Factors Affecting Tax Disclosure

Ain Hajawiyah[1*], Nurul Nafingah[1], Atta Putra Harjanto[1], Kiswanto Kiswanto[1]

[1] Accounting Study Program, Faculty of Economics and Business, Universitas Negeri Semarang, Semarang, Indonesia

*E-mail: ainhajawiyah@mail.unnes.ac.id

Abstract. Tax disclosure requires companies to disclose details about taxation more broadly. Tax disclosure in the annual report can be divided into two types, namely mandatory disclosure and voluntary disclosure. This study aims to examine the factors that affecting tax disclosure in Indonesia, including tax avoidance, board of commissioners' size, board of commissioners' independence, audit committee, managerial ownership, industry regulation, and company participation in the tax amnesty program. The population in this study were companies listed on the Indonesia Stock Exchange (IDX) in the 2020-2022 period. The data analysis technique used is descriptive statistical analysis, inferential statistical analysis, multiple linear regression analysis, and model feasibility test. The results of this study indicate that the variable board of commissioners' size, audit committee, and managerial ownership has no effect on tax disclosure. The tax avoidance, independent board of commissioners, and industry regulation have a negative effect on tax disclosure. Meanwhile, the company participation in the tax amnesty program has a positive effect on tax disclosure.

Keywords: Audit Committee, Board of Commissioners, Industry Regulation, Managerial Ownership, Tax Amnesty.

1 Introduction

One of the largest sources of income for the State of Indonesia comes from tax revenue so that tax revenue is very influential on the economy in Indonesia. Indonesia's economy is slowly improving after the COVID-19 pandemic, one of which is due to the exchange of information and transparency regarding taxation between countries. Information exchange and transparency regarding taxation boost the economy in Indonesia because it can prevent tax avoidance such as transfer pricing and increase tax revenue.

Indonesia and Asian countries have agreed to enhance tax cooperation through the Asia Initiative. The Asia Initiative is a ministerial meeting to combat tax evasion and illicit financial flows collectively at the regional level. The Asia Initiative has a very important role in tax transparency and information exchange in the Asian region. In the

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short term, tax transparency facilitated by the Asia initiative plays an important role in optimizing domestic revenue. In the long term, the Asia initiative plays a role in the fight against tax evasion, tax avoidance, and unjustified tax practices.

Based on the PricewaterhouseCoopers (PwC) publication entitled Mine 2021 Great Expectation, Seizing Tomorrow, it is revealed that global mining companies that carry out tax information transparency in 2020 are 30% of the total 40 mining companies or 12 companies. Tax information transparency is not just about disclosing the amount of tax paid by the company. Tax transparency also discloses tax policies, tax risk management, and governance strategies related to taxation to provide an overview to stakeholders. Tax transparency is an integral part of a company's Environmental, Social, and Governance (ESG) strategy, specifically the Governance criteria. Tax transparency carried out by the company can improve the company's reputation and attract investors [1].

Tax disclosure requires companies to disclose details about taxation more broadly [2]. A company's tax disclosure to the public can provide an overview of tax loopholes, improve taxpayer compliance, and help the government to develop laws on corporate governance [2]. The measurement of tax disclosure varies according to the way the data is measured, data availability, and research interest.

In Indonesia, tax disclosure in the company's annual report is guided by PSAK 46 on Income Tax. Based on PSAK 46, companies are required to include tax information regarding deferred tax assets, deferred tax liabilities, current tax expense (income), deferred tax expense (income), and reconciliations. Based on PSAK 70 on Accounting for Tax Amnesty Assets and Liabilities, companies that participate in the tax amnesty program need to include the date of the tax amnesty certificate, the amount of tax amnesty assets, and the amount of tax amnesty liabilities. The uncertainty of tax obligations caused by the interpretation of complex tax regulations is the reason why companies need to apply ISAK 34 concerning Uncertainty in Tax Treatment when preparing annual reports. ISAK 34 regulates the disclosure of judgments or assumptions made in determining taxable income (tax loss), tax bases, unused tax losses, unused tax credits, and tax rates.

Companies can disclose their tax information voluntarily beyond the tax disclosures that have been regulated by tax regulations. Components of voluntary tax disclosure in financial statements according to [3] among others, information regarding prepaid taxes, tax payables, tax refunds, tax payments, and so on. Companies that make mandatory and voluntary tax disclosures can increase the transparency of company information, provide better understanding, maintain company reputation, and prove that the company has complied with legal regulations.

This research uses agency theory, stakeholder theory, and signaling theory. Agency theory according to [4] is a cooperation agreement between the manager as an agent and the owner as a principal, where the owner will authorize the manager to manage the principal's company and make the best decisions in order to provide welfare for the principal. This can lead to differences in interests between shareholders (principals) and managers (agents) which cause agency conflicts due to information asymmetry where managers have more information about the state of the company than shareholders. The impact of information asymmetry is that it provides an opportunity for the agent to bias information from the principal so that the agent can obtain personal gain [5].

Stakeholder theory was coined by R. Edward Freeman and David L. Reed around the 1980s. Definition of stakeholder theory according to [6] is a theory that explains that a company has a relationship with various stakeholders in the company's activities, not only shareholders where the company must meet the needs of these various parties. Based on this theory, companies need to disclose information about the condition of the company which will be useful for shareholders to find out the company's development in obtaining profits, as a consideration for suppliers to decide whether to provide financing assistance to the company and provide information to the government that the company has complied with applicable laws and regulations.

The next theory used in this research is signaling theory. Definition of signal theory according to [7] is a theory that explains that companies tend to provide information related to financial reports for external parties due to information asymmetry between management and external parties. The company will provide signals through financial reports that contain reliable company financial information to external parties. External parties will analyze the information whether it is included as a good signal or a bad signal before deciding on the action to be taken.

This study uses managerial ownership variables as a novelty from previous studies. The inconsistent effect of managerial ownership on corporate information disclosure makes this variable interesting for further research. Large managerial ownership in a company can provide opportunities for managers to obtain greater stock market benefits from well-done disclosures, so that it will motivate management to disclose more information.

This study also uses independent variables that are still rarely used such as industry regulation. Companies need to spend a lot of money to fulfill their industry regulatory obligations, so there is a possibility that the disclosure of tax information by the company will not provide significant benefits compared to the costs incurred by the company to make these disclosures [3]. Companies that have high industry regulation tend to fulfill their industry regulatory obligations first rather than taking tax disclosure actions, so industry regulation is an interesting independent variable to be further investigated.

2 Hypothesis Development

There are several factors that can affect tax disclosure, namely tax avoidance, board size, independent board of commissioners, audit committee, managerial ownership, industry regulation, and company participation in the tax amnesty program. The relationship between these variables and tax disclosure can be explained by agency theory, stakeholder theory, and signaling theory. The relationship between tax avoidance and tax disclosure can be explained through agency theory. The relationship between agency theory and the effect of tax avoidance on tax disclosure is that managers want to reduce the tax burden while the owner does not want to do tax avoidance because it can reduce the company's reputation so that companies tend not to disclose taxes in the financial statements. In other words, based on agency theory, the higher the tax avoidance practiced by the company, the lower the tax disclosure in the company's annual report.

Based on previous research that has been done, the results vary. Research conducted by [3] and [8] stated that tax avoidance has a negative effect on tax disclosure. This means that companies that take aggressive tax avoidance actions tend to have low tax disclosure. In contrast to research conducted by [9] and [10] which states that tax avoidance has a positive effect on tax disclosure. Based on the theoretical description and the results of various previous studies, the following hypothesis can be drawn:
H1: Tax avoidance has a negative effect on tax disclosure

The second factor that can affect tax disclosure is the size of the board of commissioners. The board of commissioners is someone who has the main role to oversee and run the corporate governance system [11]. The greater number of members of the board of commissioners in a company can increase supervision of management actions to create good internal control of the company, so that it will motivate the company to make information transparency for stakeholders. The relationship between board size and tax disclosure can be explained through stakeholder theory. In this theory, the role of the board of commissioners as a supervisor of company performance can convince stakeholders that the company is able to meet the needs of stakeholders because it has good internal control, so that the company will transmit information that is beneficial to stakeholders, for example transparency of information regarding corporate taxes.

Based on previous research that has been done, the results vary. Research conducted by [12], [13], [14], [15], and [3] stated that the greater the number of boards of commissioners, the greater the opportunity for companies to disclose. Research conducted [16] shows different results, namely that the board of commissioners has no effect on the disclosure made by the company. Based on the description of the theory and the results of various previous studies, the following hypothesis can be drawn:
H2: The size of the board of commissioners has a positive effect on tax disclosure

The third factor that can affect tax disclosure is the independent board of commissioners. The independent board of commissioners is defined as a supervisory agent who has no relationship with shareholders who have the authority to supervise and protect minority shareholders and has an important role in decision making [17]. The greater proportion of independent commissioners in a company can reduce the occurrence of fraud in the financial statements by management because the independent board of commissioners is neutral and not influenced by any party, so that it will motivate the company to disclose information that is beneficial to stakeholders. The relationship between the independent board of commissioners and tax disclosure can be explained through stakeholder theory. Based on this theory, independent commissioners who are neutral will be more objective in providing an assessment of the policies made so that they can prevent management from committing fraud that harms shareholders. The independent board of commissioners will encourage the company to disclose information more widely to stakeholders, for example disclosing taxes in the financial statements in a fair and transparent manner.

Based on previous research that has been done, the results vary. Research conducted by [18], [13], [15], and [3] shows that the greater the proportion of independent commissioners of a company, the greater the opportunity for the company to disclose. The results of research conducted by [16] shows inversely proportional results, namely the independent board of commissioners has a negative effect on voluntary disclosure in the company's annual report. On the other hand, research conducted by [12] and [14] shows that the independent board of commissioners has no effect on voluntary disclosure. Based on the description of the theory and the results of various previous studies, the following hypothesis can be drawn:
H3: The independent board of commissioners has a negative effect on tax disclosure

The fourth factor that can affect tax disclosure is the audit committee. The audit committee is part of the company that was formed in order to assist the board of commissioners to carry out its duties [19]. The greater number of audit committees in a company owned by a company can assist the role of the board of commissioners in carrying out internal supervision of the company's financial statements so as to improve the quality of financial statements. The relationship between the audit committee and tax disclosure can be explained through stakeholder theory. Based on this theory, the role of the audit committee in assisting the implementation of the duties and functions of the board of commissioners in supervising the management of the company by carrying out internal supervision of the company's financial statements can improve the quality of financial statements such as disclosing more detailed information about corporate taxation to stakeholders.

Based on previous research that has been done, the results vary. Research conducted by [3] and [20] shows that the more the number of audit committees owned by the company, the greater the opportunity for the company to disclose. Research conducted by [15] and [21] show different results, namely that the audit committee has no effect on the disclosures made by the company. Based on the description of the theory and the results of various previous studies, the following hypothesis can be drawn:
H4: The audit committee has a positive influence on tax disclosure

The fifth factor that can affect tax disclosure is managerial ownership. Managerial ownership is also defined as the percentage of the number of shares owned by management of the total shares outstanding [22]. Greater managerial ownership in a company can minimize agency conflicts because management will make decisions that do not harm shareholders, so that it will motivate companies to make information transparency to the public. The relationship between managerial ownership and tax disclosure can be explained through agency theory. In this theory, greater share ownership by management in a company can reduce agency conflicts between agents and owners because management will choose tax planning that does not violate regulations, so that companies do not object to making tax information transparency to the public.

Based on previous research that has been done, the results vary. Research conducted by [23], [24], [25], and [26] shows that managerial ownership has a positive effect on tax disclosure. The results of this study are inversely proportional to the results of research conducted by [27] and [20] which shows that managerial ownership has a

negative effect on voluntary disclosure. On the other hand, the results of research conducted by [28] and [29] show that managerial ownership has no effect on tax disclosure. Based on the description of the theory and the results of various previous studies, the following hypothesis can be drawn:
H5: Managerial ownership has a positive effect on tax disclosure

The sixth factor that can affect tax disclosure is industry regulation. Industry regulation is a control effort made by external parties to the company including the government, certain industry associations, and other parties in order to create a good business climate for the company [3]. Companies that have high regulation tend to disclose less tax information because companies focus on complying with industry regulations, while industry regulations are not related to tax disclosure. The relationship between industry regulation and tax disclosure can be explained through signalling theory. In this theory, companies that have a high level of industry regulation are more focused on fulfilling their industry regulatory obligations than making tax disclosures because the company considers the costs incurred to make disclosures greater than the benefits that will be obtained by the company, so the company will signal that the company has complied with industry regulations in the company's annual financial statements.

Based on previous research that has been done, the results vary. Research conducted by [3] shows that the higher the industry regulation, the less tax disclosure made by the company to the public. The results of this study are inversely proportional to the research conducted by [30] which shows that government regulation has a positive effect on corporate social and environmental responsibility disclosure. Based on the theoretical description and the results of various previous studies, the following hypothesis can be drawn:
H6: Industry regulation has a negative effect on tax disclosure

The seventh factor that can affect tax disclosure is the company's participation in the tax amnesty program. The tax amnesty program is a program that can increase the transparency of tax information both short and long term [3]. The relationship between managerial ownership and tax disclosure can be explained through signalling theory. In this theory, management will disclose information about tax amnesty assets and debts in the company's annual financial statements as a signal that the company has participated in the tax amnesty program so that tax disclosure in the company's annual report will increase.

This is in line with the results of research conducted by [3] which shows that company participation in the tax amnesty program has a positive effect on tax disclosure to the public. Based on the description of the theory and the results of various previous studies, the following hypothesis can be drawn:
H7: Company participation in the tax amnesty program has a positive effect on tax disclosure

Based on the theoretical basis and framework described above, the empirical research model in this study can be seen in Figure 1 below

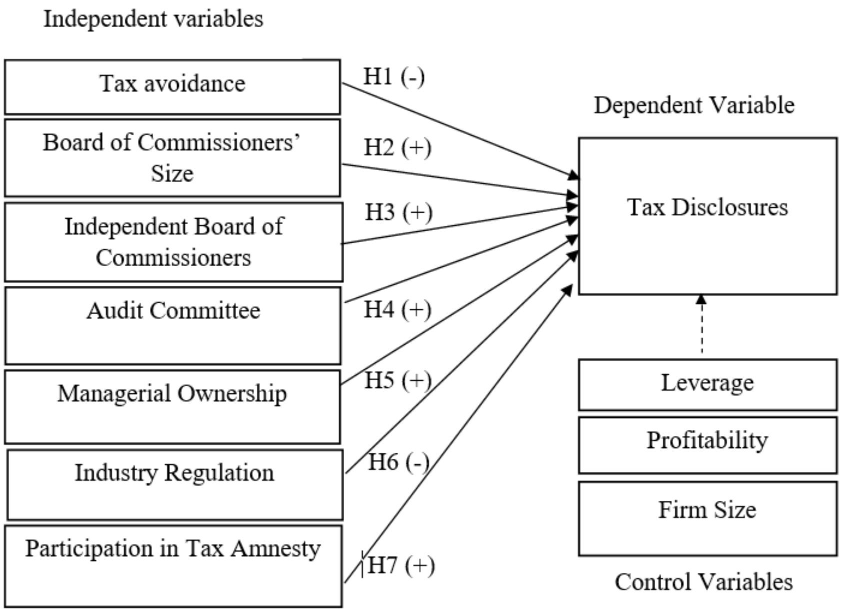

Figure 1. Empirical Research Model

3 Method

This research uses a quantitative approach with this research design using a hypothesis testing study. This study uses secondary data with data sources derived from the annual reports of companies listed on the Indonesia Stock Exchange (IDX) for 2020-2022 obtained through the official website of the IDX (www.idx.co.id) and the official websites of each company.

The population used in this study are companies listed on the Indonesia Stock Exchange (IDX) in the 2020-2022 period. Sampling was carried out using purposive sampling technique, namely by considering certain criteria with the aim of obtaining a representative sample. The sample in this study was 215 companies with a total of 645 units of analysis. The sample selection criteria are presented in Table 1.

Table 1. Research Sample Selection Criteria

No	Sample Criteria	Eliminated	Total
1	Companies listed on the IDX in 2022		711
2	Companies whose main income is not subject to Final Income Tax	(123)	588
3	Non-financial companies	(101)	487
4	Companies with no losses	(237)	250

5	Companies that publish financial statements	(26)	224
Number of companies in the research sample		224	
Outlier data eliminated from the sample		(9)	
Number of companies selected as sample		(215)	
Year of research		3	
Number of research analysis units during 2020-2022		645	

Source : Processed secondary data, 2024

The dependent variable in this study is tax disclosure. While the independent variables used consist of tax avoidance, board size, independent board of commissioners, audit committee, managerial ownership, industry regulation, and company participation in the tax amnesty program. This study also uses control variables consisting of leverage, profitability, and company size. Table 2 informs the operational definition of variables.

Table 2. Operational Definition of Research Variables

No	Variables	Operational Definition	Measurement
Dependent Variable			
1	Tax Disclosure	Tax disclosure requires companies to disclose details about taxation more broadly [2]	Tax information disclosed in financial statements: 1. Prepaid tax 2. Deferred tax assets 3. Tax amnesty assets 4. Tax debt 5. Deferred tax payable 6. Tax amnesty debt 7. Current tax expense 8. Deferred tax expense 9. Not income tax expense (other taxes) 10.Tax refund 11.Tax payment 12.Fiscal reconciliation 13.Positive/negative fiscal correction 14.Permanent differences or temporary 15.Tax amnesty related information 16.Information related to tax litigation 17.Information related to tax incentives 18.Information uncertainty related to tax treatment Score 1 if information is available Score 0 if information is not available $\frac{Total\ Skor}{18}$ x 100%

No	Variables	Operational Definition	Measurement
			[3]
Independent Variable			
2	Tax Avoidance	Tax avoidance is an act of minimizing the tax burden in a legal way without violating applicable regulations through tax planning chosen by the company. [31].	Tax avoidance (TA) Statutory Tax Rate - Effective Tax Rate [32]
3	Board of Commissioners Size	The board of commissioners is someone who has the main role to oversee and run the corporate governance system. [11]	Board size = Number of members of the board of commissioners [16], [13], [12], [14], [15], [3]
4	Independent Board of Commissioners	Independent board of commissioners according to Rivandi & Putri (2019) is a party that will provide a transparent assessment because it is not influenced by other parties.	Independent board of commissioners $= \frac{Number\ of\ independent\ commissioners}{Total\ number\ of\ board\ of\ commissioners} x100\%$ [16], [18], [13], [12], [14], [15], [3]
5	Audit Committee	The audit committee is part of the company that is created in order to assist the board of commissioners to carry out its duties. [19]	Audit committee = Number of audit committees [20], [21], [15], [3]

No	Variables	Operational Definition	Measurement
6	Managerial Ownership	Managerial ownership is also defined as the percentage of the number of shares owned by management of the total shares outstanding. [22]	Managerial ownership $\frac{Number\ of\ shares\ owned\ by\ management}{Number\ of\ shares\ outstanding}$ [24], [18], [28], [20], [26], [12], [34]
7	Industry Regulation	Industry regulation is a control effort made by external parties to the company including the government, certain industry associations, and other parties in order to create a good business climate for the company [3].	Score 1 if industry regulation is high, namely mining and infrastructure companies. Score 0 if industry regulation is low, namely an industry other than those that are specifically regulated. [3]
8	Company Participation in Tax Amnesty Program	The tax amnesty program is a program that can increase the transparency of tax information both in the short and long term [3].	Score 1 if the company participates in the volume II tax amnesty program. Score 0 if the company does not participate in the volume II tax amnesty program. [3]
Control Variables			
9	Leverage	Leverage can also be interpreted as a company's ability to fulfil its long-term obligations and can de-	Debt to Equity Ratio (DER) $\frac{Total\ debt}{Total\ equity}$ [23], [25], [34]

No	Variables	Operational Definition	Measurement
		scribe the company's capital structure so that the risk of uncollectible debt can be known. [35].	
10	Profitability	Profitability is the company's ability to generate profits within a certain period of time. [36]	Return on Asset (ROA) $= \frac{Net\ income\ after\ tax}{Total\ asset} x100\%$ [23], [25], [21], [8]
11	Company Size	Company size according to Rofiqkoh & Priyadi (2016) is a scale or value used to classify the size of a company based on certain criteria, such as total assets, log size, share value, number of workers, sales, and market capitalization.	Company size = Ln (Total assets) [23], [16], [24], [25], [8], [34]

Source : Processed secondary data, 2024

The type of data used in this study is secondary data in the form of annual reports of companies listed on the Indonesia Stock Exchange (IDX) with a time period of 3 years, namely 2020-2022. The secondary data sources used in this study come from the Indonesia Stock Exchange (IDX) website and the official websites of each company. The data collection technique used in this research is the documentation technique.

In this study, the research variable data were processed using descriptive and inferential analysis techniques through the help of the Stata 14 data processing application. Descriptive statistical analysis is used to describe the profile of research variables individually. Inferential statistical analysis in quantitative research is usually used to test research hypotheses formulated based on the previous framework. Inferential statistical analysis consists of a classic assumption test consisting of normality test, multicollinearity test, and heteroscedasticity test, panel data regression analysis and hypothesis testing. The regression equation in this study can be formulated as follows:

$$TD(i,t) = \alpha + \beta1\ TA(i,t) + \beta2\ BC(i,t) + \beta3\ IBC(i,t) + \beta4\ AC(i,t) + \beta5\ MO(i,t) + \beta6\ IR(i,t) + \beta7\ TAP(i,t) + \beta8\ DER(i,t) + \beta9\ ROA(i,t) + \beta10\ FZ(i,t) + e$$

Description:
TD = Tax Disclosure
α = Constant Value
β1 – β10 = Regression Coefficient
TA = Tax Avoidance
BC = Board of Commissioners Size
IBC = Independent Board of Commissioners
AC = Audit Committee
MO = Managerial Ownership
IR = Industry Regulation
TAP = Company Participation in Tax Amnesty Program
DER = Leverage
ROA = Profitability
SIZE = Company Size
e = Error Term
i = Research Sample
t = Research Year

4 Results and Analysis

Table 3. Descriptive Statistics Test Results

Variable	Obs	Mean	Std. dev.	Min	Max
TD	645	0.65719	0.08667	0.44444	0.88889
TA	645	-0.03861	0.26824	-2.68879	2.15177
BC	645	4.01550	1.76132	2	10
IBC	645	0.42188	0.10711	0.25000	1
AC	645	3.06047	0.37928	2	7
MO	645	0.03781	0.10588	0	0.70000
IR	645	0.17209	0.37775	0	1
TAP	645	0.30233	0.45962	0	1
DER	645	0.85563	0.72822	0.00249	4.38374
ROA	645	0.07627	0.08189	-0.01968	0.61635
FZ	645	15.09478	1.75263	11.26349	19.83968

Source: Processed Secondary Data, 2024

The results of descriptive statistical analysis in table 3 show the number of observations (N) in this study as many as 645 units of analysis. This study amounted to 645 units of analysis. This amount is the total research data for period of 3 years of observation from 2020-2022. Table 3 also illustrates the minimum, maximum, mean (average), and standard deviation for each research variable. These numbers can provide information about descriptive statistics on the variables tax disclosure (TD), tax avoidance (TA), board size (BC), independent board of commissioner (IBC), audit committee (AC), managerial ownership (MO), industry regulation (IR), company participation in the tax amnesty program (TAP), leverage (DER), profitability (ROA), and company size (FZ).

Table 4. Shapiro-Wilk Normality Test Results

Variable	Obs	W	V	z	Prob>z
Data Residual	645	0.99635	1.545	1.057	0.14527

Source: Processed secondary data, 2024

Based on Table 4 above, the probability value in the regression model is regression model is 0.14527. The probability value greater than 0.05 indicates that the data in the regression model is normally distributed. This indicates that the regression model used in the study is a good regression model because it passes the normality test.

Table 5. Multicollinearity Test Results

Variable	VIF	1/VIF
FZ	1.82	0.548972
BC	1.73	0.578916
AC	1.24	0.808055
IR	1.17	0.853333
ROA	1.11	0.901345
DER	1.08	0.924444
MO	1.07	0.933080
TAP	1.07	0.938400
IBC	1.05	0.955047
TA	1.03	0.968450
Mean VIF	1.24	

Source : Processed secondary data, 2024

Based on Table 5 above, all independent variables have a VIF value of less than 10 and a tolerance value (1/VIF) greater than 0.1. This show that the independent variables used in the regression model have no correlation. Based on this, it can be concluded that the regression model used in the study is a good regression model because it passes the multicollinearity test.

Table 6. Breusch-Pagan Heteroscedasticity Test Results

Description	Value

chi2(1)	0.61
Prob > chi2	0.4337

Source: Processed secondary data, 2024

Based on Table 6 above, the Prob> chi2 value is 0.4337. The Prob> chi2 value which is greater than 0.05 indicates that the research data in the regression model does not experience symptoms of heteroscedasticity and is homoscedasticity. This indicates that the regression model used in the study is a good regression model because it passes the heteroscedasticity test.

Table 7. Partial Significance Test Results

TD	Coefficient	Std. Err	t	P|t|
TA	-0.0156922	0.0055427	-2.83	0.005
BC	0.0023804	0.0021538	1.11	0.269
IBC	-0.0462907	0.0217347	-2.13	0.033
AC	0.0015183	0.0083805	0.18	0.856
MO	-0.0296798	0.0308975	-0.96	0.337
IR	-0.0233471	0.0115398	-2.02	0.043
TAP	0.0967332	0.0092709	10.43	0.000
DER	-0.0008104	0.0039515	-0.21	0.837
ROA	-0.0110773	0.0259124	-0.43	0.669
FZ	0.0225745	0.0025827	8.74	0.000
_Constanta	0.2985859	0.0412872	7.23	0.000
Prob > chi2	0.0000			
R-sq overall	0.4448			

Source: Processed secondary data, 2024

Table 8. Partial Significance Test Results

Variables	Hypothesis	Coefficient	Probability	Conclusion
Tax Avoidance	Negatively affected	-0.0156922	0.005***	Accepted
Board of Commissioners Size	Positively affected	0.0023804	0.269	Rejected
Independent Board of Commissioners	Positively affected	-0.0462907	0.033**	Rejected
Audit Committee	Positively affected	0.0015183	0.856	Rejected
Managerial Ownership	Positively affected	-0.0296798	0.337	Rejected
Industry Regulation	Negatively affected	-0.0233471	0.043**	Accepted

Variables	Hypothesis	Coefficient	Probability	Conclusion
Company Participation in Tax Amnesty Program	Positively affected	0.0967332	0.000***	Accepted
Leverage	Negatively affected	-0.0008104	0.837	Rejected
Profitability	Positively affected	-0.0110773	0.669	Rejected
Company Size	Positively affected	0.0225745	0.000***	Accepted

Source: Processed secondary data, 2024
Description:
***) for significant at 1% level
**) for significant at 5% level
*) for significant at 10% level

4.1 Effect of Tax Avoidance on Tax Disclosure

The results of hypothesis testing show that tax avoidance measured using the statutory tax rate (STR) minus the effective tax rate (ETR) formula can affect tax disclosure because it has a probability value of 0.005 or smaller than the significance value α = 0.05 (0.005 <0.05), so the first hypothesis is accepted. This means that the higher the tax avoidance practiced by the company, the lower the tax disclosure in the company's annual report. Companies that commit tax avoidance indicate that the company has committed a tax violation because the company does not pay the tax burden in accordance with the income earned, so the company tends to present less tax information to the public so as not to get a negative response from the public for the tax avoidance activities that have been carried out. This is in line with agency theory which states that tax avoidance actions can lead to agency conflicts between management and company owners. Management who acts as an agent chooses to take tax avoidance actions with the aim of reducing the tax burden to a minimum, while the company owner (principal) does not agree with these management actions because it can reduce the company's reputation if the action is known by the public.

The results of this study are in accordance with the research of [8] and [3] which prove that tax avoidance has a negative effect on tax disclosure. However, the results of this study are not in accordance with research conducted by [10] and [9] which shows that tax avoidance has a positive effect on tax disclosure.

4.2 Effect of Board of Commissioners Size on Tax Disclosure

The results of hypothesis testing show that the size of the board of commissioners as measured by the number of commissioners owned by the company has no effect on tax disclosure because it has a probability value of 0.269 with a significance value of 5%, so the second hypothesis is rejected. This means that the large or small number of boards of commissioners in a company has no significant effect on tax disclosure in the annual report. This is because there is a possibility that the company only makes mandatory tax disclosures and does not make voluntary tax disclosures. This is not in line with stakeholder theory which argues that the board of commissioners, which has a supervisory role regarding policies made by directors in running the company, can provide advice to management to disclose information about the company's condition to meet the needs of stakeholders. The small number of members of the board of commissioners causes supervision of managers and the board of directors to be less than optimal because it can cause the company's compliance level in disclosing information to be lower [5].

The results of this study are in accordance with the research of [16] which proves that the size of the board of commissioners has no effect on voluntary disclosure, for example corporate social responsibility. However, the results of this study are not in accordance with research conducted by [3], [12], [13], [14], and [15] which show that the size of the board of commissioners has a positive effect on the disclosure of information by the company.

4.3 Effect of Independent Board of Commissioners on Tax Disclosure

The results of hypothesis testing show that the independent board of commissioners as measured by dividing the number of independent commissioners by the number of commissioners owned by the company has a negative influence on tax disclosure because it has a probability value of 0.033 or smaller than the significance value $\alpha = 0.05$ ($0.033 < 0.05$), so the third hypothesis is rejected. This indicates that the greater the proportion of independent commissioners in a company, the smaller the information disclosure made by the company voluntarily. The strong influence of the board of directors and the board of commissioners who have the power to influence decisions made by the independent board of commissioners is one of the reasons why the proportion of the independent board of commissioners has a negative effect on voluntary disclosure in the company's annual report. This is not in line with stakeholder theory, which explains that the independent board of commissioners has no relationship with the majority shareholders or management so that it can be neutral towards the policies made by the directors in running the company, to reduce the occurrence of fraud in the financial statements committed by managers.

The results of this study are in accordance with the research of [16] which shows that the independent board of commissioners has a negative effect on voluntary disclosure in the company's annual report. However, the results of this study are not in accordance with research conducted by [3], [18], [13], and [15] which show that the independent board of commissioners has a positive effect on voluntary disclosure. This is also different from research conducted by [12] and [14] which suggest that the independent board of commissioners has no effect on voluntary disclosure.

4.4 Effect of Audit Committee on Tax Disclosure

The results of hypothesis testing show that the audit committee as measured by the number of audit committees owned by the company has no effect on tax disclosure because it has a probability value of 0.856 or greater than the significance value $\alpha = 0.05$ ($0.856 > 0.05$), so the fourth hypothesis is rejected. This explains that the audit committee has no effect on voluntary disclosure because the audit committee focuses more on internal company processes such as preparing annual reports than meeting the needs of external stakeholders [21]. This is not in line with stakeholder theory which explains that the role of the audit committee in assisting the implementation of the duties and functions of the board of commissioners to supervise the management of the company can improve internal control over management performance so as not to take deviant actions. The audit committee also plays a role in carrying out internal supervision of the company's financial statements to improve the quality of financial reports to meet the needs of stakeholders.

The results of this study are in accordance with the research of [15] and [21] which prove that the audit committee has no effect on the disclosure of information by the company. However, the results of this study are not in accordance with research conducted by [3] and [20] which shows that the audit committee has a positive effect on the disclosure of information by the company.

4.5 The Effect of Managerial Ownership on Tax Disclosure

The results of hypothesis testing show that managerial ownership as measured by dividing the total shares owned by company directors by the total shares outstanding has no effect on tax disclosure because it has a probability value of 0.337 or greater than the significance value $\alpha = 0.05$ ($0.337 > 0.05$), so the fifth hypothesis is rejected. This explains that the size of managerial ownership in a company does not affect the disclosure of information about corporate taxation because managers as agents have more information about the condition of the company do not want the company to disclose information that is beneficial to other shareholders to achieve their personal interests. This is not in line with agency theory which explains that ownership of company shares by management can align the interests between management and company owners or other shareholders to reduce agency costs that need to be paid by the company because agency conflicts that occur in the company are reduced. Share ownership by management can prevent management from taking actions that can harm shareholders because management will also bear the losses for these actions.

The results of this study are in accordance with the research [28], [18], and [12] which prove that managerial ownership has no effect on information disclosure by the company. However, the results of this study are not in accordance with research conducted by [34], [23], [24], [25], and [26] which shows that managerial ownership has a positive effect on information disclosure by the company. These results differ from the results of research conducted by [27] which shows that managerial ownership has a negative effect on the extent of information disclosure in the annual report on companies going public.

4.6 Effect of Industry Regulation on Tax Disclosure

The results of hypothesis testing show that industrial regulation as measured using a dummy variable has a negative effect on tax disclosure because it has a probability value of 0.043 or smaller than the significance value $\alpha = 0.05$ ($0.043 < 0.05$), so the sixth hypothesis is accepted. This indicates that the stricter the industry regulation of a company, the less disclosure of corporate tax information. Companies that have high industry regulation tend to fulfill their industry regulation obligations first rather than taking tax disclosure actions. This is in line with the signal theory which explains that the company will signal to the public that the company has complied with the rules or regulations in accordance with the type of industry. The company's annual financial statements will present things that the company has done to comply with industry regulations, such as good corporate governance. This information can be used as a signal for investors to know that the company is a company that has good quality so that investors do not mind investing in the company.

The results of this study are in accordance with [3] which shows that industrial regulation has a negative effect on tax disclosure by companies. However, the results of this study are not in accordance with research conducted by [30] which shows that government regulation has a positive effect on corporate social and environmental responsibility disclosure.

4.7 Effect of Company Participation in Tax Amnesty Program on Tax Disclosure

The results of hypothesis testing show that company participation in the tax amnesty program as measured using a dummy variable has a positive influence on tax disclosure because it has a probability value of 0.000 or less than the significance value $\alpha = 0.05$ ($0.000 < 0.05$), so the seventh hypothesis is accepted. This explains that companies participating in the tax amnesty program will present information about tax amnesty assets and tax amnesty liabilities in the company's annual report, so that the disclosure of information about corporate taxation will increase. This is in line with signal theory where management will disclose information about all its assets when participating in the tax amnesty program. Companies that have disclosed all their assets in the tax amnesty program will obtain tax amnesty assets or liabilities, then will disclose the amount of tax amnesty assets or liabilities in the company's annual financial statements as a signal that the company has participated in the tax amnesty program. The results of this study are in accordance with [3] which shows that company participation in the tax amnesty program has a positive effect on tax disclosure in the company's annual report.

4.8 Leverage Effect on Tax Disclosure

The results of hypothesis testing show that leverage as measured using the Debt to Equity Ratio (DER) by dividing total debt by total equity owned by the company has no effect on tax disclosure because it has a probability value of 0.837 or greater than the significance value $\alpha = 0.05$ ($0.837 > 0.05$). This explains that the size of the leverage owned by a company has no effect on tax disclosure in the company's annual report. This is not in line with agency theory which explains that leverage has a negative effect on tax disclosure. Companies that have a large amount of debt will get tax incentives on debt interest so that the company's taxable profit will be smaller [38], so the company will minimize disclosure about taxes so that the company's actions in utilizing debt for tax management do not get a negative response from the public. The results of this study are not in line with the results of research conducted by [23], [25], and [34] which state that leverage has a negative effect on information disclosure by companies.

4.9 Effect of Profitability on Tax Disclosure

The results of hypothesis testing show that profitability as measured using Return on assets (ROA) by dividing the net profit for the current year by the total assets owned by the company has no influence on tax disclosure because it has a probability value of 0.669 or greater than the significance value $\alpha = 0.05$ ($0.669 > 0.05$). This explains that the size of the profitability obtained by the company has no effect on tax disclosure in the annual report of a company. This is not in line with the signaling theory which states that management will disclose a lot of information as a signal that the company has good performance to earn profits so that it can attract the attention of investors to invest in the company.

The results of this study are in accordance with the research of [21] which proves that profitability has no effect on information disclosure by companies. However, the results of this study are not in accordance with research conducted by [23], [25], and [8] which state that profitability has a positive effect on information disclosure by companies.

4.10 Effect of Company Size on Tax Disclosure

The results of hypothesis testing show that company size as measured using the natural logarithm of total assets has a positive influence on tax disclosure because it has a probability value of 0.000 or smaller than the significance value $\alpha = 0.05$ ($0.000 < 0.05$). This explains that large companies tend to disclose more information to attract investors' attention so that they are willing to invest in the company [8]. This is in line with the predictions of agency theory which states that the larger the size of a company, the greater the information owned by management. This can cause information asymmetry between management and holders, so companies tend to disclose a lot of information to reduce information asymmetry so that agency conflicts can be minimized. The results of this study are in accordance with the research of [23], [16], [24], [25], and [8] which state that company size has a positive and significant effect on information disclosure by the company.

5 Conclusion

This study aims to examine the effect of tax avoidance, board size, independent board of commissioners, audit committee, managerial ownership, industry regulation, and company participation in the tax amnesty program on tax disclosure in companies listed on the IDX for the period 2020-2022. Based on the research results, the following conclusions can be drawn: (1) tax avoidance, independent board of commissioners, and industry regulation have a negative effect on tax disclosure, (2) company participation in the tax amnesty program has a positive effect on tax disclosure, (3) board size, audit committee, and managerial ownership have no effect on tax disclosure, (4) company size as a control variable has a positive effect on tax disclosure, while leverage and profitability have no effect on tax disclosure.

Suggestions based on the results of this study include, among others, for companies expected to increase tax disclosure in the company's annual report as a form of information transparency to stakeholders, so that companies not only make mandatory disclosures but also voluntary disclosures. As well as for future researchers, it is hoped that they can compare tax disclosures made in Indonesia with other countries by using other proxies in measuring tax disclosure, extending the research observation period, adding variables that come from outside the company such as institutional ownership, audit quality, changes in tax regulations, and so on which are thought to have an influence on tax disclosure in a company's annual report. This is because the coefficient of determination value still does not reach 50%, which is 44.48%, which means that there are other variables that can explain 55.52% of the variation in the tax disclosure variable.

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