

**THE EFFECT OF MANAGEMENT OWNERSHIP, EARNINGS
MANAGEMENT, AND POLITICAL CONNECTION ON
MANUFACTURING COMPANY'S TAX AVOIDANCE IN INDONESIA**



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201525508

INTERNATIONAL UNDERGRADUATE PROGRAM

IN BUSINESS ACCOUNTING

FACULTY OF BUSINESS AND ECONOMICS

ATMA JAYA UNIVERSITY YOGYAKARTA

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**THE EFFECT OF MANAGEMENT OWNERSHIP, EARNINGS
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Thesis

To Fulfil the Requirements for a Bachelor's Degree (S1)

In the Accounting Study Program

Faculty of Business and Economics, Atma Jaya University Yogyakarta



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SUPERVISOR APPROVAL SHEET

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June 11, 2024

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STATEMENT LETTER

I, the undersigned, hereby declare that the thesis entitled:

**THE EFFECT OF MANAGEMENT OWNERSHIP, EARNINGS
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is entirely my own work. Statements, ideas, and quotations, both direct and indirect, sourced from the writings or ideas of others are properly cited in footnotes and the bibliography of this thesis. If it is later proven that I have plagiarized any part or the entirety of this thesis, then the degree and diploma that I have obtained shall be declared null and void, and I will return them to Atma Jaya University Yogyakarta.

Yogyakarta, June 11, 2024



Gladis Nurlita Sari

FOREWORD

Abundant praises and gratitude to the One Almighty God for all the blessings bestowed and guidance provided, enabling me to successfully complete this thesis entitled "The Effect of Management Ownership, Earnings Management, and Political Connection on Manufacturing Company's Tax Avoidance In Indonesia" This thesis is submitted as one of the prerequisites to obtain a bachelor's degree (S1) in the Accounting program at the Faculty of Business and Economics, Atma Jaya University Yogyakarta.

It cannot be denied that the author is aware that the process of completing this thesis was not easy. Therefore, I would like to express my gratitude to those who have supported and been involved so that I could complete this thesis. Hence, I would like to extend my heartfelt gratitude to:

1. Almighty God who always protects and provides patience, blessings, health, and abundant sustenance, enabling me to go through the process of completing this thesis until the end under His guidance.
2. Mr. Ch. Heni Kurniawan, SE., M.Si., as my supervising lecturer, who has always been patient and willing to guide and direct me very well, enabling me to complete this thesis until the end.
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4. My fellow IUPBA friends who always been together since the beginning of the university life.

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6. Last but not least, I would like to extend my heartfelt gratitude to myself for the determination and hard work that finally able to complete this thesis.

The researcher acknowledges the shortcomings in this thesis, therefore the researcher greatly appreciates criticisms and suggestions from the readers so that the preparation of this thesis can be maximally applied. Hopefully, this thesis will be beneficial for both the researcher and the readers.

Yogyakarta, June 11, 2024



Gladis Nurlita Sari

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Abstract

The purpose of this study is to examine whether managerial ownership, earnings management, and political connections within companies influence the level of tax avoidance practices in manufacturing companies in Indonesia. This research aims to identify the causes of high tax avoidance cases and increasing the compliance level of tax in the manufacturing sector in Indonesia.

The type of data used is secondary data archive from the annual report of the sample company. The report was obtained from the company official website and the website of Indonesian Stock Exchange (IDX). The proxy used to measure tax avoidance is Generally Accepted Accounting Principles Effective Tax Rate (GAAP ETR), management ownership uses the percentage of share owned by management, earnings management uses discretionary accrual, and political connection measured by the percentage of boards member that have political connection. Control variables included is Return on Assets. The sample was selected using purposive sampling, and the data used for analysis was 165 manufacturing companies in Indonesia from 2020 to 2022. The analytical tool used to test variables is GRETLM.

The results of this study indicate there is no significant relationship between management ownership and tax avoidance of manufacturing companies in Indonesia. Meanwhile, this research found that there is a negative and significant relationship between the earnings management variable and the political connection variable on tax avoidance in manufacturing companies in Indonesia.

Keywords: *Tax Avoidance, Management Ownership, Earnings Management, Political Connection, GAAP ETR*