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THE INFLUENCE OF PROFITABILITY, GOOD CORPORATE GOVERNANCE AND AUDIT QUALITYON TAX AVOIDANCE IN PHARMACY COMPANIESLISTED ON THE INDONESIAN STOCK EXCHANGE

[1*]Duma Megaria Elisabeth, Universitas Methodist Indonesia
email : dumamegariaelisabeth@gmail.com
[2]Wesly Andri Simanjuntak, Universitas Methodist Indonesia
email : wesly.juntak@yahoo.com
[3]Kristanty M N Nadapdap, Universitas Methodist Indonesia
email : tantynatalia82@gmail.com
[4]Rintan Br Saragih, Universitas Methodist Indonesia
email : saragihrintan@gmail.com
[5]Rustri Ningsih Gultom, Universitas Methodist Indonesia
email : rustrygltm1406@gmail.com

*Correspondence Email : dumamegariaelisabeth@gmail.com

ABSTRAK

Tujuan dalam penelitian ini untuk menguji dan menganalisis bagaimana pengaruh profitabilitas, *good corporate governance*, dan kualitas audit terhadap *tax avoidance* pada perusahaan farmasi yang terdaftar di Bursa Efek Indonesia periode 2018 – 2022. Populasi penelitian ini sebanyak 11 sampel perusahaan. Dengan metode pengambilan sampel yang digunakan adalah purposive sampling, sehingga diperoleh 10 perusahaan farmasi. Data yang digunakan dalam penelitian ini adalah laporan keuangan *(annual report)* dari perusahaan yang dapat diakses melalui website Bursa Efek Indonesia. Teknik analisis data yang digunakan adalah teknik kuantitatif. Hasil penelitian ini menunjukkan bahwa secara parsial profitabilitas, *good corporate governance* berpengaruh secara signifikan terhadap penghindaran pajak, kualitas audit tidak berpengaruh signifikan terhadap penghindaran pajak. Secara simultan variabel independen yaitu profitabilitas, good corporate governance, dan kualitas audit sebesar 34,0 % berpengaruh terhadap penghindaran pajak dan 66,0% dipengaruhi oleh faktor – faktor lain. Untuk itu, penulis menyarankan agar populasi pada penelitian berikutnya dapat diganti dengan industri lainnya serta menambah variabel penelitian independen dalam penelitian selanjutnya.
Kata Kunci : Profitabilitas, *Good Corporate Governance*, Kualitas Audit

ABSTRACT

The aim of this research is to test and analyze the influence of profitability, good corporate governance and audit quality on tax avoidance in pharmaceutical companies listed on the Indonesia Stock Exchange for the period 2018 –2022. The population of this research is 11 sample companies. The sampling method used was purposive sampling, so that 10 pharmaceutical companies were obtained.The data used in this research are financial reports (annual reports) from companies which can be accessed via the Indonesia Stock Exchange website. The data analysis technique used is a quantitative technique. The results of this research show that partially profitability, good corporate governance have a significant effect on tax avoidance, audit quality does not have a significant effect on tax avoidance. Simultaneously, the independent variables, namely profitability, good corporate governance and audit quality, have 34.0% influence on tax avoidance and 66.0% are influenced by other factors. For this reason, the author suggests that the population in the next study can be replaced with other industries and add independent research variables in future research.
Keywords : Profitability, Good Corporate Governance, Audit Quality

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I. INTRODUCTION

Taxes are used to pay general expenses or to finance routine expenses, and the "surplus" is used for public savings which is the main source for financing public investment (Resmi, 2014). However, the implementation of tax collection by the government is not always well received by companies. Companies always try to pay the lowest possible taxes because taxes will reduce income or net profit, while the government wants taxes as high as possible in order to finance government administration (Sukartha & Darmawan, 2014). For this reason, many companies practice tax avoidance.In tax avoidance, nothing is actually violated so tax avoidance should not be prohibited. As quoted in the Tax Court decision PUT number. 29050/PP/M.III/13/2011, "Taxpayers are basically free to regulate how they transact to reduce their tax burden as long as they do not violate tax laws" (Wijaya Ibnu, 2014).

Tax avoidance by companies is of course related to the resulting profitability, because profitability is one measure of a company's performance. The profitability of a company describes a company's ability to generate profits during a certain period at a certain level of sales, assets and share capital. Profitability is a description of the company's financial performance in generating profits from asset management, known as Return on Assets (ROA). The greater the profitability of a company, the greater the tax paid, so that the greater the tax avoidance efforts.

Apart from profitability which is related to tax avoidance, good corporate governance also influences the way companies fulfill their tax obligations. With corporate governance, tax avoidance can be minimized. Corporate governance can form management work patterns that are clean, transparent and professional. This system regulates the relationship between the board of commissioners, directors, shareholders and other stakeholders. In this research, corporate governance is measured by proxies, namely the proxies of the independent board of commissioners and the audit committee.

The existence of an Independent Board of Commissioners in a company will improve corporate governance and with the increasing number of independent board of commissioners it can minimize tax avoidance because management performance is supervised by an independent board of commissioners (Khairani & Valensia 2019). And with the existence of an audit committee, it is hoped that it can reduce agency conflicts so that financial reports submitted to interested parties can be trusted, thereby improving corporate governance and minimizing tax avoidance.

Audit quality according to (Mulyadi, 2016) is a systematic process for objectively obtaining and evaluating evidence regarding statements about economic activities and events, with the aim of determining the level of conformity between these statements and predetermined criteria and the delivery of results. results to interested users. Previous research shows that tax avoidance is significantly influenced by profitability factors (Saputra, Rifa & Lukviarman, 2015), corporate governance factors (Kurniasih & Sari, 2013). However, previous research also showed inconsistent results. In research by (Utari & Supadmi, 2017) which states that profitability has an effect on tax avoidance. Meanwhile, in research by (Saputra, Rifa & Rahmawati, 2015), profitability has a significant effect on tax avoidance.

This is different from the research of (Praditasari & Setiawan, 2017) which agrees with foreign research conducted by (Irianto, Sudibyo & Wafirli, 2017) which states that profitability has a positive and significant influence on tax avoidance. Eksandy's research (2017) states that audit quality has a positive influence on tax avoidance, contrary to the research results of (Maharani & Suardana, 2014) which state that audit quality has a negative influence on tax avoidance. From the analysis of several previous studies, it turns out that they still do not show consistent results. This is what makes researchers interested in conducting research with the title: "The Influence of Profitability, Good Corporate Governance and Audit Quality on Tax Avoidance in Pharmaceutical Companies Listed on the Indonesian Stock Exchange."

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II. LITERATURE REVIEW

Agency Theory

Agency theory according to (Jensen & Meckling, 1976) is a contract involving the giver of authority (principal) and the recipient of authority (agent). The principal delegates authority to the agent in managing the company and in all types of decision making for the company. This theory explains the relationship that exists within a company, namely between the company owner (principal) and the company manager (agent). Agency theory can emerge in the scope of tax avoidance if a difference in interests arises between investors and management (Dewi 2019).

Tax Avoidance

According to (Darmawan & Sukartha, 2014), tax avoidance can be divided into two broad lines, namely tax evasion and tax avoidance. Tax evasion is an attempt to reduce tax payments illegally, which means that its implementation violates the provisions of the applicable tax regulations. Meanwhile, tax avoidance is an effort to legally reduce company tax payments because its implementation does not violate applicable tax regulations. According to (Kurniasih & Sari, 2013), tax avoidance is an efficiency activity for companies in a legal way due to imperfections in the Tax Law. Tax Avoidance is a tax avoidance practice carried out by taxpayers to avoid tax costs by exploiting weaknesses without violating the law (Napitupulu et al., 2020).

Profitability

According to (Fahmi, 2014), "profitability is the company's ability to earn profits in relation to sales, total assets and own capital." Meanwhile, (Kasmir, 2014), "companies with a high rate of return on investment use relatively little debt because a high rate of return allows the company to finance most of its internal funding." In other words, companies with large retained earnings will use retained earnings first before deciding to use debt. According to (Sugiono, 2016), "profitability can be proportional to the Return On Asset (ROA) ratio which compares profit after tax with total assets." According to (Hery, 2015) The profitability ratio is a ratio that describes a company's ability to generate profits through all its capabilities and resources, namely from sales activities, use of assets, and use of capital.

Good Corporate Governance

According to (Effendi, 2016), corporate governance is a system designed to direct the management of a company professionally based on the principles of transparency, accountability, responsibility, independence, fairness and equality. Meanwhile, according to (Fakhruddin, 2014), good corporate governance can be interpreted as "a system of management and supervision of a company (the way a company is directed and controlled)". This understanding implies the broad scope of corporate governance and indirectly raises the issue of the importance of the Board's commitment and leadership in implementing GCG.

According to the Indonesian Forum for Corporate Governance (FCGI), the board of commissioners plays a very important role in the company, especially in implementing corporate governance. Independent Commissioner as the main organ in implementing GCG practices, by looking at the functions they have. Therefore, according to the name Independent Commissioner, he must have independence and carry out his function, namely as a supervisory and leadership function, which is the basic thing required for his role.

Audit Quality

According to (Bastian, 2014) Audit quality starts with planning before carrying out the audit and using expertise and accuracy in carrying out the profession. Audit quality can be measured using KAP size (KAP The big-4 and KAP non The big-4). According to (Nurfadilah et al., 2017) the quality of the auditor most often used in research is the size of the public accounting firm or KAP, because it has more trust from the tax authorities and the public as a company with high integrity in presenting audited financial reports because the reports are believed to be in accordance with actual conditions and audit activities are in accordance with regulations including tax regulations.

Research Hypothesis

The Effect of Profitability on Tax Avoidance

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Profitability is an important factor for imposing income tax on companies, because profitability is an indicator that reflects a company's financial performance. In this research, profitability is measured by return on assets (ROA). This ratio shows the level of the company's ability to manage its assets to generate profits. The higher the ROA value, the better the company's performance. Companies with high profitability are usually at risk of tax avoidance. This is in line with research conducted by (Saputra, Rifa & Rahmawati, 2015) and (Primasari, 2019) which states that profitability has a positive effect on tax avoidance. Based on this explanation, the following hypothesis can be formulated:

H1 : Profitability influences tax avoidance

The Influence of Good Corporate Governance on Tax Avoidance

Corporate governance as corporate governance determines the direction of the company according to the character of the company's leaders. The character of the leader influences the decisions he makes, including tax avoidance. The existence of good corporate governance can increase more optimal supervision in making tax avoidance policies. In this research, Corporate Governance is measured by the proportion of independent commissioners and audit committees. The existence of independent commissioners can overcome agency problems and reflect the implementation of GCG within the company. This means that the existence of independent commissioners can influence tax avoidance decisions made by directors.

If the audit committee is effective in carrying out its duties well, the quality of supervision by the board of commissioners will be better so that it can help resolve agency problems within the company. It is hoped that tax avoidance activities carried out by directors can be reduced with the existence of an audit committee. This is in line with research conducted by (Alviyani, 2016); (Saputra & Asyik, 2017) which states that independent commissioners have a positive effect on tax avoidance. Based on this explanation, the following hypothesis can be formulated:

H2 : Good Corporate Governance influences tax avoidance

The Influence of Audit Quality on Tax Avoidance

Audit quality is all the possibilities that can occur when an auditor audits a client's financial report and finds violations or errors that occur and reports them in the audited financial report. If audit quality increases, then the tax avoidance practices carried out will also increase. The better the results of the audited financial reports, the more likely the company will carry out tax avoidance patterns that are still within reasonable limits or in accordance with tax laws and regulations. This is in line with research conducted by (Arinda & Dwimulyani, 2018:); (Eksandy, 2017) who said that audit quality has a positive effect on tax avoidance. Based on this explanation, the following hypothesis can be formulated:

H3 : Audit quality influences tax avoidance

Simultaneous Influence of Profitability, Good Corporate Governance, and Audit Quality on Tax Avoidance

Based on the explanation of each independent variable on the dependent variable, the researcher will then test the influence of Profitability, Good Corporate Governance, and audit quality simultaneously (together) on tax avoidance.

H4 : Profitability, corporate governance, and audit quality simultaneously influence tax Avoidance

III. RESEARCH METHODS

This research is included in the type of quantitative research, namely a research approach that focuses on collecting and analyzing data in the form of numbers and applying statistical analysis to understand the phenomenon being studied. This research uses secondary data originating from the annual reports of pharmaceutical companies listed on the Indonesia Stock Exchange (www.idx.co.id)

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during the period 2018 to 2022. In the research methodology, a purposive sampling method was used where the sample was selected based on the research objectives by taking into account relevant information as well as the required quota. Furthermore, this research adopts a quantitative descriptive approach, where secondary data is analyzed to provide an overview and description of the relationship between the variables being studied.

IV. RESULTS AND DISCUSSION

Research Result

Descriptive statistical analysis provides an overview or description of data seen from the minimum, maximum, average (mean) and standard deviation (SD) values of each research variable. The results of descriptive analysis using SPSS version 25 are as follows:

Table 1

Descriptive Statistics Results

	N	Minimum	Maximum	Mean	Std. Deviation
Profitabilitas	50	-.28	.92	.0993	.15572
Dewan Komisaris Independen	50	.25	.75	.4680	.09729
Kualitas Audit	50	0	1	.54	.503
Tax Avoidance	50	-1.36	.39	-.2153	.38558
Valid N (listwise)	50				

Source: Data Processed SPSS 25.00

The results of descriptive statistics in Table 1 can be seen that:

1. Profitability shows a minimum value of - 0.28 while the maximum value is 0.92. The average (mean) profitability of pharmaceutical companies is 0.0993 and has a standard deviation of 0.15572.
2. The Independent Board of Commissioners shows a minimum value of 0.25 while the maximum value is 0.75. The average independent board of commissioners in pharmaceutical companies is 0.4680 and has a standard deviation of 0.09729.
3. Audit Quality shows a minimum value of 0.0 while the maximum value is 1. The average audit quality in pharmaceutical companies is 0.54 and has a standard deviation of 0.503.
4. Tax Avoidance shows a minimum value of - 1.36 while the maximum value is 0.39. The average tax avoidance in pharmaceutical companies is - 0.2153 and has a standard deviation of 0.38558.

Classic Assumption Test

Normality Test

The normality test is one part of the classical assumption test. The purpose of the normality test is to determine whether the distribution of data follows or approaches a normal distribution. The normality test results below use the Kolmogorov-Smirnov Test, Histogram, and P-P Plot.

Table 2

Kolmogorov - Smirnov Test

One-Sample Kolmogorov - Smirnov Test

N		50
Normal Parameters[a,b]	Mean	.0000000
	Std. Deviation	.30349364
Most Extreme Differences	Absolute	.090
	Positive	.084
	Negative	-.090
Test Statistic		.090
Asymp.Sig.(2-tailed)		.200[c,d]

a. TestdistributionisNormal.
b. Calculatedfromdata.

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c. LillieforsSignificanceCorrection.
d. Thisis alowerboundofthetruesignificance.
Source: Data Processed SPSS 25.00

Based on the 2 above, the value of asymp. Sig. (2-tailed) resulted in 0.200. Where it is greater than 0.05, it can be stated that the data in this study is normally distributed.

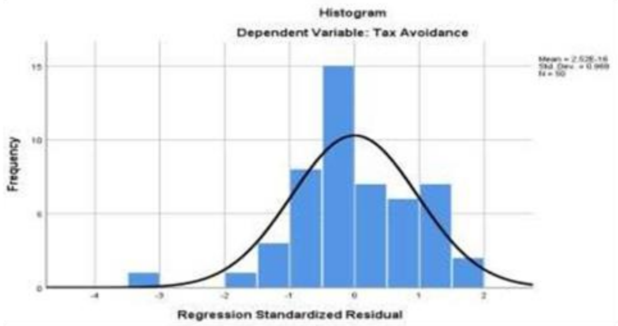

Figure 1. Histogram
Source: Data Processed SPSS 25.00

The Histogram image above shows that the data is normally distributed, because there is no skewness found and it follows the diagonal in the graph or the majority of the data is in the graph.

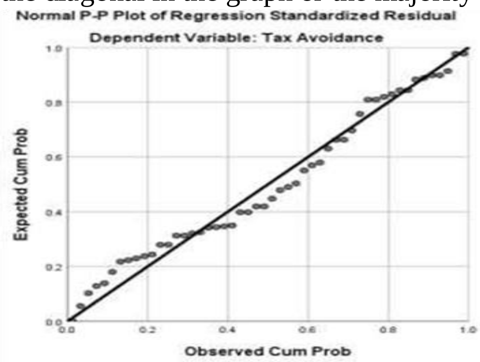

Figure 2 P-P Plot
Source: Data Processed SPSS 25.00

Figure 2 above shows that the data (plot) moves in the direction of the diagonal line or that there is no trend in the data away from the diagonal line. These results indicate that the data used in the regression model of this research is normally distributed.

Multicollinearity Test

The results of the multicollinearity test use Collinearity Statistics, namely the Tolerance and Variance Inflation Factor (VIF) values. The criteria in this test are as follows: a). The value of the VIF (Variance Inflation Factor) < 10 (preferably less than 5); b). The Tolerance value is > 0.1. If the Tolerance value is < 0.1, then it can be said that the data has symptoms of major multicollinearity.

Table 3 Multicollinearity Test

		Unstandardized Coefficients		**Standardized Coefficients**			**Collinearity Statistics**	
Model		B	**Std. Error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**
1	(Constant)	-.660	.246		-2.680	.010		
	Profitabilitas	-1.544	.330	-.624	-4.676	.000	.757	1.320
	DKI	.733	.484	.185	1.514	.137	.902	1.109
	Kualitas	.472	.105	.617	4.493	.000	.715	1.399
	Audit							

Source : Data Processed SPSS 25.00

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The Tolerance value of the profitability variable is 0.757, for the Board of Independent Commissioners is 0.902, and the audit quality is 0.715, greater than 0.10, and the Variance Inflation Factor (VIF) profitability is 1.320, for the Board of Independent Commissioners is 1.109, and the audit quality is 1.399 which is smaller than 10. Based on these results, it can be concluded that this research's regression model does not experience multicollinearity between the independent variables.

Heteroscedasticity Test

Results of the heteroscedasticity test using Scatterplot. The criteria for the Scatterplot test are if the data is spread above and below point 0 on the Y axis, then it is concluded that it does not experience heteroscedasticity. On the other hand, if the data forms a certain pattern (gathers), then it is concluded that it experiences heteroscedasticity. , if the data forms a certain pattern (collects), then it is concluded that it experiences heteroscedasticity.

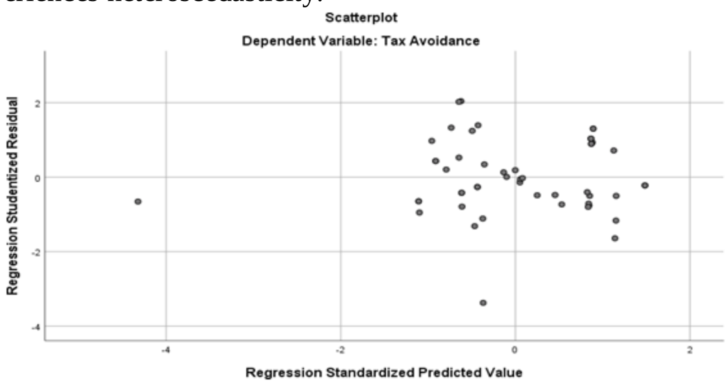

Figure. 3 Heteroscedasticity test
Source: Data Processed SPSS 25.00

Image 3 above shows that the data (plot) spreads in all directions, both above and below the number 0 on the Y axis or there is no tendency for the data to form a particular pattern, so it can be concluded that the regression model of this research does not experience heteroscedasticity.

Autocorrelation Test

Autocorrelation test results in the Summary Model using the Durbin-Watson (DW) value.

Tabel 4. Autocorrelation Test

Model	R	R Square	AdjustedR Square	Std. Error of the Estimate	Durbin - Watson
1	.617[a]	.380	.340	.31323	1.628

Source: Data Processed SPSS 25.00

The Durbin-Watson (DW) value obtained was 1.628. Based on the Durbin-Watson (DW) table with a total of data (n) of 50, the du value is 1,420 and 4-du is 2,327, so the equation du (1,420) < DW (1,628) < 4-du (2,327) is obtained. Based on these results, it can be concluded that there is no autocorrelation in the regression model of this research.

Hypothesis Testing

Partial Significant Test (t-Test)

The results of the t test are to determine the influence of the independent variable on the dependent variable partially so that you can decide whether the research hypothesis is accepted or rejected. The results of the t test (hypothesis test) in this research are :

Table 5. Partial Significant Test (t-Test)

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Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	Collinearity Statistics Tolerance	VIF
1	(Constant)	-.660	.246		-2.680	.010		
	Profitabilitas	-1.544	.330	-.624	-4.676	.000	.757	1.320
	DewanKomisaris Independen	.733	.484	.185	1.514	.137	.902	1.109
	Kualitas Audit	.472	.105	.617	4.493	.000	.715	1.399

a. DependentVariable:TaxAvoidance
Source: Data Processed SPSS 25.00

The results of the t test are to determine the influence of the independent variable on the dependent variable partially so that you can decide whether the research hypothesis is accepted or rejected. The results of the t test (hypothesis test) in this research are: Interpretation of the partial test results (t-test) above are as follows:

1. Profitability (X_1) against Tax Avoidance. In the table it can be seen that the resulting significance value is 0.000. Because the significance in the t test is smaller than 0.05 (0.000 < 0.05), then Ho is accepted. Thus, it can be concluded that Profitability as a proxy for ROA partially has a significant effect on Tax Avoiodance.
2. Independent Board of Commissioners (X_2) regarding Tax Avoidance. In the table it can be seen that the resulting significance value is 0.137. Because the significance in the t test is greater than 0.05 (0.137 > 0.05), Ho is rejected. Thus, it can be concluded that Corporate Governance with the partial proxy of the Board of Independent Commissioners does not have a significant effect on Tax Avoidance.
3. Audit Quality (X_3) on Tax Avoidance. In the table it can be seen that the resulting significance value is 0.000. Because the significance in the t test is smaller than 0.05 (0.000 < 0.05), then Ho is accepted. Thus, it can be concluded that audit quality partially has a significant effect on Tax Avoidance.

Simultaneous Significant F-Test

The results of the F test obtained the F-calculated value in the Anova Table which was compared with the F-table value in alpha (0.05) of 2.79. The criteria used in the F test are, if the F-calculated value < F-table or the significance value is > 0.05, then the independent variable simultaneously has no effect on the dependent variable. On the other hand, if the F-calculated value > F-table or the significance value is < 0.05, then the independent variable simultaneously influences the dependent variable.

Table 6. Simultaneous Significant F-Test

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.772	3	.924	9.416	.000b
	Residual	4.513	46	.098		
	Total	7.285	49			

a. Dependent Variable : Tax Avoidance
b. Predictors : (Constant), DKI, Profitabilitas, Kualitas Audit
Source: Data Processed SPSS 25.00

The F-calculated value of 9.416 is greater than the F-table value of 2.79 or the significance value of 0.000 is smaller than alpha (0.05). Based on these results, it can be concluded that simultaneously profitability, the Independent Board of Commissioners, and audit quality have a significant effect on tax avoidance, so that the alternative hypothesis (H_4) is accepted.

Coefficient of Determination Test (R^2)

Hasil koefisien determinasi menggunakan nilai Adjusted R-Square pada tabel berikut.:

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Table 7. Coefficient of Determination Test (R^2)

Model	R	R Square	AdjustedR Square	Std.Error of the Estimate	Durbin-Watson
1	.617[a]	.380	.340	.31323	1.628

a. Predictors : (Constant), DKI, Profitabilitas, Kualitas Audit
b. Dependent Variable : Tax Avoidance
Source: Data Processed SPSS 25.00

The Adjusted R-Square value is 0.340, from the results of the coefficient of determination test, the ability of the variance of the independent variable to the dependent is 0.340, namely 34.0%, the remaining 66.0% is influenced by the variance of other variables outside this research.

Discussion

The Influence of Profitability on Tax Avoidance

The research results show that the profitability variable has a significant effect on tax avoidance. Where profitability is 0.000 < 0.05, where the value of t_{count} is 1.678 > t_{table} - 4.676, which means that profitability has a positive and significant effect on tax avoidance, so the alternative hypothesis (H1) is accepted. This research supports research by (Gozali, 2019). The higher the value of ROA means the higher the value of the company's net profit and the higher its profitability.

The Influence of Corporate Governance on Tax Avoidance

The research results show that the proportion of independent board of commissioners has a positive effect on tax avoidance, which means rejecting the second hypothesis (H2). Where the Independent Board of Commissioners has a sig value of 0.137 > 0.05 and a t_{count} value of 1.678 > t_{table} 1.415 which has a positive influence on tax avoidance, but is not significant on tax avoidance. The results of this research are in line with the results of previous research conducted by (Hanum & Zulaikha, 2013) but this research is not in accordance with research conducted by (Prakosa, 2014).

The Influence of Audit Quality on Tax Avoidance

In this study, the audit quality variable has a regression coefficient value of 0.000 < 0.05 and has a t_{value} of 1.678 < t_{table} 4.493) this means that audit quality has a positive and significant influence on tax avoidance. The better the quality of the audit, the lower the level of tax avoidance by the company. These results support (Annisa's, 2013) research which states that audit quality has a positive effect on tax avoidance. This research contradicts (Fadhilah's, 2014) research which found that audit quality has a negative effect on tax avoidance.

V. CONCLUSION

Based on the results of the research that has been carried out, the following conclusions can be drawn:

1. Profitability has a positive and significant influence on Tax Avoidance in Pharmaceutical Companies Listed on the Indonesian Stock Exchange in 2018 - 2022.
2. The Independent Board of Commissioners has a positive but not significant effect on Tax Avoidance in Pharmaceutical Companies Listed on the Indonesian Stock Exchange in 2018 - 2022.
3. Audit quality has a positive and significant effect on Tax Avoidance.
4. Profitabilitas, Dewan Komisaris Independen, dan Kualitas Audit berpengaruh secara simultan terhadap *Tax Avoidance* Pada Perusahaan Farmasi yang Terdaftar di Bursa Efek Indonesia Tahun 2018 - 2022.

Suggestion

Based on the test results above, the research can provide suggestions to further researchers as follows:

1. Managers are advised to pay their tax obligations in accordance with applicable regulations and pay according to the amount of tax that must be paid.
2. Re-organize company management well so that tax avoidance practices are not carried out and are instead avoided, so that the image of the company itself will be bigger and look better because it does not harm the country.

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3. Future researchers can also use companies that are not pharmaceutical companies so they can analyze more about others that might have an impact on tax avoidance. Future researchers can also use different proxies developed in this research.
4. Future researchers are expected to extend the observation period so as to obtain a larger sample and be able to measure tax avoidance actions. It is recommended that further research try to use Leverage proxies, company size or other proxies so that tax avoidance can be explained well.

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