

**THE INFLUENCE OF FINANCIAL DISTRESS, AND EARNING
MANAGEMENT ON TAX AVOIDANCE WITH GOOD
CORPORATE GOVERNANCE AS A MODERATION VARIABLE IN
REGISTERED INFRASTRUCTURE SECTOR COMPANIES ON
THE INDONESIAN STOCK EXCHANGE YEAR 2019 - 2021**

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Abstract

This study seeks to investigate the relationship between financial distress, earning management, and tax avoidance within the context of registered infrastructure sector companies on the Indonesian Stock Exchange during the period from 2019 to 2021. The research population consists of infrastructure companies listed on the Indonesian Stock Exchange during the specified timeframe. The study employs the Judgment sampling method to select a representative sample that adheres to predefined criteria, resulting in a dataset comprising 66 observations. The research employs multiple linear regression analysis and moderated regression analysis methods to rigorously test the hypotheses. The findings of this study reveal that both financial distress and earning management significantly influence tax avoidance in the infrastructure sector companies. However, the role of good corporate governance as a moderating variable is explored, and the results suggest that it does not effectively moderate the influence of financial distress and earning management on tax avoidance. These results shed light on the complex dynamics within the Indonesian infrastructure sector and provide valuable insights for policymakers, researchers, and practitioners.

Keywords: Earning Management, Financial Distress, Good Corporate Governance, Tax Avoidance

1. INTRODUCTION

The Indonesian government's work priority in the 2019-2024 period is to accelerate and continue infrastructure development that has infrastructure interconnections with small industrial areas, special economic zones, tourism, rice fields, plantations and fisheries. This work priority ranks first of the five work priorities (Ministry of State Apparatus Empowerment and Bureaucratic Reform of the Republic of Indonesia, 2019).

In order to implement the government's work priorities through the Directorate General of Taxes (DJP) under the responsibility of the Ministry of Finance in the condition of the Indonesian economy which is being affected by the COVID-19 pandemic, of course the DJP must work harder to achieve the planned tax revenue targets set by the government because taxes are a source of income. The main minister of state is to move the wheels of government, support economic activities, support national development and carry out operational activities such as providing tax-supported public facilities and infrastructure. In fulfilling an obligation, tax is the largest income for the state (Sadjiarto et al., 2020).

The government, in this case, the Directorate General of Taxes (DJP), has carried out various methods to achieve the tax targets that have been set. There are improvements to the tax reporting system from manual systems to digital tax reporting in Indonesia. The

realization of tax revenue in 2021 was achieved after waiting 13 years (after 2008, the tax revenue target was never achieved). This is clearly a historic and extraordinary moment of achievement, amidst economic conditions in a period of economic recovery due to the impact of the Covid-19 pandemic. Last year, tax revenues decreased by 19.55% (yoy). In contrast to last year, the realization of tax revenue until the end of 2021 was recorded at IDR 1,227.53 trillion, or an increase of 19.16% (yoy) (Ministry of Finance of the Republic of Indonesia, 2022).

In general, reductions in the payment of tax obligations owed by companies are encouraged because the company is in a situation of financial difficulty or financial distress (Swandewi & Noviari, 2020). Apart from financial distress, there is something that has no less influence on tax avoidance, namely earnings management, namely the manager's actions to increase or decrease the current period profits of the company he manages without causing an increase or decrease in the company's long-term economic profit (Fischer & Rosenzweig, 1995).

Academic and empirical research discussing tax avoidance has been carried out in recent years (Kovermann & Velte, 2019). From several previous studies, there are gaps and contradictions, including according to Anugerah et al (2022), Alfarasi & Muid (2022), Yuliana et al (2021), Taufik & Muliana (2021), Dang & Tran (2021) say that tax avoidance is significantly influenced by financial distress. Meanwhile, according to Dhian Mahardhika & Surjandari (2022), Monika & Noviari (2021), Fauzan et al (2021), Hidayanto et al (2021), Nadhifah & Arif (2020), Cita & Supadmi (2019) say that financial distress has a negative effect on tax avoidance.

As for earnings management, as in previous research conducted by Thalita et al (2022), (Dhian Mahardhika & Surjandari, 2022), Gunawan & Surjandari (2022), and Prismanitra et al (2021) shows that there is a positive influence between earnings management and tax avoidance. However, this is different from research conducted by Nadhifah & Arif (2020), concluding that earnings management has a negative effect on tax avoidance. This research shows that there are gaps or differences in the research results which constitute a gap, making it an interesting phenomenon for further research.

Several previous studies according to Anugerah et al (2022), Palupi et al (2021), Yuliana et al (2021), and Prismanitra et al (2021) state that corporate governance has a relationship with tax avoidance, where tax avoidance can be avoided if the company has a very good governance system. This is because good governance by implementing good corporate governance is a system that is applied in determining the direction and goals of the company in the future, including not practicing tax avoidance by implementing the principles of good corporate governance.

It cannot be denied that tax avoidance still occurs in Indonesia. It is proven that The State of Tax Justice 2020: Tax Justice in the time of Covid-19 positions Indonesia in fourth place in Asia after China, India and Japan (Kompas.com, 2020). According to the Tax Justice Network, Indonesia is estimated to suffer losses of up to USD 4.86 billion per year or the equivalent of IDR 68.7 trillion when using the rupiah exchange rate at the closing spot market on Monday (22/11/2020) of IDR 14,149 per US dollar due to tax evasion. consisting of corporate taxpayers amounting to 4.78 billion US dollars, equivalent to IDR 67.6 trillion and the remainder from individual taxpayers amounting to 78.83 million US dollars or around IDR 1.1 trillion (Kompas.com, 2020). The main purpose of taxpayers not reporting actual profits is to reduce the tax burden that should be paid (Cobham et al., 2020).

The phenomenon of tax avoidance was also revealed in companies listed on the Indonesia Stock Exchange where the companies had implemented Good Corporate Governance. A case that is a phenomenon of tax avoidance caused by earnings management, for example, is a case carried out by PT. Bentoel Internasional Investama Tbk based on information from the Tax Justice Network Institute on May 8 2019 which resulted in the state suffering losses of US\$ 14 million per year. In this case, the company received a loan of IDR 5.3 trillion or the equivalent of US\$ 549 million in 2015 from a related company in the Netherlands, namely Rothmans Far Est BV. This debt is used to refinance bank debt and pay for machinery and equipment (kontan.co.id, 2019). Interest payments on these loans can be deducted from the company's taxable income in Indonesia (Qolbi, 2019). One of the tax avoidance phenomena that occurred in infrastructure sector companies that was detected in early 2016 as carrying out Tax Avoidance was the company in the "The Panama Papers" case, namely a well-known company in Indonesia called PT. Ciputra Development Tbk which had deliberately hidden wealth of up to USD 1, 6 billion or equivalent to IDR 21.6 trillion (exchange rate IDR 13,538) with the aim of tax avoidance (tempo.co, 2016).

Meanwhile, the phenomenon of tax avoidance due to financial distress is not expressed in a case phenomenon but is based on empirical research conducted by previous researchers including Dhian Mahardhika & Surjandari (2022), Monika & Noviari (2021), Fauzan et al (2021), Hidayanto et al (2021), Nadhifah & Arif (2020), (Cita & Supadmi, 2019). In these studies, it is stated that financial distress is one of the factors that influences the occurrence of tax avoidance.

In this research, good corporate governance is used as moderation because good corporate governance plays an important role in monitoring tax avoidance so that decisions that should be made can be accounted for (Anugerah et al., 2022). The existence of good corporate governance is also a solution in overcoming agency problems in agency theory through optimal monitoring carried out by Independent Commissioners, Audit Committees and Institutional Ownership so as to minimize the occurrence of tax avoidance practices (Prismanitra et al., 2021).

Based on the explanation above, the tax avoidance phenomenon that occurred in Indonesia had a negative impact on the state of the country and the world which was currently experiencing the Covid-19 outbreak and there were differences in the results of previous research regarding the influence of financial distress and earnings management on tax avoidance so this research aims to prove Empirically, the influence of financial distress and earnings management on tax avoidance with good corporate governance as a moderating variable.

2. LITERATURE REVIEW

2.1. Agency Theory

Agency theory was initiated by Ross (1973) whose definition was then expanded by Jensen & Meckling (1976) who said that agency theory is a theory that explains the existence of an agency relationship between management (agent) and the company owner (principal), where the authority and responsibility of both the agent and the principal It has been regulated in the collective work contract for decision making on behalf of the principal. This means that Agency theory describes an agency relationship where one party

(principal) delegates work and decision-making authority to another party (agent) who then completes the work on behalf of the principal (Gunawan & Surjandari, 2022).

From the perspective of agency theory, the practice of tax avoidance is influenced by a conflict of interest between the agent and the principal which is caused by differences in interests and the efforts of each party who wants to achieve the desired level of prosperity personally or for certain groups (Sari et al., 2021). Agency theory provides an overview of what occurs when authority is given to an agent to carry out a task or authority in making decisions where there are differences in the interests of the agent and the principal, thereby triggering tax avoidance (Anugerah et al., 2022).

The relevance of agency theory's relationship to tax avoidance is that companies that carry out tax avoidance also take into account considerations taken by the company manager as the party given the authority to run the company. Motivation for personal or group interests in a company is the agent's reason for carrying out tax avoidance (Dyrenge et al., 2010).

In conditions where the company experiences financial difficulties, especially in making payments for short-term obligations where agents can lose trust, then financial distress can influence agents to carry out tax avoidance (Anugerah et al., 2022). Likewise, to increase compensation in the form of salary increases, bonuses and high positions as expected, agents can play and carry out earnings management by implementing tax avoidance (Prismanitra et al., 2021).

2.2. Positive Accounting Theory

Positive Accounting Theory according to Watts & Zimmerman (1986) is a theory that predicts how to make a decision that will have an impact on stakeholders by choosing the most appropriate accounting system where the decision will have an impact on the wealth owned. The motivation behind decision making in selecting an accounting system that has economic consequences is explained in positive accounting theory (Holthausen & Leftwich, 1983) and (Watts & Zimmerman, 1990). Positive Accounting Theory clearly attempts to explain accounting policies, a problem for companies and stakeholders related to financial reports, in choosing accounting policies under certain conditions (Watts & Zimmerman, 1986)

In the opinion of Watts & Zimmerman (1986) that to be able to explain and predict accounting practices carried out by companies, accounting theory is needed. The contracting process or agency relationship between managers and other parties such as investors, creditors, auditors, capital market managers and the government is explained and predicted in accounting science (Watts & Zimmerman, 1986).

In the context of taxation, the relevance of positive accounting theory is that the large political costs will trigger managers to choose company accounting policies to carry out tax avoidance when the company experiences high financial distress and earnings management. As for the practice of tax avoidance, to reduce the tax burden, companies will take the necessary actions by exploiting weak points in tax regulations (Puspitasari et al., 2021). To minimize the political costs that must be borne by the company, management tends to adopt accounting policies such as adjusting the accounting methods used to minimize the impact and tends to carry out earnings management by engineering a reduction in profits (Puspitasari et al., 2021). This also happens because the tax system in Indonesia adheres to a self-assessment system. According to Wahyuni (2011), the self-assessment system has an impact on tax avoidance (Alfarasi & Muid, 2022).

2.3. Tax Avoidance

Tax avoidance is an action carried out by exploiting weaknesses in tax provisions legally and safely without violating or conflicting with applicable tax provisions (Pohan, 2016). Lim (2013) defines tax avoidance as a legitimate way to reduce tax payment obligations by exploiting the weaknesses of the tax system. Dyreng et al (2008) argue that tax avoidance is an activity that has an impact on reducing the amount of tax liabilities. According to Taylor & Richardson (2013), tax avoidance is an effort made by company managers in a legal and safe manner through tax planning by utilizing gray areas to minimize the amount of taxable income. Meanwhile, according to Dewinta & Setiawan (2016) tax avoidance is an action to reduce tax obligations, but does not violate the provisions of applicable tax regulations and is usually through policies taken by company leaders, for example postponing taxes that have not been regulated in tax regulations or taking advantage of permitted exemptions and deductions.

To get the desired profits, company management can implement tax management, one of which is through tax avoidance, namely minimizing the amount of tax that will be paid in a way that does not conflict with tax law regulations. Klasen (1997) is of the view that efficient tax planning is a transaction design to minimize the present value of tax payments without causing greater non-tax costs to other parts of the organization (Sirait & Martani, 2014).

From the definitions above, it can be seen that tax avoidance is the act of minimizing the amount of tax which is part of a tax management strategy by not violating applicable laws and regulations, so it can be concluded that tax avoidance is one way to avoid taxes legally which is not violate tax laws and regulations (Sari et al., 2021).

2.4. Financial Distress

Financial distress is a condition where a company is heading towards bankruptcy or liquidation. This can be seen from the decline in financial conditions and the company's inability to fulfill its obligations, especially short-term obligations, liquidity obligations and obligations in the solvency category (Platt & Platt, 2002).

Cita & Supadmi (2019) say that financial distress is a condition when a company cannot fulfill its obligations or when cash flow projections show that the company cannot pay its financial obligations. The company's inability to complete its obligations when payment is due is one sign of financial distress (Beaver, 2010).

From the opinion above, it can be defined that financial distress is a condition where a company experiences financial difficulties so that it is unable to make payments on its obligations, especially short-term obligations that have matured. In other words, the company is experiencing financial difficulties that are serious enough to trigger bankruptcy if these conditions cannot be identified and resolved properly. Financial distress is the beginning of bankruptcy due to a decline in financial conditions (Putri et al., 2022).

In order to help management improve the company's financial condition before bankruptcy occurs, a prediction of financial distress is needed (Hendra et al., 2018). This financial distress condition is an early warning before bankruptcy occurs (Hakim et al., 2021). In other words, financial distress is an early sign of bankruptcy, namely where the company is weak in generating profits of tends to experience a deficit (Maisarah et al., 2018).

2.5. Earning Management

Earnings management is an action aimed at selecting accounting policies with certain criteria with the aim of improving management welfare and increasing the market value of the business (Scott, 2015). Fahmi (2014) believes that earnings management is an action to regulate profits carried out by management in accordance with the wishes of certain parties. Earnings management is also said to be an intervention that aims to provide personal benefits to certain parties in the process of preparing external financial reports (Schipper, 1989).

According to Halim et al (2005) earnings management is the selection of accounting policies carried out by management based on existing accounting standards and maximizing benefits for them and/or the market value of the company. Understanding of earnings management can be divided into two perspectives. First, earnings management is understood as an attitude of seeking opportunities for personal gain from managers by maximizing the benefits of compensation contracts, debt contracts and political costs. Second, earnings management is understood as an efficient contract where earnings management provides a transcription for managers to provide protection for themselves and the company in order to gain profits for the parties involved in the contract so that it is necessary to take steps to anticipate the occurrence of things that are not happening, expected.

Earnings management is a manager's action to increase or decrease the current profit period of the company he manages without causing an increase or decrease in the company's long-term economic profit (Fischer & Rosenzweig, 1995). There are two criteria, namely share-based insolvency and flow-based insolvency. Share-based insolvency is a condition where the company's financial position report experiences negative equity (negative net worth), while flow-based insolvency is a condition where operating cash flow (operating cash flow) cannot meet the company's current obligations.

Based on the explanation above, it can be seen that earnings management is an action taken to regulate company profits which are presented in financial reports by company managers. This effort made by the manager is deliberate for the purpose of obtaining a higher level of well-being for the manager personally and providing benefits to certain parties (Putri et al., 2022).

2.6. Good Corporate Governance

First introduced by the Canbury Committee in 1992, the term Good Corporate Governance is defined as a principle that directs and controls a company so that it is able to achieve a balance between power and authority in providing accountability to shareholders and stakeholders (Manossoh, 2016).

According to the Turnbull Report in England in 1999 quoted by Tsuguoki Fujinuma (Efendi, 2016) as follows: "Corporate governance is company's system of internal control has as its principal aim the management of risk that is significant to the fulfillment of its business objectives, with a view to safeguarding the company's assets and enhancing over time the value of the shareholders' investment."

Based on the definitions above, it can be concluded that good corporate governance is a system and regulations designed to regulate, direct and control a company in managing its business based on the principles that underlie a company management process and mechanism based on regulations. legislation to create good relations between shareholders and stakeholders from time to time.

In implementing good corporate governance, it has various objectives, including encouraging transparency and preventing unhealthy practices that can harm interested parties, increasing efficiency, effectiveness and sustainability of an organization so that it can contribute to the creation of shareholder prosperity, employees, and other stakeholders and is a solution in facing future organizational challenges, increasing the legitimacy of an organization that is managed openly, fairly and responsibly, as well as recognizing and protecting the rights and obligations of shareholders and stake holders (Kusmayadi et al., 2015).

2.7. The Effect of Financial Distress on Tax Avoidance

Anugerah et al (2022) conducted research on the effect of financial distress on tax avoidance by taking samples of property and real estate companies listed on the IDX during 2016 - 2019. The test results using Eviews 9.0 software show that based on the t test or partial test the financial distress variable has a significant value of $\text{prob.}0.0000 < 0.05$ (because the significance is smaller than 0.05) then the financial distress variable has a significant effect on tax avoidance.

In research conducted by Yuliana et al (2021) which tested tax avoidance which was influenced by financial distress by taking a sample of banking companies from companies listed on the IDX during 2018-2019, it showed that financial distress had a probability of $0.006 < 0.05$, so it can be seen that tax avoidance is influenced by financial distress.

Dang & Tran (2021) also conducted research on the influence of financial distress on tax avoidance from companies in Vietnam. Data was obtained from Thoson Reuters sources at the Center for economic analysis and data center during 2008 - 2020. This research uses regression according to the FEM and REM methods. Hausman's results with a value of $P = 0.0000$ indicate that the FEM estimate is more suitable for explaining capital, which means that the more a company is in danger of capital, the more tax avoidance will be carried out so that the empirical results conclude that there is a positive relationship between financial distress and tax avoidance. at a company in Vietnam.

From the research above, it can be seen that companies will strain the relationship between agents and the government to carry out tax avoidance when experiencing financial distress. In the world of investment, shareholders of course only want to invest in healthy companies and will avoid investing in companies that are threatened with bankruptcy. In other words, in agency theory, agents will try in such a way to save the company and maintain relationships with shareholders so that investors do not take the funds they invested and show good company performance reports by avoiding obligations or delaying company tax payments (Alfarasi & Muid, 2022). Based on this theory, the hypothesis proposed in this research is Hypothesis 1: Financial Distress (FD) influences Tax Avoidance (TA)

2.8. The Influence of Earning Management on Tax Avoidance

In research conducted by Gunawan & Surjandari (2022), they tried to test the effect of earnings management on tax avoidance in manufacturing companies listed on the IDX during the 2015 - 2019 period. Using eviews 9 software showed empirical results that earnings management had an effect on tax avoidance. In this research it is also said that the higher the earnings management, the higher the tax avoidance carried out by the company. This is in accordance with agency theory, namely that management is interested in

optimizing profits by carrying out earnings management to influence the amount of tax paid by the company.

Prismanitra et al (2021) in their research to obtain empirical evidence regarding the influence of earnings management on tax avoidance in the mining sector listed on the IDX during the 2016 - 2018 period shows that earnings management has a positive and significant effect on tax avoidance. Apart from that, the research also revealed that implementing more advanced earnings management will improve tax avoidance practices in companies. From the test results it is known that the average profit value is 0.0795, indicating that the positive value is an effort to increase profits. However, a value close to 0 indicates that the practices carried out by mining companies are not too high.

From the research above, it can be seen that the increasing implementation of earnings management will influence tax avoidance practices in a company. This is of course in line with the view of agency theory which states that the existence of information asymmetry and the existence of conflicts that arise will provide opportunities for tax avoidance behavior and shows that the higher the level of earnings management, the smaller the tax burden paid will be because the level of tax avoidance is higher. Based on this theory, the hypothesis proposed in this research is Hypothesis 2: Earning Management (ED) influences Tax Avoidance (TA).

2.9. The influence of Financial Distress on Tax Avoidance which is moderated by Good Corporate Governance

The existence and sustainability of a company cannot be separated from the funding obtained from share owners. In its management, the share owners or what we call principals in agency theory, give authority to agents, in this case managers. Every shareholder certainly always hopes that the company is in a healthy condition and is able to pay all its obligations, including short-term obligations.

Anugerah et al (2022) conducted research on tax avoidance which is influenced by financial distress by taking samples from property and real estate companies listed on the IDX during 2016-2019. Good corporate governance in this research is used as a moderator using institutional ownership and managerial ownership. Test results using Eviews 9.0 software show that good corporate governance is able to moderate the influence of financial distress on tax avoidance. This means that good corporate governance can minimize or weaken the occurrence of tax avoidance when a company experiences financial distress.

The occurrence of problems between agents and principals in agency theory is very possible. Company managers of course also have an interest in the company and vice versa. Jensen and Meckling (1976) explain agency problems that arise in the relationship between agents and principals in companies (Gunawan & Surjandari, 2022). To minimize problems between agents and principals, it is necessary to have good corporate governance which can maintain and improve the harmonious relationship between agents and principals, of course by implementing the principles of good corporate governance in the company. Based on this theory, the hypothesis proposed in this research is Hypothesis 3: Financial Distress (FD) influences Tax Avoidance (TA) which is moderated by Good Corporate Governance (GCG).

2.10. The influence of Earning Management on Tax Avoidance is moderated by Good Corporate Governance

Based on positive accounting theory, it is said that the economic impact of accounting choices explains the motivation behind the choices made by companies (Holthausen & Leftwich, 1983), and (Watts & Zimmerman, 1990). Positive accounting theory clearly attempts to explain accounting policies, a problem for companies and stakeholders related to financial reports, in choosing accounting policies under certain conditions (Watts & Zimmerman, 1986).

Prismanitra et al (2021) conducted empirical research regarding the determination of tax avoidance with good corporate governance as a moderating variable with a population of mining companies listed on the IDX during the 2016 - 2018 period. In this research, they tested the effect of earnings management on tax avoidance with good corporate governance as moderating variable. Good corporate governance is proxied by independent commissioners, audit committees and institutional ownership. The research results show that only institutional ownership is able to weaken the influence of earnings management on tax avoidance. Meanwhile, independent commissioners and audit committees are unable to weaken the influence of earnings management on tax avoidance.

Based on the research above, the reason good corporate governance is able to weaken the influence of earnings management on tax avoidance is in line with positive accounting theory that there is one of the main hypotheses formulated by Watts & Zimmerman (1986), namely the political cost hypothesis which arises because of the existence of changes in regulations, changes in tax rates, changes in policy, and others, especially in the context of taxation, the large political costs will trigger agents to choose company accounting policies to carry out tax avoidance. With the existence of good corporate governance, the monitoring system can be carried out better by implementing the principles of good corporate governance so that agents do not do things that are considered unethical in relation to the payment of company tax obligations, namely the practice of tax avoidance. Therefore, the hypothesis proposed in this research is Hypothesis 4: Earning Management (EM) influences Tax Avoidance (TA) which is moderated by Good Corporate Governance (GCG).

Based on the theory and previous research described in the literature review, this research can be described in the following research model:

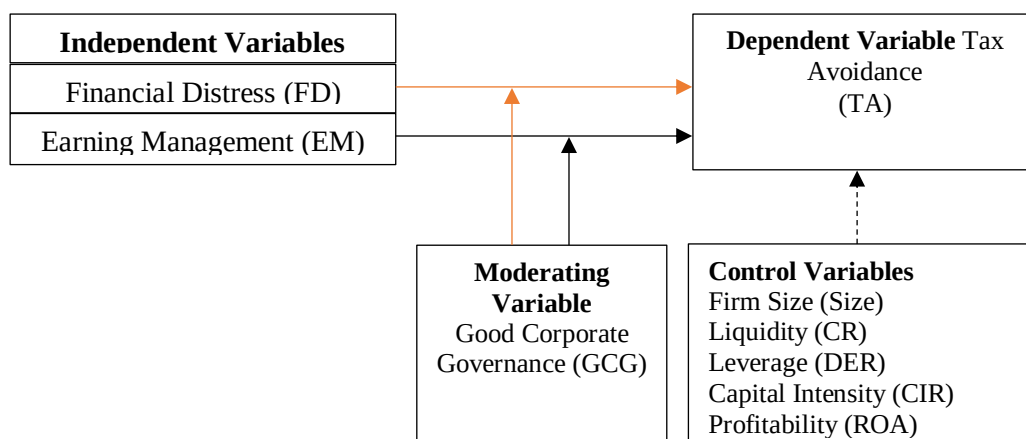


Figure 1. Research Model

3. RESEARCH METHODS

3.1. Research Design

The method in this research uses the method descriptive quantitative approach. According to Sugiyono (2018) quantitative methods are research methods based on the philosophy of positivism, used to research certain populations or samples, collecting data using research instruments, quantitative/statistical data analysis, with the aim of describing and testing predetermined hypotheses. The philosophy of positivism views that reality/symptoms/phenomena can be classified, relatively fixed, concrete, observable, measurable, and the relationship between symptoms is causal. Quantitative research generally uses a representative population or sample. Apart from that, the research process is deductive, where in answering the problem formulation theories or concepts are used so that research hypotheses can be formulated, which then collect data and then test them using descriptive or inferential statistical analysis so that conclusions or answers can be made from the previously formulated hypotheses.

3.2. Population and Sample

Cooper & Schindler (2017) say that population is the total collection of elements from which we will draw a conclusion. The population element is the entire subject to be measured, which is the unit under study. The population of this research is infrastructure sector companies listed on the Indonesia Stock Exchange (BEI) with an observation period of 3 years (2019 - 2021).

A sample is several elements in a population selected to draw conclusions from the entire population (Cooper & Schindler, 2017). In sampling, this research uses a non-probability sampling technique with judgment sampling, namely the sampling technique in selecting members must meet several criteria. Based on this selection, a research sample was obtained of 22 out of 52 companies in the infrastructure sector listed on the Indonesia Stock Exchange during the research period, resulting in analysis data of 66 observations.

3.3. Operational Variables

Operational variables explain the definition of the variable being studied and the assessment indicators so as to avoid differences in perception in the research. This research uses one dependent variable, two independent variables and one moderating variable. The dependent variable in this research is Tax Avoidance (TA) and the independent variable consists of Financial Distress (FD) and Earning Management (EM) with the control variable consisting of Firm Size, Liquidity, Leverage, Capital Intensity and Profitability as well as the Good Corporate Governance variable (GCG) as a moderating variable.

Below, each research variable can be operationally defined in table 1 as follows:

Table 1. Operational Variables

Variables	Measurement	Scale
Tax Avoidance (CETR)	$CETR = \frac{\sum \text{Cash tax paid}}{\sum \text{Pretax Income}}$	Ratio
Financial Distress (Springate)	$S = 1,03X_1 + 3,07X_2 + 0.66X_3 + 0.4X_4$	Ratio
Earning Management (Discretionary Accrual)	$DA_{it} = \frac{TA_{it}}{A_{it-1}} - NDA_{it}$	Ratio
Good Corporate Governance	$GCG = \frac{\text{Total Score Obtained}}{\text{Expeted total Score}} \times 100\%$	Ratio

Variables	Measurement	Scale
Firms Size (Natural Logarithm)	$Size = Ln (Total Asset)$	Ratio
Liquidity (Current Ratio)	$CR = \frac{Current Asset}{Current Liabilities}$	Ratio
Leverage (Dept of Equity Ratio)	$DER = \frac{Total Liabilities}{Total Equity}$	Ratio
Capital Intensity (Capital Intensity Ratio)	$CIR = \frac{Total Asset}{Sales}$	Ratio
Profitability (Return on Asset)	$ROA = \frac{Net Income}{Total Assets}$	Ratio

3.4. Data Analysis

The data analysis technique in this research is descriptive statistics, by testing multiple regression analysis and the Moderate Regression Analysis (MRA) test. To determine the condition of the dependent variable on two or more independent variables, multiple regression analysis is needed. Meanwhile, the Moderate Regression Analysis (MRA) test was carried out to test the moderating variables used in the research. Testing of data quality was carried out using descriptive statistics and classical assumption tests. This is because it is a requirement that must be carried out in analysis using a regression model.

According to Sanusi (2011) multiple linear regression is a statistical method that is commonly used to examine two or more variables. This analysis is to determine the relationship between the independent and dependent variables. Apart from that, multiple linear regression is used to test the truth of the hypotheses proposed in the research, namely hypothesis 1 and hypothesis 2. The multiple linear regression equation model is as follows:

$$TA = \alpha + \beta_1 FD + \beta_2 EM + \beta_3 SIZE + \beta_4 CR + \beta_5 DER + \beta_6 CIR + \beta_7 ROA + \varepsilon$$

Where :

TA is Tax Avoidance

α is Constant

$\beta_1 - \beta_7$ is Regression Coefficient

FD is Financial Distress

EM is Earning Management

SIZE is Company Size

CR is Current Ratio

DER is Dept to Equity

CIR is Capital Intensity Ratio

ROA is Return on Asset

ε is Error (interrupter error)

In this research, Moderated Regression Analysis (MRA) is used to test hypothesis 3 and hypothesis 4. According to Ghazali (2018), decision making is based on the influence of the relationship between the independent variable and the dependent variable, which can be seen from the level of significance, namely the moderating variable is declared capable of moderating the influence of the independent variable on the dependent variable if it has

a significance value of less than 5% (<0.05). If the significance calculation results obtained are more than 5% then H₀ is accepted and H_a is rejected, if the positive significance level is equal to or less than 5% then H₀ is rejected and H_a is accepted. The test model in the equation is as follows:

$$TA = \alpha + \beta_1FD + \beta_2EM + \beta_3GCG + (\beta_4FD.GCG) + (\beta_5EM.GCG) + \beta_6SIZE + \beta_7CR + \beta_8DER + \beta_9CIR + \beta_{10}ROA + \varepsilon$$

Where :

TA is Tax Avoidance

α is Constant

$\beta_1 - \beta_{10}$ is Regression Coefficient

FD is Financial Distress

EM is Earning Management

GCG Is Good Corporate Governance

FD.GCG is the interaction between Financial Distress and Good Corporate Governance

FD.GCG is the interaction between Earning Management and Good Corporate Governance

SIZE is Company Size

CR is Current Ratio

DER is Debt to Equity

CIR is Capital Intensity Ratio

ROA is Return on Asset

ε is Error (interrupter error)

4. RESULTS AND DISCUSSION

4.1. Research Results

4.1.1. Descriptive Statistics

The results of descriptive statistical tests are shown in table 2 as follows:

Table 2. Descriptive Statistics Results

	Descriptive Statistics				
	N	Minimum	Maximum	Mean	Std. Deviation
FD	66	-0.001	1.405	0.642	0.367
EM	66	-0.193	0.448	-0.004	0.080
GCG	66	0.237	0.544	0.354	0.069
TA	66	0.028	2.183	0.440	0.441
SIZE	66	26.522	33.256	29.806	1.661
CR	66	0.234	4.278	1.398	0.995
DER	66	0.075	6.052	1.593	1.427
CIR	66	0.785	9.790	3.750	2.451
ROA	66	0.001	0.135	0.047	0.037
Valid N (listwise)	66				

Source: SPSS data processing results (2023)

4.1.2. Classic assumption test

The normality test is the first classical assumption test to be carried out and shows Asymp.Sig results. (2-tailed) is 0.200, which means the value is greater than 5% or 0.05

and it can be concluded that the variable data used is normally distributed so that the data obtained is suitable for further testing as seen in the following table:

Table 3. One- Sample Kolmogorov-Smirnov Test Result

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		66
Normal Parameters ^{a,b}	Mean	0.0000000
	Std. Deviation	0.19650160
Most Extreme Differences	Absolute	0.062
	Positive	0.062
	Negative	-0.039
Test Statistic		0.062
Asymp. Sig. (2-tailed)		0.200 ^{c,d}

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Source: SPSS data processing results (2023)

The second test is the multicollinearity test, showing that there are no variables that have a tolerance value of less than 0.10 and the test results also show that there is no VIF value that is more than 10.00, so it can be concluded that there is no multicollinearity as seen in the following table:

Table 4. Multicollinearity test result

Coefficients ^a								
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
Model		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	-0.777	1.581		-0.491	0.625		
	FD	0.566	0.206	0.483	2.747	0.008	0.265	3.772
	EM	-0.299	0.101	-0.286	-2.958	0.004	0.878	1.139
	GCG	0.578	0.589	0.116	0.980	0.331	0.584	1.711
	SIZE	0.291	0.305	0.155	0.955	0.344	0.313	3.191
	CR	-0.093	0.099	-0.132	-0.941	0.350	0.420	2.381
	DER	0.004	0.078	0.007	0.050	0.960	0.377	2.654
	CIR	-0.123	0.054	-0.260	-2.281	0.026	0.631	1.584
	ROA	-2.741	0.522	-0.846	-5.254	0.000	0.317	3.155

a. Dependent Variable: TA

Source: SPSS data processing results (2023)

The third test, namely the heteroscedasticity test, can be seen in the scatter plot graph showing that the resulting points are scattered and do not form a pattern, so it can be

concluded that there is no heteroscedasticity in this regression model as shown in the following figure :

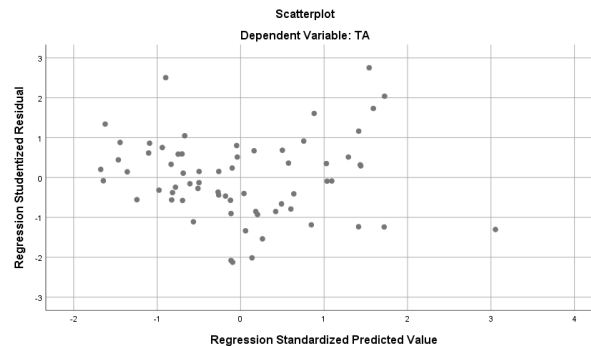


Figure 2. Scatterplot

The fourth test, the autocorrelation test shows a Durbin-Watson value of 1.761. This value is between -2 to +2, which means it can be concluded that in the Autocorrelation Test there are no symptoms of autocorrelation as shown in the following table:

Table 5. Autocorrelation Test Result

Model	R	R Square	Model Summary ^b			Durbin-Watson
			Adjusted R Square	Std. Error of the Estimate		
1	0.729 ^a	0.532	0.466	0.20983859		1.761

a. Predictors: (Constant), ROA, CR, EM, CIR, GCG, DER, SIZE, FD

b. Dependent Variable: TA

Source: SPSS data processing results (2023)

4.1.3. Hypothesis testing and Result

Hypothesis testing was carried out to answer the hypothesis proposed in this research. Statistically, hypothesis testing in multiple linear regression models, especially the Moderated Regression Analysis (MRA) Test, where the regression equation contains an element of interaction (multiplication of two or more independent variables), uses the Determination coefficient (R^2), Simultaneous Test (F Test), and Test Partial (T Test).

To measure the extent to which the model explains variations in the dependent variable, the coefficient of determination (R^2) is measured. In evaluating the best regression model, it is to use the Adjusted R^2 value, where if there is an addition of one independent variable included in the model, the Adjusted R^2 value can increase or decrease. The results of the coefficient of determination can be seen in table as follows:

Table 6. The coefficient of determination (R^2)

Model	R^2	Adjusted R^2
No Moderating Variable		
(Hypothesis 1)	0,456	0.400
(Hypothesis 2)	0.459	0.404
With Moderating Variable		
(Hypothesis 3)	0.466	0.391
(Hypothesis 4)	0.474	0.400

Source: SPSS data processing results (2023)

Based on the test results in the table above, it can be seen that in hypothesis 1 the Adjusted R2 value is 0.400 or 40.00%, which means that the ability of the independent variable to explain the dependent variable is 40.00% while the rest is explained by other variables. In hypothesis 2, the Adjusted R2 value is 0.404 or 40.40%, which means that the ability of the independent variable to explain the dependent variable is 40.40% while the rest is explained by other variables. For hypothesis 3, the Adjusted R2 value is 0.391 or 39.10%, which means that the ability of the independent variable to explain the dependent variable after the moderating variable is 39.10% while the rest is explained by other variables. Hypothesis 4, the Adjusted R2 value is 0.400 or 40.00%, which means that the ability of the independent variable to explain the dependent variable after the moderating variable is 40.00%, while the remainder is explained by other variables that are not included in the independent variables in the equation model.

To determine the influence of all independent variables in the research on the dependent variable simultaneously, an F-test was carried out. The following results of the F-test carried out are shown in table as follows:

Table 7. Simultaneous Test Result (F Test)

Model	f	Sig.
No Moderating Variable		
(Hypothesis 1)	8,234	0.000
(Hypothesis 2)	8,343	0.000
With Moderating Variable		
(Hypothesis 3)	6,222	0.000
(Hypothesis 4)	6.409	0.000

Source: SPSS data processing results (2023)

In hypothesis 1, it is known that the F-statistic value is $8.234 > F\text{-table } 2.257$ so that it simultaneously has an effect with a significance of 0.000 (less than 0.05%). In hypothesis 2 it is known that the F-statistic value is $8.343 > F\text{-table } 2.257$ so that it simultaneously has an effect with a significance level of less than 0.05, namely 0.0000. In hypothesis 3, it is known that the F-statistic value is $6.222 > F\text{-table } 2.106$ so that it has a simultaneous effect with a significance level of 0.000 (less than 0.05%). In hypothesis 4 it is known that the F-statistic value is $6.409 > F\text{-table } 2.106$ so that it simultaneously has an effect with a significance level of less than 0.05, namely 0.0000.

The Partial Test (T-test) is carried out to find out how much influence the independent variable partially has on the dependent variable, namely by comparing the sig-t value with a significance value of 0.05. If the significance value is smaller than 0.05 then H_a is accepted, and if it is greater than 0.05 then H_a is rejected. Following are the partial test results in table as follows:

Table 8. The Partial Test Result (T Test)

Variable	t	Sig	Decision
FD	2,235	0,029	H1 Accepted
EM	-2319	0,024	H2 Accepted
FD.GCC	0,804	0,425	H3 Rejected
EM.GCC	-0,616	0,540	H4 Rejected

Source: SPSS data processing results (2023)

It can be seen that the t-statistic value in hypothesis 1 is 2.235, while the t-table value is 2.300, meaning that the t-statistic value $\leq$ t-table so it can be concluded that H_0 is accepted and H_a is rejected with a significance level of $0.029 < 0.05$. The t-statistic value in hypothesis 2 is -2.319, while the t-table value is -2.300, meaning that the t-statistic value $\geq$ t-table so it can be concluded that H_0 is accepted and H_a is rejected with a significance level of $0.024 < 0.05$. The t-statistic value in hypothesis 3 is 0.804, while the t-table value is 2.302, meaning that the t-statistic value $<$ t-table so it can be concluded that H_0 is accepted and H_a is rejected with a significance level of > 0.05 . The t-statistic value in hypothesis 4 is -0.616, while the t-table value is -2.302, meaning that the t-statistic value $<$ t-table so it can be concluded that H_0 is accepted and H_a is rejected with a significance level of > 0.05 .

4.2. Discussion

4.2.1. The Effect of Financial Distress on Tax Avoidance

Based on the results of statistical testing through simultaneous testing, it can be seen that the F-statistic value is $8.234 > F\text{-table } 2.257$ with a significance level of 0.000 (less than 0.05%). Through partial testing, namely the t test, it can be seen that the t-statistic value is 2.235, while the t-table value is 2.300, meaning that the t-statistic value $\leq$ t-table with a significance level of $0.029 < 0.05$ so it can be concluded that H_0 is accepted and H_a is rejected.

From the results of testing the research data above, hypothesis 1 proposed in this research shows that financial distress has an influence on tax avoidance in infrastructure sector companies listed on the Indonesia Stock Exchange in 2019-2021. This is proven by the results of simultaneous testing, namely the value of F-statistic is greater than F-table with a significance level of less than 0.05%, namely at a significance level of 0.000 and also the results of the t test which shows that the value of t-statistic is greater than t-table at a significance level of less than 0.05%, namely the significance value is at 0.029%.

In the world of investment, shareholders of course only want to invest in healthy companies and will avoid investing in companies that are threatened with bankruptcy. In other words, in agency theory, agents will try in such a way to save the company and maintain relationships with shareholders so that investors do not take the funds they invested and show good company performance reports by avoiding obligations or delaying payment of company taxes. This is in line with what was conveyed by Alfarasi & Muid (2022) and is the reason why agents carry out tax avoidance.

4.2.2. The Effect of Earning Management on Tax Avoidance

Based on the results of statistical testing through simultaneous testing, it can be seen that the F-statistic value is $8.343 > F\text{-table } 2.257$ with a significance level of less than 0.05, namely 0.0000 (less than 0.05%). Through partial testing, namely the t test, it can be seen that the t-statistic value is -2.319, while the t-table value is -2.300 with a significance level of $0.024 < 0.05$, meaning that the t-statistic value $\geq$ t-table so it can be concluded that H_0 is accepted and H_a is rejected.

From the results of testing the research data above, hypothesis 2 proposed in this research shows that earnings management has an influence on tax avoidance in infrastructure sector companies listed on the Indonesia Stock Exchange in 2019-2021. This is proven by the results of simultaneous testing, namely the F-statistic value is greater than F-table with a significance level of less than 0.05%, namely at a significance level of 0.000

(less than 0.05%) and also from the t test results it is known that the t-statistic value is -2.319 while the t-table value is -2.300 with the significance level is less than 0.05%, namely the significance value is 0.029%.

The increasing implementation of earnings management will influence tax avoidance practices in a company. This is of course in line with the view of agency theory which states that the existence of information asymmetry and the existence of conflicts that arise will provide opportunities for tax avoidance behavior and shows that the higher the level of earnings management, the smaller the tax burden paid will be because the level of tax avoidance is higher.

4.2.3. The influence of Financial Distress on Tax Avoidance which is moderated by Good Corporate Governance

Based on the results of statistical testing through simultaneous testing, it can be seen that the F-statistic value is $6.222 > F\text{-table } 2.106$ with a significance level of 0.000 (less than 0.05%). Through partial testing, namely the t test, it can be seen that the t-statistic value is 0.804, while the t-table value is 2.302, meaning that the t-statistic $< t\text{-table}$ with a significance level > 0.05 so it can be concluded that H_0 is accepted and H_a is rejected.

From the results of testing the research data above, hypothesis 3 proposed in this research shows that the good corporate governance variable is unable to moderate the occurrence of tax avoidance which is influenced by financial distress in infrastructure sector companies listed on the Indonesia Stock Exchange for 2019-2021. This is proven by the results of the t test which shows that the t-statistic value is smaller than t-table. The t-statistic value is 0.804, while the t-table value is 2.302, the significance value is more than 0.05%, the significance value is 0.804%, so it can be interpreted as having no effect and not being significant.

Problems between agents and principals in agency theory are very likely to occur. To minimize problems between agents and principals in theory, it is necessary to have good corporate governance which can maintain and improve harmonious relationships between agents and principals, of course by implementing the principles of good corporate governance in companies (Gunawan & Surjandari, 2022). However, this research shows that good corporate governance is not able to moderate (weaken) the occurrence of tax avoidance which is influenced by financial distress but on the contrary. The existence of good corporate governance actually strengthens the occurrence of tax avoidance. This shows that, before the existence of good corporate governance, the value of the t test results showed that the t value was greater than t table at a significance of less than 0.05%, namely the significance value was at 0.029% which indicated the influence of financial distress on tax avoidance. And after being moderated by good corporate governance, the results of the t test show that the t-statistic value is smaller than t-table at a significance of more than 0.05%, namely the significance value is at 0.425%.

4.2.4. The influence of Earning Management on Tax Avoidance which is moderated by Good Corporate Governance

Based on the results of statistical testing through simultaneous testing, it can be seen that the F-statistic value is $6.409 > F\text{-table } 2.106$ with a significance level of 0.000 (less than 0.05%). Through partial testing, namely the t test, it can be seen that the t-statistic value is -0.616, while the t-table value is -2.302, meaning that the t-statistic $< t\text{-table}$

with a significance level of >0.05 so it can be concluded that H_0 is accepted and H_a is rejected.

From the results of testing the research data above, hypothesis 4 proposed in this research shows that the good corporate governance variable is unable to moderate the occurrence of tax avoidance which is influenced by earnings management in infrastructure sector companies listed on the Indonesia Stock Exchange for 2019-2021. This is proven by the results of the t test which shows that the t-statistic value is smaller than t-table, namely the t-statistic value is -0.616, while the t-table value is -2.302, the significance value is more than 0.05%, namely the significance value is -0.616%, so it can be interpreted as having no effect and not significant.

With the existence of good corporate governance, it is hoped that the monitoring system can be carried out better by implementing the principles of good corporate governance so that agents do not do things that are considered unethical in relation to the payment of company tax obligations, namely the practice of tax avoidance. However, this research shows that good corporate governance is not able to moderate (weaken) the occurrence of tax avoidance which is influenced by earnings management but on the contrary. The existence of good corporate governance actually strengthens the occurrence of tax avoidance. This shows that, before the existence of good corporate governance, the value of the t test results showed that the t value was greater than t table at a significance of less than 0.05%, namely the significance value was at 0.024% which indicated the influence of earnings management on tax avoidance. And after being moderated by good corporate governance, the results of the t test show that the t-statistic value is smaller than t-table at a significance of more than 0.05%, namely the significance value is at 0.540%.

5. CONCLUSION

Based on the research results and discussion in this research, it can be concluded that financial distress influences Tax Avoidance in infrastructure sector companies listed on the Indonesia Stock Exchange in 2019 - 2021. This proves that the condition of companies experiencing Financial Distress has an impact on the practice of tax avoidance, which means that the higher the level of Financial Distress. experienced by the company, the higher the occurrence of Tax Avoidance carried out by the company. Earning Management also influences Tax Avoidance in infrastructure sector companies listed on the Indonesia Stock Exchange in 2019 - 2021. This proves that the higher the level of earnings management carried out by the company, the higher the incidence of tax avoidance.

The existence of Good Corporate Governance is not able to moderate the influence of financial distress on tax avoidance in infrastructure sector companies listed on the Indonesia Stock Exchange in 2019 - 2021. This means that the interaction between the condition of companies experiencing Financial Distress and the existence of Good Corporate Governance during the research period is not has an influence on efforts to occur Tax Avoidance. Good Corporate Governance was also unable to moderate the influence of Earning Management on Tax Avoidance in infrastructure sector companies listed on the Indonesia Stock Exchange in 2019 - 2021. This means that the interaction between Earning Management and the existence of Good Corporate Governance during the research period had no influence on efforts the occurrence of Tax Avoidance.

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