Potential of Tax Avoidance Based on Fraud Hexagon in Manufacturing Companies in BEI in Tax Avoidance Practice

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Abstract

This research aims to determine the influence of pressure, opportunity, rationalization, competence, arrogance and collusion on tax avoidance in manufacturing companies on the IDX in carrying out tax avoidance practices in 2021-2022. This research uses a quantitative descriptive method, with a total of 27 companies as a sample with 54 data used obtained through company annual reports. The results of this study show that the pressure variable proxied by ROA has an effect on tax avoidance, the opportunity variable proxied by the proportion of independent board of commissioners (BDOUT) has no effect on tax avoidance, the rationalization variable proxied by audit opinion has an effect on tax avoidance, the competency variable which is proxied with changes in directors having no effect on tax avoidance, the arrogance variable which is proxied by CEO narcissism has no effect on tax avoidance, the collusion variable which is proxied by political connections has an effect on tax avoidance.

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INTRODUCTION

Indonesia receives funds from the State Revenue and Expenditure Budget (APBN) with taxes as the largest component. The large contribution of taxes to APBN revenues shows that the role of taxes in the country is very important. Reporting from (kemenkeu.co.id, 2023) shows that tax revenues at the end of 2022 reached IDR 1,717.8 trillion. This achievement shows that tax performance has reached 115.6\% of the target of IDR 1,485 trillion. The Ministry of Finance said that the increase in tax performance reviewed by sector shows that the largest contributor to tax revenues throughout 2022 came from the manufacturing or processing industry, which increased by 24.6\% compared to 2021 which was only 18.2\%. This shows that the role of manufacturing companies in tax revenues in Indonesia is very large. Even though the results show that the largest tax revenue comes from the manufacturing sector, in fact there are still tax avoidance actions carried out by companies in the manufacturing sector. The phenomenon of tax avoidance in manufacturing companies often occurs in Indonesia, where in 2010 PT. Toyota Motor Manufacturing Indonesia (TMII), in 2013 PT Indofood Sukses Makmur Tbk (INDF), in 2019, a new case by the company PT Adaro Energy.

Various cases of tax avoidance by manufacturing companies that have occurred in Indonesia have encouraged researchers to make observations on manufacturing companies. The results of the researcher's observations show the fact that there are still acts of tax avoidance carried out by manufacturing companies in 2021-2022. This is based on analysis of data from observations made by researchers and shows that out of 169 companies in the manufacturing sector, 27 companies have been detected carrying out tax evasion consecutively in 2021-2022. These results show that there are still loopholes in taxation that can be exploited by corporate taxpayers, especially in manufacturing sector companies, to carry out tax avoidance actions that are detrimental to the state. So based on this, manufacturing companies are the objects chosen by researchers in this research.

Tax avoidance is a transaction scheme by exploiting loopholes in a country's tax provisions to minimize the tax burden (Faradiza, 2019). The government's efforts to optimize tax revenues are at odds with companies as...
taxpayers (Kumalaputri et al., 2023). Tax avoidance is an interesting issue, in fact (Hidranto, 2023) shows that at the G20 Summit in India which was held on 9 to 10 September 2023, one of the topics discussed was the practice of tax avoidance. Tax avoidance is always interpreted as a legal activity. However, tax evasion can be categorized as an illegal activity if the transaction is carried out solely for the purpose of tax evasion or the transaction does not have a good business (Faradiza, 2019). (Hanlon & Heitzman, 2010) define corporate tax avoidance as a continuum of tax planning strategies, from completely legal activities to more aggressive activities that may fall within the realm of (gray area). This shows that the practice of tax avoidance can potentially lead to illegal activities. (Cao, 2022) in his research found that in general a high level of tax avoidance will be significantly related to the risk of fraud. Justification for perpetrators of tax evasion can provide motivation for perpetrators to commit fraud.

(Association of Certified Fraud Examiners (ACFE), 2020) defines fraud as an act of deception or intentional error carried out by a person or entity knowing that it is wrong and this can result in several losses for another individual or entity. This shows that tax avoidance can also be said to be an act of fraud, because the activity will cause losses for the government. To minimize the risk of fraud, including tax avoidance, various aspects need to be evaluated and considered, one of which is by analyzing the factors that influence fraud using the fraud hexagon theory test. The use of fraud hexagon analysis is generally carried out to detect fraudulent financial statements, but not much to explain and predict tax avoidance. The fraud hexagon theory is a refinement of the fraud triangle theory by (Cressey, 1953), the diamond fraud theory by (Wolfie & Hermanson, 2004), and the pentagon fraud theory by (Crowe, 2011). The newest and increasingly complex fraud theory was expressed by (Vousinas, 2019) with its components, namely pressure, opportunity, rationalization, competence, arrogance and collusion. Pressure is one of the elements in the fraud hexagon that can influence tax avoidance. Pressure on financial targets can be measured using Return On Assets (ROA). Studies regarding the influence of ROA on tax avoidance have been carried out by (Warwu & Kartikaningdyah, 2019) and (Putri & Putra, 2017) which reveal that the influence of ROA on tax avoidance is negative, contrary to research conducted by (Paramita et al., 2022) and (Dahranı, 2021) which revealed that ROA has a positive effect on tax avoidance. Meanwhile, research by (Hapsari Ardianti, 2019) reveals that ROA has no effect on tax avoidance.

Opportunity is one of the elements in the fraud hexagon which is a factor in tax avoidance. This opportunity is proxied by ineffective control or can be interpreted as a form of deviation in authority. This ineffective control can be measured through the proportion of the independent board of commissioners, namely the ratio of the independent board of commissioners to the total number of members of the board of commissioners in a company (Mardianto & Tiono, 2019). The results of tax research conducted by (Ervina & Wulandari, 2019) and (Gunawan et al., 2021) reveal that the influence of the proportion of independent commissioners on tax avoidance is positive. In contrast to research by (Sonia & Suparmun, 2018) and (Primasari, 2019) which revealed that the composition of the independent board of commissioners has no effect on tax avoidance.

Rationalization is also a factor that can influence tax avoidance, because perpetrators try to find reasons to justify their actions (Khuluqi & Napisah, 2022). Rationalization can be measured using audit opinions. Findings by (Salehi et al., 2020) reveal that audit opinion has a negative effect on tax avoidance. These findings are different from findings by (Ji, 2019) which revealed that audit opinion has a positive effect on tax avoidance. Meanwhile, research by (Mundiroh & Ningsih, 2022) reveals that rationalization has no effect on tax avoidance. Competence or capability is an element that includes internal control and a person's ability to control a situation to obtain benefits (Khuluqi & Napisah, 2022). Competence can be measured by changes in directors. Research conducted by (Pamunkas & Utomo, 2018) states that changes in company management have a positive influence on acts of fraud. This is different from the findings by (Mundiroh & Ningsih, 2022) who did not find any relationship between tax avoidance and change of directors.

Arrogance also has the potential to cause a company to practice tax avoidance. Arrogance can be measured by CEO narcissism, namely through the frequency or how often the CEO's photo appears in the company's annual report. Research by (Kalbuana et al., 2023) shows that CEO narcissism has a negative effect on corporate tax avoidance. This is different from other research regarding the influence of CEO narcissism on tax avoidance which was conducted by (Pratomo et al., 2022) which found that CEO narcissism had no effect on tax avoidance.

Collusion is also a driving factor in fraud, including tax evasion. Research by (Putra & Suhardianto, 2020) shows that political connections have a negative effect on tax avoidance. This is different from research conducted by (Maidina & Wati, 2020) which shows that political connections have a positive effect on tax avoidance. This is different from research conducted by (Kalbuana et al., 2023) which shows that political connections have a negative effect on tax avoidance.
avoidance. Meanwhile, research by (Sawitri et al., 2022) reveals that political connections have no effect on tax avoidance. In this study, the researcher focused on companies that engage in tax avoidance because the researcher wanted to test how big the influence of the fraud hexagon element was in influencing tax avoidance. Based on the background of the problem and the inconsistency of previous research results, the researcher decided to conduct research with the title "Potential Tax Avoidance Based on Hexagon Fraud in Manufacturing Companies on the IDX in Tax Avoidance Practices"

LITERATURE REVIEW

Agency Theory

The main basis of agency theory arises from the imbalance of interests between the principal and the agent. Principal delegates work to agents. (Eisenhardt, 1989) The focus of agency theory comes from the assumption that agents will behave opportunistically, especially if their interests conflict with those of the principal (Mitchell & Meacheam, 2011). The principal (investor) has the main interest in receiving a large return from his investment and hopes that the manager will be able to realize these main interests, so that when the main desire is realized the investor will provide rewards to the manager. On the other hand, managers as agents have several interests, including wanting to improve their welfare, one of which is by getting rewards in the form of bonuses from investors for their contributions to the company. Thus, managers try to take steps so that their performance gets a good impression and assessment in the eyes of investors. (Jensen & W.H Meckling, 1976) stated that the goals of shareholders (principals) and management (agents) are difficult to unite because of differences in interests and can give rise to conflicts of interest.

The relationship between agency theory and tax avoidance is information asymmetry. This agency problem can be detrimental to principals who are not directly involved in managing the company so that principals only have limited access to information. The authority to manage company assets given by the principle to the agent can make the agent put aside the interests of the principle by taking advantage of his incentives to avoid taxes with the aim of reducing the taxes that must be paid. This interest is different from the principle interest which does not want aggressive tax avoidance because it has the potential to disrupt business continuity if the company gets into legal trouble (Nurhando & Firmansyah, 2017). Agency conflicts can influence how aggressive tax treatment is. Therefore, it is necessary to monitor manager decision making through a third party to minimize the risk of agency conflicts between principals and agents, for example by having independent commissioners or external auditors.

Fraud Hexagon

The Association of Certified Fraud Examiners (ACFE) defines fraud as an intentional fraudulent act carried out with the aim of benefiting oneself, a group or a third party (person, company or institution). Theories related to fraud continue to develop from fraud triangle, fraud diamond, fraud pentagon to the latest theory put forward by (Vousinas, 2019), namely fraud hexagon. So overall the Fraud Hexagon Theory has six elements: (1) Pressure; (2) Opportunity; (3) Rationalization; (4) Ability (competence); (5) Arrogance; and (6) Collusion. This theory considers all the factors necessary for fraudulent activity to occur.

Tax Avoidance

Tax avoidance according to (Sari, 2014) is a transaction method designed to minimize the tax burden by exploiting weaknesses (loopholes) in a country’s tax laws. There are several ways to measure tax avoidance. Effective tax rate (ETR), Cash Effective Tax Rate (CETR), and Book Tax Different (BTD). CETR is a measure of tax avoidance that researchers chose from three available metrics. This measurement is used because it provides a more accurate picture of the existence of tax avoidance operations. To determine how much money the company actually spends on tax payments, CETR can evaluate cash flow records. The CETR measurement according to (Ritonga, 2019) is good for describing tax avoidance activities because CETR has no effect on changes in estimates such as the existence of tax protection. According to (Tebiono & Sukadana, 2019) a company is said to be committing tax avoidance when it shows a Cash Effective Tax Rate (CETR) value that is below the statutory tax rate or corporate income tax rate, with the Corporate Income Tax rate in Indonesia in 2021 and 2022 at (stats.oecd.org, 2022) which is 22%, so the company is said to be avoiding tax if the CETR value shows a figure below 22%. Measuring using CETR will show a low level of tax avoidance, depicted by
a high CETR value, whereas a high level of tax avoidance is indicated by a low CETR value (Ayu Widya Lestari & Putri, 2017)

Framework of Thinking

![Research Conceptual Framework](image)

Hypothesis:
H1: Pressure influences tax avoidance.
H2: Opportunity influences tax avoidance.
H3: Rationalization influences tax avoidance.
H4: Competence influences tax avoidance.
H5: Arrogance influences tax avoidance.
H6: Collusion influences tax avoidance.

RESEARCH METHODS

A quantitative research approach was used in this research. This research aims to determine the relationship between the independent variable and the dependent variable. In this study, researchers want to know the influence of pressure, opportunity, rationalization, competence, arrogance and collusion on tax avoidance in manufacturing companies on the Indonesian Stock Exchange that are detected as committing tax evasion. The population in this study is companies including manufacturing companies that have been listed on the Indonesia Stock Exchange in 2022-2021 with a total of 169 companies. In this research, the sampling technique used a purposive sampling method, where research sampling was carried out based on predetermined considerations and criteria and a sample of 54 companies was obtained. The data used in this research is secondary data in the form of company annual reports. This research uses an analytical method using SPSS 25.

RESULTS AND DISCUSSION

Descriptive Statistics

The dependent variable, namely Tax Avoidance, which is measured using the Cash Effective Tax Rate (CETR), has a minimum value of 0.005, a maximum value of 0.220, an average value of 0.13697, this shows that the amount of tax paid on the company's pre-tax profits is 13.69%. So this shows an average value that is close to 22% and shows that on average companies are increasingly reducing tax avoidance. The independent variable pressure, the researcher chose a financial target which is proxied by ROA, has a minimum value of 0.003, a maximum value of 0.226, an average value of 0.07988, this shows the large contribution of assets in creating the company's net profit is 7.98%. This shows that the average ROA value is above the industry standard of 5.98%. This means that the achievements of manufacturing sector companies in generating profits can be said to be good and show quite high financial targets. The independent variable opportunity, the researcher chose Ineffective of Monitoring which is proxied by the proportion of independent commissioners (BDOUT) has a minimum value of 0.250, a maximum value of 0.750, an average value of 0.42888, this shows the large proportion of independent commissioners over the number of commissioners is 42.88% and shows a value above the 30% standard according to the provisions. The independent variable competency which is proxied by change of directors has a minimum value of 0.000; maximum value of 1.000; The average value is
0.42593, this figure shows a value close to 0, this means that on average the company does not experience a change of directors. The independent variable arrogance which is proxied by CEO narcissism has a minimum value of 1,000; maximum value of 4,000; The average value of 2.68519 shows a value close to 3, this indicates quite high narcissism. The independent variable collusion which is proxied by political connections has a minimum value of 0.000; maximum value of 1,000; The average value is 0.14815, this figure shows a value close to 0, this means that the average company has no political connections and shows low collusion.

**Classic Assumption Test**

1. **Normality Test**
   The Kolmogorov-Smirnov test result is 0.200. This value is above the significance value of 0.05. Thus, it can be said that the residual data values are normally distributed and have met the assumptions of the normality test.

2. **Multicollinearity Test**
   Based on the test results, the tolerance values for all variables were greater than 0.10 and the Variance Inflation Factor (VIF) value in this study was also less than 10 for each variable. So it can be concluded that multicollinearity does not occur, and the regression model can be continued.

3. **Heteroscedasticity Test**
   Based on the scatterplot graph, it shows that there is no clear pattern and there is a random distribution of points above and below the number 0 (zero) on the Y axis. This indicates that the distribution of points representing the sample in the scatterplot in this study has the same variance or it can be said homoscedasticity.

4. **Autocorrelation Test**
   Based on the run test, it shows the Asymp. Sig (2-tailed) has a value of 0.169, this shows a value of more than 0.05, so it can be concluded that the research regression model does not contain symptoms of autocorrelation.

**Model Fit Test**

Based on the results of the model fit test using ANOVA showing a sig value ≤ 0.05 or more precisely 0.002, the regression equation model is significant at an alpha level of 5%, so it can be concluded that the model formulated in the multiple linear regression equation is correct.

**Multiple Linear Regression Analysis**

Based on the results of the multiple linear regression test, the following equation is obtained:

\[ Y = 0.183 + 0.512X_1 - 0.068X_2 - 0.034X_3 - 0.012X_4 - 0.11X_5 - 0.056X_6 + e \]

**Coefficient of Determination Test (Adjusted R²)**

Based on the test results, the Adjusted R Square value is 0.271 or 27.1%. This shows that the ability of the variables pressure (ROA), opportunity (BDOUT), rationalization (audit opinion), competence (change of directors), arrogance (CEO narcissism) and collusion (political connections) in influencing the tax avoidance variable is 27.1% and the remaining 72.9% is explained by other variables not studied.

**Hypothesis Test**

From the t test results Table 1, conclusions can be drawn, namely:

a. The results of the t test on the influence of the pressure variable (ROA) on tax avoidance obtained a t-calculated value of 3.796 in a positive direction. Apart from that, it also shows that the pressure variable (ROA) (X1) has a significance of 0.000 < 0.05, which means that pressure as proxied by ROA has an influence on tax avoidance. So the hypothesis (H1) is accepted.

b. The results of the t test on the influence of the opportunity variable (BDOUT) on tax avoidance obtained a t-calculated value of -0.847 in a negative direction. Apart from that, it also shows that the opportunity variable (BDOUT) (X2) has a significance of 0.401 > 0.05, which means that the opportunity proxied by the proportion of independent board of commissioners (BDOUT) has no effect on tax avoidance. So the hypothesis (H2) is rejected.
c. The results of the t test on the influence of the rationalization variable (Audit Opinion) on tax avoidance obtained a t-calculated value of -2.050 in a negative direction. Apart from that, it also shows that the rationalization variable (Audit Opinion) (X3) has a significance of 0.046 <0.05, which means that rationalization as proxied by audit opinion has an influence on tax avoidance. So the hypothesis (H3) is accepted.

d. The results of the t test on the influence of the competency variable (Director's Instruments) on tax avoidance obtained a t-calculated value of -0.695 in a negative direction. Apart from that, it also shows that the competency variable (Director's Apparatus) (X4) has a significance of 0.490 > 0.05, which means that rationalization which is proxied by changing directors has no effect on tax avoidance. So the hypothesis (H4) is rejected.

e. The results of the t test on the influence of the arrogance variable (CEO narcissism) on tax avoidance obtained a t-calculated value of -0.808 in a negative direction. Apart from that, it also shows that the arrogance variable (CEO narcissism) (X5) has a significance of 0.423 > 0.05, which means that arrogance as proxied by CEO narcissism has no effect on tax avoidance. So the hypothesis (H5) is rejected.

f. The results of the t test on the influence of the collusion variable (Political Connection) on tax avoidance obtained a t-calculated value of -2.472 in a negative direction. Apart from that, it also shows that the collusion variable (Political Connections) (X6) has a significance of 0.017 < 0.05, which means that collusion which is proxied by political connections has an influence on tax avoidance. So the hypothesis (H3) is accepted.

Table 1. T-Test

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>.183</td>
<td>.056</td>
<td>3.242</td>
<td>.002</td>
<td></td>
</tr>
<tr>
<td>Pressure (ROA)</td>
<td>.512</td>
<td>.135</td>
<td>.461</td>
<td>3.796</td>
<td>.000</td>
</tr>
<tr>
<td>Opportunity (BDOUT)</td>
<td>-.068</td>
<td>.081</td>
<td>-.103</td>
<td>-.847</td>
<td>.401</td>
</tr>
<tr>
<td>Rationalization (Opini Audit)</td>
<td>-.034</td>
<td>.017</td>
<td>-.253</td>
<td>-.205</td>
<td>.046</td>
</tr>
<tr>
<td>Competence (Pergantian Direksi)</td>
<td>-.012</td>
<td>.017</td>
<td>-.086</td>
<td>-.695</td>
<td>.490</td>
</tr>
<tr>
<td>Arrogance (Narsisme CEO)</td>
<td>-.011</td>
<td>.014</td>
<td>-.100</td>
<td>-.808</td>
<td>.423</td>
</tr>
<tr>
<td>Collusion (Koneksi Politik)</td>
<td>-.056</td>
<td>.023</td>
<td>-.302</td>
<td>-2.472</td>
<td>.017</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Tax Avoidance (CETR)

The Effect of Pressure on Tax Avoidance in Manufacturing Companies on the IDX

The results of the hypothesis test show that the pressure variable proxied by ROA has a significance of 0.000, this means that the pressure variable has a significant influence on tax avoidance because the significance value is <0.05. This shows the research accepts the first hypothesis (H1).

Pressure has a positive coefficient value. This shows that pressure as proxied by ROA has a positive effect on CETR. The positive relationship in question is that when the pressure is higher, the CETR value is also higher. This means that companies experiencing financial pressure, namely those with high ROA, will increasingly reduce tax avoidance practices.

Companies with high pressure have high ROA and show the company is operating with high efficiency. A high ROA in a company will also indicate the company’s ability to pay tax burdens because companies that earn large profits will be able to manage their income and be able to pay their taxes so that companies are less likely to avoid tax. The company will also maintain its reputation in the eyes of shareholders and the public, therefore the company will strive to report tax expenses in accordance with tax regulations.

Agency theory in this research shows that managers have several interests, including wanting to improve their welfare, one of which is by getting rewards in the form of bonuses from investors for their contributions to the company. Thus, managers try to take steps so that their performance gets a good impression and assessment in the eyes of investors. The company will implement various policies to maximize company performance, one of which is reducing the company’s tax burden. Based on agency theory, the resources owned by the company can be used by agents to maximize agent performance compensation, namely by reducing the...
company's tax burden to maximize company performance. In general, tax planning activities increase after-tax cash flow, which ultimately increases company value (Desai & Dharmapala, 2006). This shows that the research results are not in line with agency theory, where the high profits generated by companies actually make companies reduce tax avoidance. The results of this research are in line with research conducted by (Paramita et al., 2022) and (Dahrani, 2021) which showed that ROA had a significant effect on tax avoidance. However, this research contradicts research conducted by (Hapsari Ardianti, 2019) which found that ROA had no effect on tax avoidance.

**The Effect of Opportunity on Tax Avoidance in Manufacturing Companies on the IDX**

The results of the hypothesis test show that the opportunity variable has a significance of 0.401, this means that the opportunity variable has no influence on tax avoidance because the significance value is > 0.05. Opportunity has a negative coefficient value. This can be interpreted that the opportunity variable which is proxied by the proportion of independent board of commissioners as a form of ineffective monitoring has no effect on tax avoidance. This means that the research rejects the second hypothesis (H2).

Internal supervision carried out by an independent board of commissioners will be difficult to directly influence corporate tax avoidance. This happens because management itself determines all choices. Independent commissioners only monitor management performance. Management's desire not to avoid tax cannot be directly opposed by the authority of the independent commissioner. This may also be caused by the inability of independent commissioners to provide influence or permission for tax avoidance actions carried out directly by management. Independent commissioners are a common part of companies and their existence does not really have a role in determining tax policy in a company.

Agency theory in this research shows that there are differences in interests between agents and principals which give rise to agency conflicts. The existence of this conflict results in the need for checks and balances to reduce the possibility of abuse of power by management. Based on agency theory, the independent board of commissioners in the company has the role of monitoring and controlling the actions of management regarding possible opportunistic behavior of managers (Jensen & W.H Meckling, 1976). This is where the board of commissioners will be responsible for supervising management, while management is responsible for increasing the company's efficiency and competitiveness, so that the board of commissioners can supervise all management actions in managing the company, including tax management (FCGI, 2004). So the research results show that it is not in line with agency theory which states that the existence of a board of commissioners acts as monitoring and controlling in agency conflicts. Because the results show that a small number of companies' independent commissioners continue to avoid taxes. The results of this research are in line with research conducted by (Sonia & Suparmun, 2018) and (Primasari, 2019) which revealed that an independent board of commissioners has no effect on tax avoidance. However, this research is not in line with (Ervina & Wulandari, 2019) and (Gunawan et al., 2021) which reveal that an independent board of commissioners has an influence on tax avoidance.

**The Effect of Rationalization on Tax Avoidance in Manufacturing Companies on the IDX**

The results of the hypothesis test show that the rationalization variable has a significance of 0.046, this means that the rationalization variable has a significant influence on tax avoidance because the significance value is <0.05. This shows the research accepts the third hypothesis (H3). Rationalization has a negative coefficient value. The negative relationship in question is that when rationalization as proxied by audit opinion is getting lower and lower, the CETR value is getting higher. This means that a company that has an unqualified audit opinion with an explanatory paragraph will indicate that the company is increasingly reducing tax avoidance practices, because a high CETR value indicates a low level of tax avoidance and an opinion with a low value is intended for an unqualified opinion with an explanatory paragraph.

An unqualified opinion with an explanatory paragraph shows the condition of a company that has not fully demonstrated good performance so that it still has indications of fraud, because to be able to say that the company has good performance that is free from fraud, the audit will show an unqualified opinion. So companies with unqualified opinions with explanatory paragraphs choose to reduce tax avoidance practices, because this opinion has shown that there are indications that are not entirely good for the company.

Agency theory as a grand theory in this research shows that there are differences in interests between agents and principals which give rise to agency conflicts. The existence of this conflict results in the need for
supervision of manager decision making through a third party to minimize the risk of agency conflict. Thus, the existence of an independent auditor is necessary to assess the fairness of financial reports through the audit opinion they provide in order to protect the interests of principals who are often harmed by agents' deviant behavior. So the research results are in line with this theory. The results of this research are in line with research conducted by (Salehi et al., 2020) which shows that audit opinion has an effect on tax avoidance. However, this research is not in line with (Mundiroh & Ningsih, 2022) which shows that rationalization has no effect on tax avoidance.

The Effect of Competence on Tax Avoidance in Manufacturing Companies on the IDX

The results of the hypothesis test show that the competency variable has a significance of 0.490, this means that the competency variable has no influence on tax avoidance because the significance value is > 0.05. Competence has a negative coefficient value. This can be interpreted that the competency variable which is proxied by the change of directors has no effect on tax avoidance. This shows the research rejects the fourth hypothesis (H4).

Change of directors as a proxy for competence does not have an influence on tax avoidance. This is based on the fact that a change of directors is possible due to the end of a director's term of office in the company, because based on (Peraturan Otoritas Jasa Keuangan Nomor 33 /POJK.04/2014, 2014) 1 (one) term of office for members of the Board of Directors is a maximum of 5 (five) year or until the closing of the annual GMS at the end of 1 (one) term of office in question. So in the research period it shows that this change of directors is possible because the directors have served for more than 5 years and this is not a company strategy to avoid tax. Several companies in the research also showed that changes in directors were also caused by the director having died while in office. This change of directors is a form of agreement at the General Meeting of Shareholders.

Agency theory in research shows that there are differences in interests between the agent and the principle which give rise to agency conflicts. Agents will be opportunistic by prioritizing their interests. This agency problem can be detrimental to principals who are not directly involved in managing the company so that principals only have limited access to information. The authority to manage company assets given by the principle to the agent can make the agent put aside the interests of the principle by taking advantage of his incentives to avoid taxes with the aim of reducing the taxes that must be paid. So this agency theory is in line with research results where whether or not there is a change in directors of manufacturing companies, they still carry out tax avoidance. The results of this research are in line with research conducted by (Mundiroh & Ningsih, 2022) which revealed that changing directors has no effect on tax avoidance. However, this research is not in line with (Pamunkas & Utomo, 2018) which revealed that changing directors has an effect on fraud.

The Effect of Arrogance on Tax Avoidance in Manufacturing Companies on the IDX

The results of the hypothesis test show that the arrogance variable has a significance of 0.423, this means that the arrogance variable has no influence on tax avoidance because the significance value is > 0.05. Arrogance has a negative coefficient value. This can be interpreted that the arrogance variable which is proxied by CEO narcissism has no effect on tax avoidance. This shows the research rejects the fifth hypothesis (H5).

The research results show that decisions made by CEOs with low or high arrogance for company operations will not have an impact on tax avoidance. This may be supported by the various reliefs that have been provided by the DJP in the form of tax incentives for companies. So this reason for narcissism is not so strong as to encourage a company to avoid tax. Agency theory in research shows that managers as agents have several interests, including wanting to improve their welfare, one of which is through receiving rewards in the form of bonuses from investors for their contributions to the company. So, managers try to take steps so that their performance gets a good impression and assessment in the eyes of investors, they can pay low taxes in order to maximize company profits. Agents will be opportunistic, that is, by prioritizing themselves and prioritizing their interests. So the research results are in line with agency theory, where whether the CEO is arrogant or not, manufacturing sector companies will still avoid taxes.

The results of this study are in line with (Pratomo et al., 2022) which shows that CEO narcissism has no effect on tax avoidance. However, this research is not in line with (Kalbuana et al., 2023) which shows that CEO narcissism influences tax avoidance.
The Effect of Collusion on Tax Avoidance in Manufacturing Companies on the IDX

The results of the hypothesis test show that the collusion variable has a significance of 0.017, this means that the collusion variable has a significant influence on tax avoidance because the significance value is <0.05. This can be interpreted as meaning that the collusion variable which is proxied by political connections has a significant effect on tax avoidance. This shows the research accepts the sixth hypothesis (H₆). Collusion has a negative coefficient value. The negative relationship in question is when the lower the collusion, the higher the CETR value. This means that companies that experience low collusion will increasingly reduce tax avoidance practices.

The collusion established by the company will make the company gain various benefits. The advantages obtained by companies that have political connections are that obtaining bank loans, taxation, and obtaining contracts from the government can be obtained more easily. Companies will use their closeness to politicians and state officials to gain benefits in the market and avoid the possibility of being punished for expropriation activities and poor management so that with political connections they are able to encourage tax avoidance efforts due to protection from the government. Management can use this step to realize its goal of improving its best performance. So the research results show that when a company does not have political connections, the level of tax avoidance will be low because there is no protection from politicians for the company in this regard.

Agency theory in this research explains that there are differences in interests between the agent and the principle which give rise to agency conflicts. Agents will be opportunistic by prioritizing their interests. The authority to manage company assets given by the principle to the agent can make the agent put aside the interests of the principle by taking advantage of his incentives to avoid taxes with the aim of reducing the taxes that must be paid. So when the agent or company management has political connections, it will help realize the agent's interests, namely avoiding taxes to improve their performance. Management can use this step through political connections to show its best performance as it is related to agency theory where managers can exploit information asymmetry and then practice their opportunistic activities. This shows that agency theory is in accordance with the research results. The results of this research are in line with research conducted by (Putra & Suhardianto, 2020) which shows that political connections influence tax avoidance. However, this research is not in line with research conducted by (Sawitri et al., 2022) which shows that political connections have no effect on tax avoidance.

CONCLUSIONS

Based on the results of research and discussion, it can be concluded as follows:
1. Pressure influences tax avoidance in manufacturing companies listed on the Indonesian Stock Exchange. This means that companies with high pressure will increasingly reduce tax avoidance practices.
2. Opportunity has no effect on tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange. This means whether or not there is a chance that the company will continue to practice tax avoidance.
3. Rationalization has an effect on tax avoidance in manufacturing companies listed on the Indonesian Stock Exchange. This means that companies with high rationalization will make companies increasingly reduce tax avoidance practices.
4. Competence has no effect on tax avoidance in manufacturing companies listed on the Indonesian Stock Exchange. This means that whether or not there is a change in directors as a form of competence, the company will still practice tax avoidance.
5. Arrogance has no effect on tax avoidance in manufacturing companies listed on the Indonesian Stock Exchange. This means that whether there is arrogance in the CEO or not, the company will still practice tax avoidance.
6. Collusion influences tax avoidance in manufacturing companies listed on the Indonesian Stock Exchange. This means that companies with low collusion will make companies reduce tax avoidance practices.

Based on their potential, the components in the fraud hexagon that have an influence on tax avoidance practices can be ranked from strongest to weakest, namely pressure, collusion, rationalization, opportunity, arrogance and competence.
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