0.0539	-0.0016

Note: MSE — mean squared error. [a] Model 4: Y — TAM, X — CG, M — ABTD. Sample size: 106. [b] Coding of binary Y for logistic regression analysis. Result from direct effect and indirect effect CG on aggressive tax avoidance and participation in the tax amnesty program. Written by Andrew F. Hayes (www.afhayes.com).