The Influence of Good Corporate Governance and Liquidity on Tax Management (Empirical Study on Manufacturing Companies Listed on the Indonesia Stock Exchange from 2015 to 2019)

Abstract

The aims of this study is to analyse the effect of good corporate governance and liquidity on tax management. Tax management is measured by modified measure based on Cash effective tax rate (CETR) compared with corporate tax rate. Corporate governance is measured by proportion of independent commissioner, audit committee, audit quality, institutional ownership, and compensation of executive managements, liquidity is measured by current ratio. This research sample consist manufacturing companies selected by purposive sampling. There are 14 companies fulfilling the criteria. This research used binary logistic regression analysis. The results of this research indicate that the proportion of independent commissioner and audit quality positively affect tax management significantly. Meanwhile, audit committee, institutional ownership, compensation of executive managements and liquidity do not significantly affect the company's tax management.

Keywords:*tax management, GCG, liquidity*

1. Introduction

This research is motivated by the empirical phenomenon highlighted by KPMG International UK (2019), indicating that 84% of respondents stated that tax governance or tax planning has not yet become a significant agenda for corporate boards of directors. This contradicts the position of the Tax Directorate General, which collects tax revenue from taxpayers. Here, the company's interest in minimizing tax payments directly conflicts with the Tax Directorate General's aim to maximize tax collection. Based on KPMG's research, it's evident that taxes cannot be underestimated, necessitating proper tax management.

Tax management aims to control taxpayers' obligations to avoid unexpected tax burdens in the future. Through tax management, taxpayers can mitigate non-compliance risks in tax transactions while complying with tax obligations correctly, thereby reducing tax burdens and aligning the company's liquidity and profits with expectations.

Zulkarnaen (2015) noted that tax management in Indonesian companies is inadequate due to agency problems within firms. This underscores the importance of corporate governance or Good Corporate Governance (GCG) as a safeguard for shareholders' rights. Effective corporate governance is expected to address agency problems within companies and optimize tax management.

Good Corporate Governance (GCG) significantly influences tax management by enhancing economic efficiency through various relationships among company management, shareholders, the board of commissioners, and other stakeholders (Zulkarnaen, 2015). Liquidity is another factor influencing a company's tax management. If a company maintains high liquidity ratios, its cash flow remains smooth, enabling it to settle short-term debts such as business loans, dividend payments, taxes, and more (Adisamartha&Noviari, 2015).

Research by Wijaya and Febrianti (2017) revealed that an indicator of GCG, independent commissioners, has a positive impact on tax management. This aligns with Zulkarnaen's (2015) study, which stated that independent commissioners, executive management compensation, and institutional ownership simultaneously affect tax management. However, different studies yield varied results. Setyawan et al. (2019) found that independent commissioners and audit committees influence tax management, while institutional ownership and audit quality do not. Conversely, Wahyuni et al. (2017) asserted that independent commissioners, institutional ownership, and audit quality influence tax management. Meilinda (2013) also found that independent commissioners and executive management compensation do not significantly impact tax management.

Regarding liquidity, research by Suryanto and Supramono (2012) revealed a negative influence on tax management, while Budhianti and Curry (2015) reported a positive impact. Inconsistencies in previous studies motivate researchers to examine the potential influence of GCG and liquidity on tax management once more.

This research builds upon and expands Zulkarnaen's (2015) study that investigated the effect of Good Corporate Governance on Tax Management in non-financial companies listed on the Indonesia Stock Exchange from 2010 to 2013. While Zulkarnaen's study used executive management compensation, independent commissioners, and institutional ownership as variables to measure GCG, this research adds the independent variables of audit committees and audit quality, encompassing elements of GCG, along with introducing liquidity as an additional independent variable. This study focuses on manufacturing companies. The

differences from Zulkarnaen's (2015) research include the studied time frame and the use of Cash Effective Tax Rate (CETR) as a tax management measurement proxy, aligning with Zulkarnaen's recommendation since CETR is an actual measure for tax management and tax planning.

Manufacturing companies are chosen due to their frequent scrutiny by the Tax Directorate General, especially as there are around 4,000 foreign investment companies reporting no tax liability for seven consecutive years due to sustained losses. Furthermore, manufacturing companies are large-scale entities (Dewi &Noviari, 2017). The research question is whether independent commissioners, audit committees, audit quality, institutional ownership, executive management compensation, and liquidity positively influence tax management.

2. Theoretical Framework and Hypothesis Development

2.1. Agency Theory

Jensen and Meckling (1976) introduced agency theory, which posits the existence of two individuals: the principal and the agent. The principal grants authority, while the agent receives it. When the principal and agent share similar objectives, the agent will support everything instructed by the principal. However, if their goals differ, the agent may act contrary to the principal's directives. These conflicting interests lead to a problem because the principal lacks the ability to monitor the agent's activities due to insufficient information about the agent. The agent possesses more information about the work environment, capabilities, and overall company structure, creating an asymmetry of information between the principal and the agent. This information asymmetry motivates the agent to hide undisclosed information from the principal and provide false information, especially concerning the agent's performance measurements (Aditama and Purwaningsih, 2015).

Good Corporate Governance (GCG) is grounded in agency theory. GCG functions as an indicator to supervise and mitigate information asymmetry. The crucial positioning of good corporate governance is expected to address agency issues within a company, optimize tax management, and provide a structure facilitating the company's objectives to determine work supervision techniques (Deni, et al., as cited in Zulkarnaen, 2015).

2.2. The Influence of Independent Commissioners on Tax Management

Independent commissioners are essential for the board of commissioners to control and oversee the executive's actions related to their opportunistic behaviors. This relates to the premises of agency theory articulated by Jensen and Meckling (1976). Suryanto and Supramono (2012) revealed that proactive independent commissioners can also encourage management to comply with tax regulations and minimize tax evasion behavior, thus reducing fraudulent tax practices within management. This finding aligns with Wijaya and Febrianti's (2017) study, indicating that independent commissioners positively influence tax management.

H1. Independent commissioners have a positive influence on tax management.

2.3. The Influence of Audit Committees on Tax Management

Diantari and Ulupui (2016) stated that audit committees are responsible for overseeing the preparation of a company's financial reports and preventing tax avoidance. The research conducted by Diantari and Ulupui (2016) indicated that the presence of audit committees positively influences the Cash Effective Tax Rate (CETR). This is because a higher presence

of audit committees enhances the quality of good corporate governance within a company. Audit committees are more responsible and transparent in publishing financial reports as they monitor all activities within the company. This finding aligns with the results of Asri and Suardana's (2012) study, indicating that audit committees also positively influence CETR.

H2. Audit committees have a positive influence on tax management.

2.4. The Influence of Audit Quality on Tax Management
Good audit quality reflects the principles of good corporate governance, such as transparency and accountability, by reporting all audit results and tax-related matters to stakeholders (Sandy and Lukviarman, 2015). Financial reports audited by The Big Four accounting firms tend to yield better audit quality and accurately portray a company's financial position. The higher the quality of audit reports, the lower the chance for tax reduction by a company.

Feranika's (2017) research showed that audit quality has a positive influence on CETR. The study concluded that companies audited by The Big Four accounting firms are less likely to evade taxes because auditors in these firms are more competent and professional compared to auditors in non-Big Four firms, hence better at detecting and preventing manipulation.

Widyari and Rasmini (2019) also demonstrated that audit quality has a positive influence on Cash Effective Tax Rate (CETR).

H3. Audit quality has a positive influence on tax management.

2.5. The Influence of Institutional Ownership on Tax Management
The larger the institutional ownership a company holds, the greater the authority institutional investors have to control a company's operations. Institutional investors are capable of analyzing and possessing robust information to manage a company (Waluyo, 2017). Putri and Putra's (2017) study indicated a positive relationship between institutional ownership and CETR, demonstrating the significant role of institutional ownership in disciplining, monitoring, and influencing managerial decisions. Ariawan and Setiawan's (2017) research also provided evidence that institutional ownership has a positive influence on CETR.

H4. Institutional ownership has a positive influence on tax management.

2.6. The Influence of Executive Management Compensation on Tax Management
Zulkarnaen (2015) concluded that management will act more favorably if tax management also benefits or rewards them. Offering appropriate compensation to executives becomes an effective method for tax management because higher executive compensation motivates management to engage in good tax planning practices according to taxation regulations, resulting in optimal and efficient tax savings. This conclusion aligns with the studies conducted by Hanafi and Harto (2014) and Sadewo and Hartiyah (2017), which also showed evidence that executive management compensation has a positive influence on tax management.

H5. Executive management compensation has a positive influence on tax management.

2.7. The Influence of Liquidity on Tax Management
Liquidity refers to a company's ability to settle its debts promptly before their due dates (Lubis et al., 2017). Adisamartha and Noviari (2015) stated that if a company has a high

liquidity ratio, its cash flow remains smooth. Budhianti and Curry (2015) concluded that liquidity positively influences CETR because the higher a company's short-term debt levels, the more likely it is to engage in tax avoidance. This finding aligns with Anita and Julita's (2015) study, indicating a positive impact of liquidity on CETR because tax savings can be used by a company to fulfill its short-term obligations. Abdullah (2020) also proved that the current ratio, used to measure liquidity, has a positive influence on CETR.

H6. Liquidity has a positive influence on tax management.

3. Research Method

3.1. Type and Data Source

This research employs a quantitative approach measured using numeric or numerical scales. The data source used in this study is secondary data obtained from the annual and financial reports of manufacturing companies listed on the Indonesia Stock Exchange (IDX) within the sampling period from 2015 to 2019. The annual and financial reports of manufacturing companies listed on the IDX can be accessed on the official IDX website, www.idx.com, or on the official websites of the respective sampled companies if the official IDX site does not display complete annual and financial reports.

3.2. Population and Sampling Technique

The population utilized in this study comprises manufacturing companies whose annual and financial reports are registered on the Indonesia Stock Exchange during the period from 2015 to 2019, totalling 182 companies. The sample selection in this research uses purposive sampling method. The following are several criteria utilized along with the selected number of samples and observations:

Table 1.

Seleksi Sampel

No	Description	Total
1.	Manufacturing companies listed on the Indonesia Stock Exchange during the period of 2015-2019.	182
2.	Manufacturing companies that were inactive continuously on the Indonesia Stock Exchange from 2015 to 2019.	(35)
3.	Manufacturing companies that did not publish financial reports continuously on the Indonesia Stock Exchange from 2015 to 2019.	(47)
4.	Manufacturing companies that did not present financial reports in Indonesian Rupiah.	(20)
5.	Companies that experienced negative pre-tax profit (incurred losses) during 2015-2019.	(44)
6.	Companies with a Cash Effective Tax Rate (CETR) value greater than one, to avoid issues in estimating the	(8)
7.	model.	(10)
8.	Companies with non-diverse CETR values (almost identical CETR values).	(4)
	Sample	**14**

No	Description	Total
	Number of Observation (N)	70
	Observations (N) that have CETR values < 0.12 (discarding CETR values that are too low to avoid indicating tax avoidance).	6
	Total Observation(N)	**64**

Source: Data processed by the author, 2021

3.3 Research Variables and Operational Definitions of Variables

3.3.1 Tax Management

Tax Management in this study is measured using the proxy Cash Effective Tax Rate (CETR). This indicator shows the taxes actually paid. The higher the CETR value, the lower the level of tax savings in the company. Conversely, if the CETR value is lower in a company, it indicates greater tax savings made by the company (Setiawan et al., 2019).

$$CETR = Taxes\ Paid / Profit\ before\ Tax$$

CETR measurement in this study will be modified using a dummy variable. If the CETR value in a company is obtained, it will be assessed against the corporate tax rate of 25% from 2015-2019. If the CETR value in a company aligns with or is below the corporate tax rate, it will be assigned a value of 1, indicating that the company has effectively, efficiently, and economically managed its taxes. Conversely, if the CETR value in a company exceeds the corporate tax rate, it will be assigned a value of 0, indicating inefficient tax management.

3.3.1 Good Corporate Governance

In this study, the implementation of good corporate governance utilizes 5 elements as follows:

3.3.1.1 Independent Commissioners

To measure independent commissioners, the proportion of board members from outside the company or the number of independent commissioners to the entire board of directors of the sampled companies can be used (Hunardy&Tarigan, 2017).

INDEP = The number of independent commissioners / total number of board commissioners x 100%

3.3.1.2 Audit Committees

The audit committee can be measured by observing the total number of audit committees in the companies sampled for the research (Hanum & Zulaikha, 2013).

AC = the number of audit committee members.

3.3.1.3 Audit Quality

Audit quality is measured using a dummy variable, where companies affiliated with one of the Big Four accounting firms will be given a score of 1, while those not affiliated will be given a score of 0 (Herusetya, 2012).

3.3.1.4 Institutional Ownership

Institutional ownership can be measured by the percentage of shares held by institutional parties compared to the total outstanding shares. This measurement aligns with the approach in Sukirni's study (2012).

IO = Total of Institutional share / Total outstanding share

3.3.1.5 Executive Management Compensation

The formula used to measure executive management compensation in this variable follows the natural log formula and encompasses the total compensation received by executive management (Fahreza, 2014).

Management Compensation = Ln (Total compensation received by Commissioners and Directors)

3.3.1.6 Liquidity

According to Arfan et al (2018, p. 90) cited in Abdullah (2020), liquidity can be measured using the current ratio. The current ratio is one of the commonly used ratios to assess a

company's liquidity in meeting its short-term obligations without facing difficulties. A higher current ratio indicates a potentially smoother cash flow and the ability to meet short-term debts.

CR = Current Assets / current liabilities X 100%

3.4 Data Analysis Technique

The data analysis used in this study includes descriptive statistics and logistic regression. Logistic regression is chosen because the dependent variable involves a dummy variable.

3.4.1 Descriptive Statistics

Descriptive statistics provide a description or overview of the data, including mean, standard deviation, variance, and maximum values. The results of descriptive statistical analysis will give an overview of the proportion of independent commissioners, audit committees, audit quality, institutional ownership, executive management compensation, and liquidity concerning tax management.

3.4.2 Logistic Regression

According to Ghozali (2018), logistic regression analysis is similar to multiple linear regression analysis, except it is used when a study has a dependent variable measured based on categories or, commonly, a dummy variable.

CETR = B0+B1INDEP+B2KA+B3KLA+B4KI+B5KOMP+B6CR+e

3.4.2.1 Overall Model Fit Test

The overall model fit test is used to determine if the model fits the data and is suitable for further analysis. To test the null hypothesis, compare the -2LogL when the model only includes the constant (block 0) with the -2LogL when the model includes both the constant and independent variables (block 1). If the -2LogL value in block 0 is larger than in block 1, the model is considered better. A reduction in the -2LogL value between initial and subsequent steps indicates that the hypothesized model fits the data (Ghozali, 2018).

3.4.2.2 Nagelkerke's R Square Test

Nagelkerke's R Square is a modification of the Cox and Snell coefficient and, similar to adjusted R-square in multiple linear regression, is used to ascertain if its value ranges from 0 to 1. This is done by dividing the Cox and Snell R Square value by its maximum value. If the Nagelkerke's R Square value approaches one, it indicates that the independent variables provide almost all the information needed to predict variations in the dependent variable (Ghozali, 2018).

3.4.2.3 Simultaneous Significance Test

In logistic regression, to test simultaneous significance, the Chi-square value is used, derived from the difference between -2 Log likelihood before and after the independent variables enter the model. The null hypothesis is rejected if the computed Chi-square value > the Chi-square table value or if the significance is < 0.05. The "Omnibus Tests of Model Coefficients" table is used to view the simultaneous effect of independent variables on the dependent variable.

3.4.2.3 Test of Individual Parameter Significance

The test of individual parameter significance is conducted by examining the table of variables in the equation, allowing the logistic regression equation to be formulated. By observing the results of regression coefficient testing to determine the partial effect of independent variables on the dependent variable. In this test, an independent variable has a partial effect if the Sig value < $\alpha = 0.05$ or (5%). The decision-making criteria using the test of individual parameter significance are as follows: if the Sig value < 0.05, the hypothesis is accepted, indicating a significant influence between variable y and variable x in this study. Conversely, if the Sig value > 0.05, there is no influence between variable x and variable y.

4. Results

4.1 Descriptive statistics

The content of Table 2 showing the results of the descriptive statistical analysis used in this study with a total of 64 samples.

Table 2

the results of the descriptive statistical analysis

	N	Minimum	Maximum	Mean	Std. Deviation
CETR	64	0	1	0,429	0,49844
INDEP	64	30000	666667	347523,671	152635,383
KA	64	3	4	3,1714	0,37960
KLA	64	0	1	0,286	0,455
KI	64	0,33	0,96	0,6912	0,16936
CR	64	87	583	228,600	117,777
KOMP	64	1985	2760	2354,700	194,342
Valid N (listwise)	64				

Source: Data reprocessed, 2021

The results of the descriptive statistical tests obtained are as follows:

1. Cash Effective Tax Rate (CETR): Minimum value: 0.00, Maximum value: 1.0, Mean: 0.429, Standard Deviation: 0.49844.

2. Independent Commissioners (INDEP): Minimum value: 0.3, Maximum value: 0.67, Mean: 347,523.671, Standard Deviation: 152,635.383. The mean value of independent commissioners, 35.67%, indicates that the sampled companies only have independent commissioners comprising 35.67% of the total board members.

3. Audit Committee (KA): Minimum value: 3.00, Maximum value: 4.00, Mean: 3.17, Standard Deviation: 0.37960. Based on the average KA variable, it can be concluded that the sampled companies have an average audit committee consisting of 3 members.

4. Audit Quality (KLA): Minimum value: 0.00, Maximum value: 1.00, Mean: 0.286, Standard Deviation: 0.455. The average audit quality of 28.6% indicates that, on average, manufacturing companies using The Big 4 accounting firms (KAP) account for 28.6%.

5. Institutional Ownership (KI): Minimum value: 0.33, Maximum value: 6.57, Mean: 2.4540, Standard Deviation: 1.36976. The average percentage of institutional ownership shows that sampled companies have an average institutional ownership of 69%.

6. Compensation (KOMP): Minimum value: 19.85, Maximum value: 27.60, Mean: 23.54, Standard Deviation: 194.342. The mean compensation provided by sampled companies to executive management after using the natural logarithm (Ln) is 23.54.

7. Current Ratio (CR) or Liquidity: Minimum value: 0.87, Maximum value: 5.83, Mean: 2.28, Standard Deviation: 117.777. The sampled companies have an average liquidity ratio of 2.28, indicating their ability to meet short-term obligations and immediate due debts. The ratio exceeds 1, suggesting the companies are liquid or in a healthy financial state.

4.2. Logistic Regression Test Results

4.2.1 Overall Model Fit Test Results

The initial analysis evaluated the overall model fit by comparing the values of -2Log Likelihood as follows:

Table 3

Comparison of Initial and Final -2Log Likelihood Values.

Description	Value
Initial -2Log Likelihood (block number = 0)	95.607
Final -2Log Likelihood pada akhir (block number = 1)	81.238

Source: Data reprocessed, 2021.

From table 3, the comparison of the -2Log Likelihood values at the beginning, block number = 0, is 95.047, and after the independent variables were introduced into the regression model, the -2Log Likelihood at the end, block number = 1, becomes 81.238. According to this output, there is a decrease in the -2Log Likelihood value by 13.829 from the start to the end. The reduction in the -2Log Likelihood value indicates that adding independent variables to the regression model has improved the model fit and signifies a good regression model (Ghozali, 2018).

4.2.2 Results of the Nagelkerke's R Square Test

From the output in table 4, the Nagelkerke's R Square value is 0.305. This indicates that 30.5% of the dependent variable can be explained by the independent variables, while the remaining approximately 69.5% of the dependent variable can be explained by other

independent variables not included in this study. Therefore, collectively, the independent variables (Independent Commissioners, Audit Committee, Audit Quality, Institutional Ownership, Executive Management Compensation, and Liquidity) can explain about 30.5% of the variation in the dependent variable, namely tax management.

Table 4

Nagelkerke's RSquare Value

-2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
81.238[a]	0,198	0,305

Source: Data reprocessed, 2021.

4.2.2 Results of Simultaneous Significance Test

This test was conducted to examine whether the independent variables collectively influence the dependent variable in this study. The value of the omnibus test of model coefficient is presented in table 5 as follows.

Table 5

Omnibus Test of Model Coefficient Values

		Chi-square	df	Sig.
Step 1	Step	14.369	6	0,017
	Block	14.369	6	0,017
	Model	14.369	6	0,017

Source: Data reprocessed, 2021.

Based on the values obtained from the omnibus test of model coefficient table, it shows a significance value of 0.017. The significance value of 0.017, which is smaller than 0.05, leads to the conclusion that H0 is rejected. Thus, the independent variables collectively have an impact on the dependent variable.

4.2.3 Results of the Test for Individual Parameter Significance

Table 6

Variables In The Equation

		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1	INDEP	.000	.000	6.314	1	.018	1.000
	KA	1.307	.817	2.562	1	.109	3.695
	KLA	2.536	.950	7.126	1	.034	.079
	KI	.000	.000	.649	1	.420	1.000
	CR	-.003	.002	1.217	1	.270	.997
	KOMP	-.001	.002	.389	1	.533	.999
	Constant	1.086	4.684	.054	1	.817	2.961

Source: Data reprocessed, 2021

The regression model formed based on the estimated parameter values in the Variables in The Equation is as follows:

CETR = 1.086 + 0.000(INDEP) + 1.307(KA) + 2.536(KLA) + 0.000(KI) - 0.003(CR) - 0.001(KOMP)

Hypothesis testing was conducted by comparing the significance level (sig) with the level of error (α) = 5% or 0.05. Based on Table 6, the results and discussions can be interpreted as follows:

Hypothesis Testing:

1. The first hypothesis stating that the proportion of independent commissioners has a positive effect on tax management is accepted. Independent commissioners not only control company management but also enhance oversight for management decisions. This research indicates that the proportion of independent commissioners can encourage management to comply with tax laws and minimize tax evasion behavior, thereby reducing fraudulent tax activities (Suryanto&Supramono, 2012). This study aligns with the research conducted by Wijaya and Febrianti (2017), Setyawan et al. (2019), Ariawan and Setiawan (2017), showing that the proportion of independent commissioners has a positive effect on tax management.

2. The second hypothesis stating that the number of audit committee members has a positive effect on tax management is not accepted. The audit committee in manufacturing companies

is primarily responsible for financial report preparation, financial information disclosure, and enhancing financial statement integrity and credibility (Damanik & Muid, 2019). Additionally, the average audit committee members in manufacturing companies in this research are three individuals, where companies primarily fulfill formal requirements stipulated by the regulatory body (BAPEPAM) without highlighting the functions and duties of the audit committee. This result aligns with Kurniasih and Sari (2013), Fadhilah (2014), Saputra and Asyik (2017), and Damanik and Muid (2017) studies, showing that the audit committee does not affect CETR.

3. The third hypothesis stating that audit quality has a positive effect on tax management is accepted. Audit quality by big 4 public accounting firms can have a positive impact because good audit quality leads to more transparent financial reports regarding audit results and taxation matters to stakeholders. Better audit quality indicates a lower likelihood of tax fraud by companies. This result aligns with Feranika's research (2017), indicating that audit quality has a positive effect on CETR.

4. The fourth hypothesis stating that the proportion of institutional ownership has a positive effect on tax management is not accepted. This result aligns with previous research by Dewi & Jati (2014) and Reinaldo et al. (2017), stating that institutional ownership does not affect CETR significantly. Institutional ownership primarily focuses on the shareholders' rights and the incentive to ensure that management decisions maximize institutional shareholders' welfare, mainly concentrating on profit management (Ngadiman &Puspitasari, 2014). Fadli et al. (2016) also suggested that the size of institutional ownership does not affect CETR.

5. The fifth hypothesis stating that executive management compensation has a positive effect on tax management is not accepted. Kurniawan and Trisnawati (2020) mentioned that executive compensation is primarily aimed at improving performance and cost efficiency, not tax management. To enable executives to perform well, companies change compensation

systems by introducing stock-based compensation. This result aligns with Puspita and Harto (2014), Nugroho and Darsono (2015) studies, showing that executive management compensation does not significantly affect CETR.

6. The sixth hypothesis stating that liquidity has a positive effect on tax management is not accepted. Rozak et al. (2019) concluded that the lack of influence of liquidity on tax planning is due to excessively high liquidity, signifying idle cash, making the company unproductive. Conversely, if a company's liquidity level is too low, it can decrease creditor trust, leading to reduced loan capital from creditors. Another reason for the lack of liquidity's impact on tax management is the relatively similar liquidity levels in manufacturing companies. This is evident from the research's descriptive analysis, where the standard deviation value (1.3697) is below the average value of the current ratio (2.4540). A lower standard deviation than the mean indicates that liquidity levels in manufacturing companies are relatively similar, and the extent of liquidity does not affect tax management.

5. Conclusion, Implication, and Limitation

5.1. Conclusion

Based on the findings and discussions above, the conclusions drawn are as follows:

1. The proportion of independent commissioners has a significant and positive influence on tax management in manufacturing companies listed on the Indonesia Stock Exchange. The presence of independent commissioners enhances oversight for company management in decision-making.

2. The audit committee does not affect tax management in manufacturing companies listed on the Indonesia Stock Exchange.

3. Audit quality has a significant and positive impact on tax management in manufacturing companies listed on the Indonesia Stock Exchange.

4. Institutional ownership does not affect tax management in manufacturing companies listed on the Indonesia Stock Exchange.

5. Executive management compensation does not impact tax management in manufacturing companies listed on the Indonesia Stock Exchange. Executive compensation primarily aims to enhance performance and cost efficiency, not tax management.

6. Liquidity does not influence tax management in manufacturing companies listed on the Indonesia Stock Exchange. The reason for liquidity's lack of impact on tax planning is that excessively high liquidity indicates idle cash, leading to decreased productivity. Moreover, the liquidity levels in manufacturing companies are relatively similar, and the extent of liquidity does not affect tax management.

5.2. Implication

The implication of this research is that companies can utilize tax facilities provided by the government to ensure efficient and effective tax management within the company. Additionally, companies can enhance the compensation provided to management, as it can motivate them to conduct proper and effective tax management, preventing conflicts of interest between shareholders and management.

5.3. Limitation

This study has limitations that require further exploration in future research:

1. The study only included 14 companies as it focused solely on the manufacturing sector listed on the Indonesia Stock Exchange. Future research could expand by encompassing all sectors within the Indonesia Stock Exchange and extending the research period.

2. The research resulted in a relatively low Nagelkerke R Square value of 30.5%, indicating the existence of other variables that could influence tax management.

3. The tax management efforts in this study were measured using the Cash Effective Tax Rate (CETR) proxy, focusing on values consistent with or below the corporate tax rate of 25%.

CETR is not the sole proxy for measuring tax management; other proxies like Book Tax Difference (BTD) or GAAP Effective Tax Rate (GETR) might provide better accuracy in measuring tax management.

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