Determinants And Moderators of Tax Planning, With Firm Size As The Control Variable

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ABSTRACT

This study examines the factors influencing and moderating tax planning, with firm size as a control variable. Tax planning is essential for optimizing tax liabilities, ensuring compliance, and boosting profitability. However, the factors affecting tax planning, especially in emerging markets like Indonesia, are underexplored. The research focused on contractor and real estate companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2022. Using Moderated Regression Analysis (MRA), the study tested several hypotheses. The findings revealed that corporate governance does not directly affect tax planning, but profitability influences tax planning and moderates the relationship between corporate governance and tax planning. Additionally, firm size does not control the impact of corporate governance on tax planning. This study contributes to the literature by highlighting the moderating role of profitability in the corporate governance-tax planning relationship, especially in the Indonesian real estate and construction sectors, and emphasizes the distinct regulatory and financial context of these industries

Keywords: Tata Kelola Perusahaan; Profitabilitas; Perencanaan Pajak.

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ABSTRAK

Penelitian ini bertujuan menguji faktor-faktor yang memengaruhi dan memoderasi perencanaan pajak dengan ukuran perusahaan sebagai variabel kontrol. Perencanaan pajak penting untuk mengoptimalkan kewajiban pajak, memastikan kepatuhan terhadap regulasi, dan meningkatkan profitabilitas. Namun, faktor-faktor yang memengaruhi perencanaan pajak, khususnya di pasar berkembang seperti Indonesia, masih jarang dibahas. Penelitian ini dilakukan pada perusahaan kontraktor dan real estate yang terdaftar di Bursa Efek Indonesia (BEI) selama 2017–2022. Pengujian menggunakan Moderated Regression Analysis (MRA). Hasilnya menunjukkan bahwa tata kelola perusahaan tidak berpengaruh terhadap perencanaan pajak, namun profitabilitas memengaruhi dan memoderasi pengaruh tata kelola perusahaan terhadap perencanaan pajak. Ukuran perusahaan tidak mengontrol pengaruh tata kelola perusahaan terhadap perencanaan pajak. Penelitian ini menambah dimensi baru dalam studi perencanaan pajak dengan menyoroti peran moderasi profitabilitas dalam hubungan antara tata kelola perusahaan dan perencanaan pajak, khususnya di sektor konstruksi dan real estate di Indonesia.

Kata Kunci: *Corporate Governance; Profitability; Tax Planning.*

INTRODUCTION

On November 10, 2023, the President of the Republic of Indonesia enacted Presidential Regulation (Perpres) Number 75 of 2023, revising Perpres Number 130 of 2022. This change aims to increase the national revenue target by 7.1 percent and state spending by 1.8 percent. Tax revenues by the end of December 2023 reached IDR 2,155.42 trillion, or 101.75 percent of the target, showing a growth of 5.94 percent compared to the same period the previous year. These statistics highlight the importance of effective tax planning for both public and private sectors (Pinto, 2015; Darmawan and Sukartha, 2014)While tax compliance among the Indonesian public is generally good, many companies engage in tax planning strategies to reduce the amount of tax paid, further emphasizing the role of tax strategies in boosting national revenues (Khaoula and Moez, 2019; Putri, WidiastutI, and Simorangkir, 2021).

Corporate governance is a system that regulates and controls companies to enhance corporate value while protecting the interests of stakeholders, including shareholders, management, employees, and the broader community. Corporate governance also serves as a tool for stakeholders to monitor managers' activities to ensure they align with the goals and expectations of stakeholders, as well as to enhance corporate transparency (Bushman, Piotroski, and Smith, 2004; (Haat, Rahman, and Mahenthiran, 2008; Taufik and Christiawan, 2017). The implementation of good corporate governance is expected to increase transparency, accountability, and operational efficiency within the firm, which ultimately can influence management strategies, including tax planning (Purbowati, 2021; Lanis and Richardson, 2018; Dyreng, Hanlon, and Maydew, 2010). Studies have shown that effective corporate governance can lead to improved financial performance and better tax compliance, demonstrating the critical role that governance practices play in shaping organizational outcomes (Wahab et al., 2017; Armstrong, 2015).

Tax planning plays a crucial role in minimizing tax burdens, optimizing resource allocation, and enhancing profitability, while ensuring compliance with tax regulations (Pohan, 2013; Erly Suandy, 2017). Despite its significance, the factors influencing tax planning, particularly in emerging markets such as Indonesia, remain underexplored. Most studies have primarily focused on large, multinational corporations and have not paid sufficient attention to sector-specific variables that may affect tax planning strategies. Moreover, while existing literature has examined the relationship between corporate governance and tax planning, the moderating role of profitability has been less explored, especially in Indonesia's real estate and construction sectors. This study aims to fill this gap by focusing on contractor and real estate companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2022, providing insights into how corporate governance and profitability interact to shape tax planning.

This research contributes to the existing literature by emphasizing the moderating role of profitability in the relationship between corporate governance and tax planning, specifically within the context of the real estate and construction sectors in Indonesia. Unlike previous studies, which have focused on more generalized sectors or larger companies, this study concentrates on the unique financial and regulatory environments of the real estate and construction

industries. It also integrates profitability and firm size as critical moderating and control variables, offering a more nuanced understanding of how these factors influence tax planning. By addressing the gap in sector-specific research, this study adds a new dimension to the understanding of tax planning strategies in Indonesia.

Good corporate governance is essential for enhancing transparency, accountability, and operational efficiency within a company (Taufik and Christiawan, 2017). Companies that implement strong governance practices are more likely to optimize their tax planning strategies, which can significantly influence their tax liabilities (Putri, WidiastutI, and Simorangkir, 2021). Research by Rahmadini and Ariani (2019) indicates that companies with higher profitability have more resources to implement complex tax planning strategies, thus emphasizing the interplay between profitability and tax planning. This study aligns with findings by Sterling and Christina (2021), which reveal a positive relationship between profitability and tax planning activities. Profitability not only directly influences tax planning but also acts as a moderating variable in the relationship between corporate governance and tax planning. For instance, Gunawan (2017) found that companies with strong corporate governance but low profitability tend to be more cautious in their tax planning approaches. Furthermore, firm size is known to affect tax planning strategies, with Handayani (2018) showing that larger companies possess more resources to engage in aggressive tax planning compared to smaller firms. Recent research by Francis, Neuman, and Newton (2019) corroborates this by demonstrating that larger firms, with access to greater resources, often utilize complex tax strategies to reduce tax liabilities, leveraging their size to navigate regulatory landscapes effectively. Based on the description, the first hypothesis in this study is:

H_1: Corporate governance affects tax planning.

Firm profitability is estimated to act as a moderating variable in the relationship between corporate governance and tax planning (Rahmadini and Ariani, 2019). Companies with high profitability generally have more resources to implement complex and effective tax planning strategies. These companies can invest in specialized personnel, advanced technology, and comprehensive tax advisory services, enabling them to navigate intricate tax regulations more adeptly (Christiansen, 2024). Higher profitability also provides firms with greater cash flow and financial flexibility, allowing them to explore various tax optimization techniques, such as utilizing tax credits, deferring tax liabilities, and engaging in cross-border tax planning. Conversely, companies with low profitability may face significant limitations in conducting optimal tax planning, often resorting to conservative strategies that prioritize compliance over proactive tax management (Lanis and Richardson, 2018)

Research indicates that profitability plays a crucial role in enabling firms to engage in more aggressive tax strategies. Companies with higher profitability are more likely to undertake tax planning activities that leverage their available resources to reduce overall tax burdens. This highlights the importance of understanding how profitability interacts with corporate governance in shaping tax strategies. Firms with stronger governance frameworks can promote a strategic

approach to tax management, aligning tax planning with broader organizational objectives.

According to research conducted by Sintia Bratama Putri (2023) it was found that companies with high profitability are not only more aggressive in their tax strategies but also more likely to comply with applicable tax regulations. The study shows that firms implementing good corporate governance practices tend to have more transparent and accountable tax strategies, which can reduce the risk of litigation and penalties from tax authorities.

Connecting this to the findings of earlier research by Putra & Edastami (2024), they highlight that many companies strive to minimize their tax burdens through aggressive tax planning aimed at optimizing profits. This aligns with the idea that firms with higher profitability are more prepared to engage in strategic tax planning. However, Putra & Edastami (2024) note that while tax avoidance and tax risk are positively related to company risk, tax aggressiveness does not correlate with that risk.

This indicates the complexity of the relationship between profitability, tax planning, and company risk that needs to be understood further. In this context, the importance of good corporate governance also comes into focus, even though the study found that corporate governance does not function as a moderator in the relationship between independent and dependent variables. This dynamic interplay underscores the need for further research to explore the interactions between corporate governance, profitability, and tax planning, ultimately leading to enhanced financial performance and tax compliance for firms. Based on the description, the second hypothesis in this study is:

H_2: Profitability affects tax planning

Profitability not only directly influences tax planning but also acts as a moderating variable in the relationship between corporate governance and tax planning. A study by Gunawan (2017) shows that companies with strong corporate governance but low profitability tend to be more cautious in engaging in tax planning. Conversely, higher profitability allows companies to use more aggressive tax planning strategies, enhancing the relationship between corporate governance and tax planning outcomes. This study uses profitability, proxied by Return on Assets (ROA), as a moderating variable. This means that it is assumed that the level of profitability of a company can influence the extent to which corporate governance affects tax planning. As profitability increases, it is assumed that this will either strengthen or alter the effect of corporate governance on tax planning.

However, the findings of the study by Oktaviani, (2024) indicate that tax planning and prudent accounting have a significant positive impact on firm value, while tax avoidance has a significant negative impact. This research emphasizes that company size also contributes positively to firm value. On the other hand, the study by Sintia Bratama Putri, (2023) found that tax planning does not have a significant impact on firm value, and independent commissioners do not moderate the relationship between the two. This insight is crucial in the context of the hypothesis stating that moderating variables, such as profitability, can influence the relationship between corporate governance and tax planning. Therefore, this research can serve as an additional reference to strengthen the hypothesis that not

all moderating variables, including independent commissioners, have the same impact on tax planning outcomes. This study also highlights the need for further exploration of other variables that may play a role in this relationship, such as profitability, which could provide a more comprehensive understanding of the dynamics between corporate governance and tax planning in the context of companies listed on the Indonesia Stock Exchange. The third hypothesis in this study based on the description, is:

H_3: Profitability moderates the effect of corporate governance on tax planning

Firm size as a control variable also needs to be considered, as previous studies have shown that firm size affects tax planning (Handayani, 2018; Putra & Edastami, 2024). Larger companies tend to have more resources and capabilities to conduct tax planning compared to smaller companies. Therefore, firm size may influence the relationship between corporate governance, profitability, and tax planning. Recent research by Mgammal (2020) finds that larger firms, with access to greater resources, often engage in complex tax strategies to reduce tax liabilities, leveraging their size to navigate regulatory landscapes more effectively.

In Agency Theory, larger companies tend to have higher agency costs compared to smaller companies. Agency costs arise from conflicts of interest between management (agents) and the company's owners (principals). Company size is measured based on total assets owned. Larger companies usually have more information and therefore can disclose more information to reduce agency costs (Bradshaw, 2019). However, larger companies also face higher political risks compared to smaller companies (Agrawal and Knoeber, 1996); Kusumawati and Wardhani, 2018)). Company size will affect how management engages in tax planning. Larger companies, due to their greater information and resources, may engage in tax planning in a more complex or aggressive manner compared to smaller companies. And the last hypothesis is:

H_4: Firm size controls the effect of corporate governance on tax planning

While numerous studies have explored the relationship between corporate governance and tax planning, this research stands out by focusing specifically on the contractor and real estate sectors listed on the Indonesia Stock Exchange (IDX) from 2017 to 2022. Most previous studies have predominantly focused on larger, more generalized sectors, overlooking the unique financial and regulatory environment within the contractor and real estate industries. Additionally, this study employs a Moderated Regression Analysis (MRA) model, using profitability as a moderating variable and firm size as a control variable, which offers a more nuanced understanding of how corporate governance and profitability interact to influence tax planning. The results challenge the traditional assumptions by revealing that corporate governance alone does not significantly impact tax planning without the consideration of profitability. This insight adds a new dimension to the literature by emphasizing the role of profitability as a moderator, particularly within these specific industries, which are underrepresented in prior research.

RESEARCH METHODS

The population in this study consists of all real estate and construction companies listed on the Indonesia Stock Exchange (IDX) from 2017 to 2022. The selection of

real estate and construction companies is based on the significant role these sectors play in Indonesia's economic development. These sectors are characterized by unique financial structures and regulatory environments that may influence tax planning strategies differently compared to other industries. By focusing on real estate and construction companies, this study aims to examine the dynamics of tax planning in these sectors, which have not been sufficiently explored in previous research. Furthermore, these sectors tend to have large capital expenditures, high asset values, and complex governance structures, making them relevant for analyzing the impact of corporate governance on tax planning.

The sample selection uses purposive sampling, ensuring that only companies meeting specific criteria are included in the analysis. The criteria for selecting the companies in this study are as follows: The companies must be listed on the IDX and have consistently published audited financial statements from 2017 to 2022. Of 74 companies with 237 company-years, only 63 companies with 182 company-years consistently reported audited financial statements. Furthermore, the companies needed to provide complete annual and sustainability reports for the same period. Ten companies were excluded for having incomplete reports, leaving 53 companies with 101 company-years. Additionally, the sample was limited to companies not suspended or delisted during the period from 2017 to 2022, and all companies met this requirement. The sample also required complete data on ROA, leverage, firm size, income tax expenses, and income before tax. Among the 53 companies, 27 did not provide complete data, resulting in 53 companies with 74 company-years remaining. Lastly, the companies had to use the Indonesian language and transact in Rupiah, which all did.

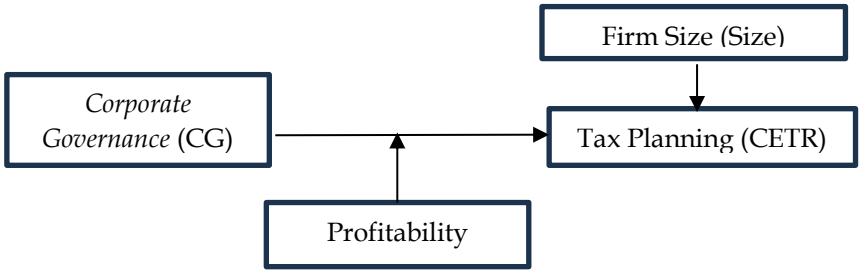


Figure 1. Research Model

Source: Research Data, 2024

RESEARCH METHODS

In this study, several key variables are identified and operationally defined. Corporate Governance (CG) refers to the mechanisms, processes, and relations by which corporations are controlled and directed, encompassing practices and policies that ensure a company operates in the best interests of its stakeholders. It will be measured using a composite index based on established frameworks, such as the OECD Principles of Corporate Governance, and empirical assessments from prior studies (Taufik and Christiawan, 2017). Tax Planning (TP) is defined as the analysis of a financial situation from a tax perspective, aimed at ensuring tax efficiency through legal strategies to reduce tax liabilities. For measurement, this study will utilize the Effective Tax Rate (ETR), calculated as the ratio of total tax expenses to pre-tax income (Pohan, 2013; Erly Suandy, 2017).

Profitability will be operationalized using Return on Assets (ROA), which indicates how efficiently a company can convert its assets into profits, calculated by dividing net income by total assets (Rahmadini and Ariani, 2019). This study uses profitability as a moderating variable, implying that the level of profitability can influence the extent to which corporate governance affects tax planning. As profitability increases, it is assumed that this will either strengthen or alter the effect of corporate governance on tax planning. In line with Tax Efficiency Theory, larger companies are more likely to adopt efficient tax planning strategies, leveraging their resources to minimize tax liabilities legally. Companies with robust corporate governance are better positioned to utilize these tax strategies effectively, ensuring they reduce their tax burden while adhering to regulations. Additionally, Tax Planning Theory emphasizes how companies can strategically manage their tax obligations through lawful methods, with governance mechanisms playing a critical role in ensuring these strategies align with long-term shareholder interests and legal requirements. Lastly, Firm Size will be measured by total assets as a proxy for the scale of a company's operations, with the natural logarithm of total assets used to normalize the data and account for skewness in distribution (Handayani, 2018).

This study uses the Moderated Regression Analysis (MRA) model to analyze the hypotheses. MRA is designed to examine how the relationship between two variables—corporate governance and tax planning—is affected by another variable (profitability) and controlled by a control variable (company size). The regression equation in MRA involves interaction or multiplication terms between two or more variables, demonstrating how these variable combinations interact to influence the outcome. By employing MRA, this research aims to provide a nuanced understanding of the dynamics between corporate governance, profitability, and tax planning. The regression equation is as follows:

CETR = $\alpha + \beta 1$ CG + $\beta 2$ ROA + $\beta 3$ CG*ROA + Size …… (1)
TP = Tax Planning
CG = Corporate governance
ROA = Provitability
CG*ROA = Profitability Moderation
Size = Firm Size (Total Assets).

DATA ANALYSIS

The analysis testing of this study uses IBM SPSS Version 2.5 software to test the hypotheses with MRA (Moderated Regression Analysis). Before conducting hypothesis testing, classical assumption tests will first be performed, including tests for Data Normality (to check if the data follows a normal distribution, an assumption necessary for conducting regression analysis), Heteroscedasticity (to verify that the variance of the residuals is constant across all levels of the independent variables), Autocorrelation (to determine whether the residuals from the regression model are correlated, which could violate the assumption of independent errors), and Multicollinearity (to ensure that there is no high correlation among the independent variables that could distort the results).

After conducting MRA, descriptive analysis will be performed, describing the sample size, Maximum, Minimum, Mean, and Standard Deviation. Following

that, an F-test will be used to test the overall significance of the model to determine whether the model is a good fit. The next step in the analysis is hypothesis testing.

Table 1. Data Normality Test

One-Sample Kolmogorov-Smirnove test	
	Unstandarized Residual
N	74,00
Test Statistic	0,071
Asympt.Sig. (1-tailed)	0,200

a. Test distribution is Normal

b. Calculated from data

Source: Research Data, 2024

The results of the data normality test using the Kolmogorov-Smirnov Test show an Asymptotic Sig. (2-tailed) value of 0.200, which is above the significance level of 0.05, indicating that the data is normally distributed.

Table 2. Autocorrelation Test

Model Summary				
Model	R	R Square	Adjusted R Square	Durbin Watson
1	0,410	0,168	0,120	1,777

a. Predictors: (Constant). Size. CG. CG*ROA

b. Dependent Variable: CETR

Source: Research Data, 2024

The results of the autocorrelation test using the Durbin-Watson statistic yielded a DW value of 1.777. Since the DW value is 1.777 and falls between DU (1.723) and 4-DU (2.227), we are in the zone where there is no significant autocorrelation. In other words, your regression model satisfies the assumption of no autocorrelation in its residuals.

Table 3. Multicollinearity Test

Coefficients			
Model	Beta	Collinearity Statistics	
		Tolerance	VIF
CG	0,251	0,599	1,669
ROA	0,614	0,270	3,703
CG*ROA	- 0,859	0,219	4,569
Size	- 0,164	0,825	1,213

a. Dependent Variable: CETR

Source: Research Data, 2024

A tolerance value above 0.1 indicates that the independent variable does not have a very high correlation with other independent variables. In other words, the variable has sufficient unique information that does not overlap with other variables. A VIF value below 10 indicates that the variance inflation of the regression coefficients due to correlations among independent variables is not significant. A low VIF means that the model does not have serious issues with multicollinearity.

Table 4. Heteroscedasticity Test

Correlation		
		Unstandardized Residual
Spearman's rho	CETR	0,724*
	CG	0,891*
	ROA	0,417*
	CG*ROA	0,343*
	Size	0,667*
	N	74

* Coorelation is significant at 0,05 level (2-tailed)

Source: Research Data, 2024

The results of the heteroscedasticity test using Spearman's rho analysis show that all values of Unstandardized Residuals are above the significance level of 0.05, indicating that there is no sign of heteroscedasticity in the data.

Tabel 5. Descriptive Analysis

Variabel	Jumlah	Min	Max	Mean	Std. Deviation
CETR	74	0,00	0,36	0,07	0,10
CG	74	2,00	11,00	6,64	1,83
ROA	74	0,01	0,44	0,06	0,07
CG*ROA	74	-3,00	0,81	-1,48	0,98
Size	74	5,99	13,74	11,23	1,90

Source: Research Data, 2024

From the descriptive analysis, we observe that the CETR (tax planning) has a low mean value of 0.07 with a relatively low standard deviation of 0.10, suggesting that most companies in the sample exhibit relatively low and consistent tax planning behavior. Corporate Governance (CG) shows more variability, with a mean of 6.64 and a standard deviation of 1.83, indicating diverse governance practices across the companies studied. The mean value for ROA is 0.06, with a standard deviation of 0.07, indicating low profitability overall across the sample. The negative mean value of CG*ROA (-1.48) suggests a negative interaction between corporate governance and profitability in the sample, with a higher level of variation as indicated by the standard deviation of 0.98. Firm Size (Size), measured by the logarithm of total assets, ranges from 5.99 to 13.74, with a mean of 11.23, reflecting the significant differences in company sizes.

Tabel 6. Hypothesis Testing and Results Discussion

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-0,096	0,110		-0,869	0,388
	CG	0,013	0,007	0,251	1,768	0,081*
	ROA	0,818	0,282	0,614	2,905	0,005*
	CG*ROA	-0,084	0,023	-0,859	-3,661	0,000*
	Size	-0,008	0,006	-0,164	-1,359	0,179*

** Signifikansi Level 5%, ** Signifikansi Level 10%*

Source: Research Data, 2024

A positive beta value of 0.013 indicates that corporate governance has a positive effect on tax planning. This means that improvements in corporate governance tend to slightly increase tax planning. However, since this beta value is very small, its effect can be considered weak or not practically significant. The t-statistic value is used to test the significance of the effect of corporate governance on tax planning. Generally, the larger the t-value (whether positive or negative), the more significant the effect of the independent variable on the dependent variable. In this case, a t-value of 1.768 suggests a relatively weak but not negligible effect. The significance value indicates the probability that the observed results occurred by chance. Here, a p-value of 0.081 indicates that the relationship between corporate governance and tax planning is not significant at the 5% significance level (0.05). Based on the analysis, corporate governance has a positive effect on tax planning, but this effect is not statistically significant at the 5% significance level. This means that while there is a tendency for better corporate governance to improve tax planning, the result is not strong enough to conclude a significant relationship at the 95% confidence level. Thus, the first hypothesis (H-1) is statistically rejected, which is also supported by the research of Gunawan (2017) and Putri, WidiastutI, and Simorangkir, (2021).

The positive beta value of 0.818 indicates that profitability has a strong positive effect on tax planning. This means that as a company's profitability increases, the company tends to enhance its efforts in tax planning. The high beta value suggests that profitability is a significant factor in tax planning. The t-test value of 2.905 is above the critical value of ±1.96, which means this result is statistically significant at the 95% confidence level. This t-test value indicates that the effect of profitability on tax planning is not only practically significant but also statistically different from zero. In other words, there is sufficient evidence to state that profitability indeed has a substantial impact on tax planning. The significance level of 0.00 (or p-value < 0.001) indicates that this result is highly statistically significant. This means there is a very small chance that the result occurred by chance, allowing us to confidently conclude that profitability has a significant effect on tax planning. Thus, the second hypothesis (H-2) is statistically accepted, which is also supported by the research of Sterling and Christina (2021).

The negative moderation beta value of -0.084 indicates that when profitability is used as a moderating variable, the relationship between corporate governance and tax planning becomes weaker. In other words, as profitability increases, the impact of corporate governance on tax planning decreases. This small beta value suggests that although there is an effect, it is not very large, but still noteworthy. The t-test value of -3.661 shows that the moderating effect of profitability on the relationship between corporate governance and tax planning is statistically significant. The t-test value outside the ±1.96 range indicates significance at the 95% confidence level, and in this case, the result is highly significant. The negative t-test value indicates that the direction of the moderation is to reduce or weaken the moderated relationship. The significance level of 0.000 (or p-value < 0.001) indicates that this result is highly statistically significant. This means that it is very unlikely that the result occurred by chance, and there is strong evidence that profitability indeed moderates the relationship between corporate

governance and tax planning. Thus, the third hypothesis (H-3) in this study is accepted.

The negative beta value of -0.008 indicates that the control variable, company size, has a very weak negative effect on tax planning, suggesting that as company size increases, tax planning tends to decrease slightly. However, this beta value is so small that its effect is almost practically insignificant. The t-test value of -1.359 is below the critical value of ±1.96, typically used to determine significance at the 95% confidence level, indicating insufficient statistical evidence to support a significant effect of company size on tax planning. The significance level of 0.18 exceeds the 0.05 threshold, confirming that the relationship is not statistically significant even at a lower confidence level of 90%. Consequently, the fourth hypothesis (H-4) is statistically rejected, consistent with findings by Susilo (2023), which state that company size does not control the effect of corporate governance on tax planning. Despite the lack of significance, this research offers valuable insights by emphasizing the complexity of corporate governance and its interactions with profitability and firm size. Utilizing a robust Moderated Regression Analysis (MRA) model, the study enhances understanding of how these variables interact to influence tax planning strategies. Additionally, the findings urge policymakers and corporate leaders to reconsider the importance of firm size when assessing governance practices in tax planning, prompting further investigation into other influential factors. Ultimately, this research paves the way for future studies to explore industry-specific characteristics or alternative governance mechanisms, enriching the discourse on corporate governance and tax strategies across diverse organizational contexts.

The novelty of this research lies in its focus on the real estate and construction sectors in Indonesia, a relatively under-researched area in tax planning literature. While much of the existing research on tax planning focuses on larger, more generalized sectors or multinational companies, this study specifically targets companies listed on the Indonesia Stock Exchange (IDX) within these two industries, which are characterized by unique regulatory and financial environments. Additionally, the research highlights the moderating role of profitability in shaping tax planning decisions, providing new insights into how corporate governance and profitability interact to influence tax strategies in Indonesia. This study adds value to existing tax planning literature by examining sector-specific dynamics and the interplay between profitability and governance in determining tax planning outcomes.

CONCLUSION

This study provides several key findings related to the impact of corporate governance, profitability, and control variables on tax planning. First, corporate governance has a weak positive effect on tax planning, but this effect is statistically insignificant, indicating that corporate governance does not have a strong or reliable influence on tax planning decisions in the companies sampled. In contrast, profitability has a significant positive effect on tax planning, where more profitable

companies are more likely to engage in tax planning, supported by strong statistical evidence. This supports the Tax Planning Theory, which posits that more profitable companies have more resources to engage in comprehensive tax strategies. Furthermore, profitability moderates the relationship between corporate governance and tax planning, such that the effect of corporate governance becomes less significant as profitability increases. This suggests that while corporate governance plays a role in shaping tax planning strategies, its influence diminishes with higher profitability, highlighting profitability as a critical factor in tax planning decisions.

The analysis of control variables, particularly firm size, reveals a very weak and statistically insignificant negative effect on tax planning, suggesting that these factors may not play a significant role in influencing tax planning in the companies under study. This could indicate that other factors, such as industry-specific characteristics or market conditions, may have a more dominant impact on tax planning strategies. Future research could explore these factors to gain a more comprehensive understanding of the dynamics influencing tax planning.

This research contributes to the literature by offering new insights into the moderating role of profitability in the relationship between corporate governance and tax planning, particularly within the real estate and construction sectors in Indonesia. The novelty of this study lies in its focus on sector-specific factors, which have been underexplored in previous studies. However, one limitation of this study is its limited generalizability, as it only examines companies listed on the Indonesia Stock Exchange within the real estate and construction sectors. Future studies could address this limitation by including companies from diverse sectors and regions to validate and extend the findings. Additionally, future research could explore other moderating variables, such as company size, tax risk, or industry-specific regulations, to provide a more nuanced understanding of tax planning dynamics.

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