Proceedings of 7th International Conference of Economic, Business and Government Challenges 2024.
Vol. 7 No. 1 July 2024: 195- 200

The Influence Of Audit Quality On Tax Avoidance Carried Out By Companies As Taxpayers: Literature Review

1st Ika Chandra Lukitasari[1]*, 2nd Erna Sulistyowati[2]
Universitas Pembangunan Nasional "Veteran" Jawa Timur, Surabaya, Indonesia
21013010221@student.upnjatim.ac.id , ernas.ak@upnjatim.ac.id

Abstract. Taxes are the most important sector to support the country's budget. Tax benefits for financing domestic infrastructure development play a vital role. Various types of businesses have mushroomed in Indonesia with various types, making the tax revenue sector must be monitored properly. Tax reporting in Indonesia cannot be separated from the role of external auditors in obtaining fairness of audits in their financial reports. The Company carries out a series of strategies to obtain as much profit as possible by paying reasonable taxes. However, the company's desire to implement an accountable accounting system sometimes encounters a series of polemics, resulting in decisions regarding tax avoidance. This study aims to investigate the relationship between audit quality and tax avoidance practices by companies. Audit quality is a key factor that can influence a company's decision to manage its tax obligations. In academic literature, audit quality is often measured through auditor independence, competence, experience and thoroughness in conducting audits. Tax avoidance, on the other hand, is a legal strategy used by companies to reduce their tax liabilities, often through legal loopholes or aggressive interpretations of tax regulations. Previous research shows that audit quality can limit this tax avoidance practice by increasing the transparency of financial reports and company compliance with applicable tax regulations.
Keywords: Avoidence, Audit, Tax

I. Introduction

Taxation in Indonesia and its significance in terms of tax revenues in supporting the state budget cannot be separated from the companies that pay taxes. In Indonesia itself there are regulations for collecting taxes. This causes the strictness of taxation in Indonesia to increase. Tax collectors or the State form an agency which is assigned directly to collect budgets from taxpayers, both corporate and individual, in this case the government appoints an agency specifically to supervise and collect transactions that contain elements of taxation. The authority of the Director General of Taxes in fulfilling audit duties is regulated in Article 29 paragraph (1) of the KUP Law. Nowadays, the practice of Tax Avoidance in Indonesia often attracts the attention of the general public. In fact, this does not violate the law in force in Indonesia, but it will be a problem if it disrupts state revenues, especially in the taxation sector. The current Tax Avoidance efforts that occur have negative implications for the principle of transparency of financial reports in Indonesia, especially in the sector of accounting records for tax reporting. Accounting reporting should report what really happens in activities that affect the company's profits.

1. Perbandingan antara target awal tahun dan realisasi IKU tahun 2023

[illegible]	Q1	Q2	Sm.1	Q3	s.d. Q3	Q4	Year
Target	20,00%	45,00%	45,00%	70,00%	70,00%	100,00%	100.
Realisasi	23,77%	53,36%	53,36%	76,33%	76,33%	102,73%	102.
Capaian	118.86	118.58	118.58	109.04	109.04	102.73	102.

Pict.1.1

From the data obtained on the DJP website, it was found that the realization and targets set for the 2023 period were greater. Where in one year there is a difference in achievement of 2.73 percent from the target.

$$\frac{\text{Realisasi penerimaan pajak}}{\text{Target penerimaan pajak}} \times 100\%$$

Pict.1.2

The formula listed is a method for calculating tax realization against the state revenue target which is multiplied by 100%. This makes Tax Avoidance a projection that takes a lot of energy for business owners because the implications of realizing greater than the target for the tax revenue sector are as follows :

1. The growth of the economic wheel has increased significantly. The economic wheel is something that has positive implications for the growth of tax payments in Indonesia. If the economy grows quickly, there will be an increase in income for companies which has positive

implications in the profit revenue sector. As a result, income subject to taxes such as income tax, corporate tax and consumption tax will also increase.

2. Efficiency in Tax Collection Improvements in the tax collection system, including increased taxpayer compliance, better use of technology in auditing and collection, and firm action against tax evasion, can lead to greater tax realization than expected.
3. Increase in Tax Rates or Collections Government policies to increase tax rates or expand tax coverage can directly increase tax revenues. For example, increasing income tax rates for certain groups or imposing new taxes on certain economic sectors.
4. Improvements in Tax Policy Successful tax reform, such as reducing bureaucracy in the tax filing process, increasing the clarity of tax regulations, or tax incentives that motivate taxpayers to report correctly, can have a positive influence on tax realization.
5. Recording overpayments from companies. There is a positive correlation with the number of companies experiencing overpayments for the period of tax due, so that state revenues in the tax sector have increased.

The combination of these factors can result in the realization of tax revenues that exceed the targets set by the government. It is important to note that greater realization of targets can provide economic and fiscal benefits, but must also be managed wisely to ensure that resources are allocated efficiently and sustainably. The role of external auditors in checking the fairness of financial reporting that occurs in a company has the highest implications for fairness in tax payments in a business line. Because it is stated in the 2019 DJP PER number 02, the annual SPT on payments for PPh must be accompanied by an audited financial report. Audited financial reports, namely reports that already contain opinions and stamps and barcodes produced from the PELITA Webside.

This is based on tax collection in upholding the principle of transparency and accuracy of a financial report that will report taxes. This is also done in connection with certainty in business entity tax compliance. Audited reports tend to have stronger accuracy than unaudited reports, this is because audited financial reports have the legality of public accountants as third parties or independent parties in financial reporting of business entities. The next thing that is important for this regulation is the convenience for the relevant agencies in carrying out the tax audit process and reducing the costs incurred after the audit. Companies often carry out tax planning or also known as Tax Planning which has the function of carrying out tax management steps based on tax savings to minimize tax liabilities according to Erly Suandy in 2017. The DJP's rules and schemes in implementing the rules for taxation and reporting are sometimes not always available. smooth road. Companies sometimes carry out Tax Avoidance or also known as tax evasion. This is done to reduce tax costs incurred by the company's business profits. This tax evasion can indicate non-compliance with tax regulations

II. Literature Review

1. Agen Theory

The Indonesian Dictionary defines an agent as a company that has relations with the government or administration within the government. However, if we refer to Jansen and Meckling in 1976, they defined agency as a substantive relationship between a principal and his agent. The principal here can be seen as the owner of the company, while the agent functions to carry out the authority assigned by the principal. In the analysis, this research brings in agency theory because there is a contrast between the interests of the tax authorities as agents and company management as principals in managing the transparency of company profits. The tax authority or stakeholders have a reasonable value for the taxes levied with maximum contribution, while the company has the aim of increasing profits significantly with minimum payments possible.

2. Tax Complexity Theory

The complexity of taxation that occurs in a number of countries is closely influenced by changes in the international economic scale, for example what occurs due to international organizations such as the OECD which regulates internationally regulated economic implementation schemes. Hoppe et al (2020) survey conducted reflects an increase in tax complexity in the past 2 years, there are 59 out of 70 countries with the most complex regulatory scheme, namely transfer pricing. Changes to existing tax regulations in Indonesia is one of the causes of complex adjustments to the existing industry Noreen et al (2021). Literacy about tax regulations is also a strong reason why there is so much tax avoidance by companies.

3. Audit and These Quality

The FASB says that financial reports must have two important characteristics, relevance and reliability. These two characteristics are very difficult to measure, so users of financial reports need the assistance of an independent auditor, a third party, to ensure that the preparation of financial reporting is declared relevant and can be used as a reference. This will increase the impression of many parties who have an interest in the economic sector. Public auditors are also referred to as public accountants. Quality in audit services can be defined in general by the auditor precisely identifying violations that occur in the client's accounting system reporting. According to De Angelo (1981), the possibility of finding a violation depends on the auditor's technical ability, and the possibility of reporting it depends on the auditor's independence (Deis and Giroux, 1992 in Batubara, 2008).

The Directorate General of Taxes' Regulation in (PER)-02/PJ/2019 regulates the existence of audited financial reports to be used as a basis for the corporate SPT reporting attachment. This stipulates that business entities that have circulating assets of at least IDR 50,000,000,000 are required to carry out a financial audit before reporting the SPT by a public accountant. If these obligations cannot be fulfilled by the taxpayer, then the GMS cannot ratify the taxpayer's financial report. Reports that have been audited by a public accountant must at least be submitted clearly and in writing at the General Meeting of Shareholders or GMS through the Board of Directors. After receiving approval from the GMS, the balance sheet and profit and loss statement of the financial statements must be published in one newspaper. The announcement must be made no later than seven days after receiving approval from the GMS. The value to be reduced must be determined by government regulations.

4. Tax Avoidance

Tax avoidance or what is also called tax advoidence is a general effort to avoid taxes as a strategy that emerged from Tax Planning. Tax Planning can be understood as a strategy in planning a budget policy for taxation. Tax planning is something that is commonly done by companies, but it has two implications when viewed from a tax perspective. There are several types of Tax Planning that are commonly understood

a. Tax avoidance, is a method and approach to avoid taxes that is carried out safely and legally for taxpayers because it does not conflict with tax provisions.
b. Tax evasion has serious criminal consequences because economically tax evasion can harm the country's economy, especially in the tax collection sector. There are several types of tax evasion, including evasion of income accounts, manipulation of financial data, and complex investment schemes to reduce tax liabilities.
c. Tax savings, also known as tax savings, are carried out by reducing working hours or not purchasing goods that are the object of tax.

III. Research Method

The research methodology through a literature review for the study entitled " The Influence Of Audit Quality On Tax Avoidance Carried Out By Companies As Taxpayers: Literature Review" focuses on the analysis and synthesis of empirical and theoretical studies that are relevant in this domain. This literature review method not only aims to present an in-depth understanding of the research topic, but also to form a strong basis for further research in testing the proposed hypothesis. Thus, this approach allows researchers to integrate findings from various previous studies to strengthen the validity and generalizability of the planned research.

IV. Results and Discussion

The results and discussion used previous research variables with 8 articles relating to comparing and finding common threads between them.

NO	Author and Years	Publication Journal	Metods	Results
1	Nila Sari, Nawang Kalbuana, SE,M.Ak , Agus Jumadi (2016)	Syariah Paper Accounting FEB UMS	This research uses qualitative methods by utilizing sampling data available on IDX	Audit quality has no effect on Tax Avoidance.
2	Kartika Khairunisa, Dini Wahjoe Hapsari Wiwin Aminah (2017)	Jurnal Riset Akuntansi Kontemporer (JRAK)	This research uses qualitative methods by utilizing sampling data available on IDX	Audit quality has no effect on Tax Avoidance.
3	Fitri Damayanti, Tridahus Susanto (2015)	Jurnal Bisnis dan Manajemen	This research uses qualitative methods by utilizing sampling data available on IDX	Audit quality has no effect on Tax Avoidance.

4	Masyithah Kenza Yutaro Zoebar dan Desrir Miftah (2020)	Jurnal Magister Akuntansi Trisakti	This research uses qualitative methods by utilizing sampling data available on IDX	Audit quality has no effect on Tax Avoidance.
5	Nora Hilmia Primasar (2020)	Jurnal Akuntansi dan Keuangan	metode yang dilakukan adalah sampling	Audit quality has no effect on Tax Avoidance.
6	Tri Wahyuni dan Djoko Wahyudi Jurnal Ilmiah (2021) Komputerisasi Akuntansi		This research uses qualitative methods by utilizing sampling data available on IDX 2017-2019	Audit quality has no effect on Tax Avoidance.
7	Arfenta Satria Nugraheni , Dudi Pratomo (2018)		e-Proceeding of Management : Vol.5, No.2 Agustus 2018 | Page 2227	This research uses qualitative methods by utilizing sampling data available on IDX 2017-2019
8	Retno Pujilestari dan Mustika Winedar (2018)		Jurnal Akuntansi dan Auditing Volume 15/No. 2 Tahun 2018: 204 - 220	using statistical descriptive analysis

1. **Nila Sari et al (2016):** this research states that there is no causality between audit quality and tax avoidance.
2. **Kartika et al (2017) :** The second research implies that there is no influence between audit quality and the existence of Tax Avoidance efforts carried out by manufacturing companies listed on the IDX because Public Accounting Firm that are large and have consistency in their standards will produce audit quality that is correlative with management restrictions in carrying out Tax Avoidance.
3. **Damayanti Fitri (2015)**: The third research proves that there are negative implications between audit quality and tax avoidance efforts. By referring to previous research comparing the Big Four Public Accounting Firm, the tax authorities will be more trusted because it has a high reputation value. In fact, based on table tests carried out with case analysis, for example the Enron case in 2004 (Fadhillah, 2014)
4. **Masyithah Kenza Yutaro Zoebar and Desrir Miftah (2020)**: The 4th research used qualitative methods with data processing on companies on the BEI. By sampling manufacturing companies that disclose CSR, CI and KA material. The company whose data is processed must also issue financial reports in rupiah currency and not have negative profits.
5. **Nola Hilmia (2020)**: The 5th study used a purposive sampling method with a total sample size of 92 companies. This research divides between Big Four Public Accounting Firm and those that are not BIG Four Public Accounting Firm. The T data test results in rejection of H2, namely audit quality is not has an influence on tax avoidance efforts carried out by the company. Because whether BIG Four or not has applied professionalism and competence in conducting financial report audits.
6. **Wahyuni and Wahyudi (2021)**: The fifth hypothesis (H5) of this research has the result that audit quality has a negative impact on tax reduction. The audit quality coefficient is 0.002 with a significant value of 0.740 which is greater than 0.05, according to the t test results shown in table 4.13. Therefore, H5 is rejected because audit quality does not affect tax avoidance efforts. Tax consulting firms that have the title Big Four or not have the same thing in providing good quality audits
7. **Nugraheni and Pratomo (2018)**: The next research utilizes sampling research methods carried out by automotive companies on the stock exchange by applying the criteria for automotive companies that have been listed. The results of this research show an average of 29/40 for audit quality which is above average. So the hypothesis is rejected, audit quality has no effect on tax avoidance.
8. **Pujilestari and Winedar (2018**): Different from previous research, this research produces causality where audit quality has a positive effect on tax avoidance. because if a company audited by Public Accounting Firm The Big Four will avoid tax avoidance, Public Accounting Firm The Big Four has a good reputation and is motivated to provide consistently

high quality audits to prevent things that could damage their reputation.

V. Conclusion

The conclusion that can be drawn from this literature review article is that most of the qualitative research that has been carried out previously stated a negative relationship between audit quality and tax avoidance carried out by companies by analyzing companies listed on the IDX. However, several studies suggest that there is a causal relationship between audit quality and tax avoidance efforts. Most of these studies chose sampling with a comparison of Big Four Public Accounting Firm and non-Big Four Public Accounting Firm. Because both the big four and non have implemented applicable audit and accounting standards with the principle of independence. This is a common thread where there are many loopholes in tax avoidance efforts made by companies. It is not from the Public Accounting Firm that issues opinions, but from the company's intentions in agency theory in maximizing profits and taxes that will be paid by the tax authorities. The causes of tax avoidance are mostly due to company profits and the size of the company.

References

Agustina, T. N., & Aris, M. A. (2017). Tax Avoidance : Faktor-Faktor yang Mempengaruhinya (Studi Empiris Perusahaan Manufaktur yang Terdaftar di Bursa Efek Indonesia Periode 2012-2015). *Seminar Nasional Dan The 4th Call for Syariah Paper*, 295–307. http://pajak.go.id/kompleksitas

Ardianti, P. N. H. (2019). Profitability, Leverage, and Audit Committee on Tax Avoidance. *E-Jurnal Akuntansi*, *26*(2019), 2020.

Asri, I. A. T. Y., & Suardana, K. A. (2016). Pengaruh proporsi komisaris independen, komite audit, preferensi risiko eksekutif dan ukuran perusahaan pada penghindaran pajak. *E-Jurnal Akuntansi Universitas Udayana*, *16*(1), 72–
100.
https://ojs.unud.ac.id/index.php/Akuntansi/arti cle/download/15182/14302

Damayanti, F., & Susanto, T. (2016). Pengaruh Komite Audit, Kualitas Audit, Kepemilikan Institusional, Risiko Perusahaan Dan Return on Assets Terhadap Tax Avoidance. *Esensi*, *5*(2), 187–206. https://doi.org/10.15408/ess.v5i2.2341

Desi, A. (2018). Pengaruh Karakter Eksekutif, Ukuran Perusahaan, Kualitas Audit, dan Komite Audit Terhadap Taz Advoince, Jurnal Akuntansi dan Auditing Volume 15/No. 2 Tahun 2018: 204 – 220 *No15*(2), 204–220.

Honda, M. (2016 PENGARUH KEPEMILIKAN INSTITUSIONAL, KEPEMILIKAN MANAJERIAL, DAN KOMITE AUDIT TERHADAP TAX ADVOINCE, ISSN : 2355-
9357 e-Proceeding of Management : Vol.3, No.2 Agustus 2016 | Page 1626, https://doi.org/10.4234/jjoffamilysociology.28

Khairunisa, K., Hapsari, D. W., & Aminah, W. (2017). Kualitas Audit, Corporate Social Responsibility, Dan Ukuran Perusahaan Terhadap Tax Avoidance. *Accounting*, *9*(1), 39–46.

Kosyi, H. P., & Darsono. (2015). Faktor - Faktor yang Berpengaruh terhaap Penghindaran Pajak Perusahaan. *Diponegoro Journal of Accounting*, *4*(3), 1–12. http://ejournal-s1.undip.ac.id/index.php/accounting Kristanto, A. B., & Noreen, C. A. (2021). Kepatuhan di Tengah Kompleksitas Pajak: Apakah Literasi Memiliki Peran? *Jurnal Riset Akuntansi & Perpajakan (JRAP)*, *8*(02), 35–46. https://doi.org/10.35838/jrap.2021.008.02.14

Mita Dewi, N. (2019). Pengaruh Kepemilikan Institusional, Dewan Komisaris Independen dan Komite Audit Terhadap Penghindaran Pajak (Tax Avoidance) pada Perusahaan Perbankan yang Terdaftar di Bursa Efek Indonesia Periode 2012-2016. *Maksimum*, *9*(1), 40. https://doi.org/10.26714/mki.9.1.2019.40-51

Muslim, A. I., & Setiawan, D. (2020). a Literature Review of Tax Avoidance. *Assets: Jurnal Akuntansi Dan Pendidikan*, *9*(2), 83. https://doi.org/10.25273/jap.v9i2.6112

Noviana, R., & Asalam, A. G. (2021). *The Effect Of Sales Growth, Audit Committee, and Audit Quality On Tax Avoidance (Study on Consumer Goods Companies Listed on the Indonesia Stock Exchange in 2016-2019)*. *8*(5), 5307– 5314.

Oktamawati, M. (2017). Pengaruh Karakter Eksekutif, Komite Audit, Ukuran Perusahaan, Leverage, Pertumbuhan Penjualan, Dan Profitabilitas Terhadap Tax Avoidance. *Jurnal Akuntansi Bisnis*, *15*(1), 23–40. https://doi.org/10.24167/JAB.V15I1.1349

Pengelolaannya, C. (2018). *Aturan CbC Report Dipertegas , Perusahaan Afiliasi Wajib Buat Notifikasi*.

Perusahaan, P. U., Perusahaan, U., Independen, K., Audit, K., & Growth, S. (2023). Leverage, N. *Oxford English Dictionary*, *21*(1), 9–26. https://doi.org/10.1093/oed/2792655119

Practitioners, G. (2018). PENGARUH KOMITE AUDIT, KUALITAS AUDIT, DAN UKURAN PERUSAHAAN TERHADAP TAX AVOIDANCE, e-Proceeding of Management : Vol.5, No.2 Agustus 2018 | Page 2227 *5*(2), 4202–4208.

Pratiwi, H. (2021). Pengaruh Ukuran Perusahaan, Kualitas Audit Dan Komite Audit Terhadap Tax Avoidance Dengan Debt Equity Ratio Sebagai Variabel Kontrol. *Jurnal Ekobistek*, *8*(2),1–9. https://doi.org/10.35134/ekobistek.v8i2.39

Pratomo, D., & Risa Aulia Rana. (2021). Pengaruh Kepemilikan Institusional, Komisaris Independen Dan Komite Audit Terhadap Penghindaran Pajak. *JAK (Jurnal Akuntansi) Kajian Ilmiah Akuntansi*, *8*(1), 91–103. https://doi.org/10.30656/jak.v8i1.2487

Procházka, P. (2021). Critical Literature Review on Tax Avoidance. *Prague Economic Papers*, *30*(2),245–250. https://doi.org/10.18267/j.pep.772

Putra, F. L. H., Angi, I. S., Aulia, M. R. S., & Faizi. (2022). Literatur Review: Analisis Faktor Penyebab Ketidakpatuhan Wajib Pajak Masyarakat Di Indonesia Dalam Membayar Pajak. *Jurnal Riset Akuntansi Tirtayasa*, *07*(01), 33–42.

Rosyidah, S. D., Nafif, F., & Jumaiyah, J. (2022). Pengaruh Komite Audit, Profitabilitas, Ukuran Perusahaan Terhadap Tax Avoidance. *Jurnal Rekoginisi Ekonomi Islam*, *1*(1), 103–119. https://doi.org/10.34001/jrei.v1i1.92

Sari, N., Kalbuana, N., & Jumadi, A. (2016). Pengaruh Konservatisme Akuntansi, Kualitas Audit, Ukuran Perusahaan terhadap Penghindaran Pajak (Studi Empiris pada Perusahaan Perdagangan Eceran yang terdaftar di Bursa Efek Indonesia Tahun 2011-2015). *Seminar Nasional The 3rd Call for Syariah Paper*, 431–440. http://dx.doi.org/10.22441/profita.2020.v13i1. 001

Sarra, H. D. (2017). PENGARUH KONSERVATISME AKUNTANSI, KOMITE AUDIT DAN DEWAN KOMISARIS INDEPENDEN TERHADAP PENGHINDARAN PAJAK (Studi Empiris Pada Industri Kimia dan Logam di Bursa Efek Indonesia Periode 2010-2014). *COMPETITIVE Jurnal Akuntansi Dan Keuangan*, *1*(1), 63. https://doi.org/10.31000/competitive.v1i1.108

Swingly, C., & Sukartha, I. M. (2015). Pengaruh Karakter Eksekutif, Komite Audit, Ukuran Perusahaan, Leverage, dan Sales Growth pada Tax Avoidance. *E-Jurnal Akuntansi Universitas Udayana*, *1*, 47–62. Tri Wahyuni, & Djoko Wahyudi. (2021). Pengaruh Profitabilitas, Leverage, Ukuran Perusahaan, Sales Growth dan Kualitas Audit terhadap Tax Avoidance. *Kompak :Jurnal Ilmiah Komputerisasi Akuntansi*, *14*(2), 394–403. https://doi.org/10.51903/kompak.v14i2.569

Sakinah. (2019). Leverage, Ukuran Perusahaan, Profitabilitas, Pertumbuhan, Penjualan, Proporsi Komisaris Independent Dan Kualitas Audit Terhadap Tax Avoidance, Jurnal Akuntansi dan Keuangan Vol. 8 No.1 April 2019 FEB *Αγαη*, *8*(5), 55.

Zoebar, M. K. Y., & Miftah, D. (2020). Pengaruh Corporate Social Responsibility, Capital Intensity Dan Kualitas Audit Terhadap Penghindaran Pajak. *Jurnal Magister Akuntansi Trisakti*, *7*(1), 25–40. https://doi.org/10.25105/jmat.v7i1.6315

Hosea, S., & Susilawati, N. (2023). Systematic Literature Review Terhadap Konsep Optimal Tax. *Sebatik*, *27*(1), 415–430. https://doi.org/10.46984/sebatik.v27i1.2241

Aspexsia, A. P. (2020). Pengaruh Pemeriksaan Pajak Terhadap Kepatuhan Wajib Pajak Di Indonesia. *ABIS: Accounting and Business Information Systems Journal*, *7*(1). https://doi.org/10.22146/abis.v7i1.58814