Influence of Tax Avoidance and Tax Risk on Firm Risk With Independent Commissioners as Moderators

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ARTICLE HISTORY

Received: 17 July 2025
Revised: 1 November 2025
Accepted: 10 November 2025

KEYWORDS:
firm risk, tax avoidance, tax risk, independent commissioners

ABSTRACT

This study aims to analyze the effect of tax avoidance and tax risk on firm risk, and to analyze the role of independent commissioners as moderating variable in this relationship. This study uses quantitative methods with secondary data obtained from the annual financial statements of companies in sectors the industrial goods, industrial services, and multi-sector holdings those listed on the Indonesia Stock Exchange in 2021-2023. Data analysis in this study was carried out using multiple linear regression. The results showed that tax avoidance calculated using ETR has no effect on firm risk calculated using the stock return volatility. Meanwhile, tax risk calculated using the volatility of ETR has a negative influence on firm risk. On the other hand, independent commissioners calculated using the proportion of independent commissioners in the board of commissioners have no moderating effect on the relationship between tax avoidance and tax risk on firm risk.

1. Introduction

Risk is an uncertainty about the outcome of an action that can affect the achievement of goals or desired results. Based on Hanafi (2009), risk is defined as uncertainty that can have a positive or negative impact on the achievement of goals. As an economic entity, the company has the main orientation to increase the value of the company through the achievement of optimal financial performance. In the process of achieving these goals, companies are inseparable from risks that can affect business sustainability, profitability, and corporate reputation, which have a role in determining the success or failure of a business.

Firm risk is a phenomenon that has the potential to affect the company's condition in the future. In the business environment, every company is inseparable from various risks that can threaten its stability, growth, and operational continuity. Firm risk refers to a condition of uncertainty that has the potential to affect the performance, achievement of results, and sustainability of the company's operations. Firm risk is one of the important components that can affect whether a company succeeds or fails. In determining business strategies, companies need to consider risks to achieve business goals. If strategies related to risk cannot be managed properly, this can have a negative impact on the sustainability and profitability of the company. Based on Chakraborty et al. (2019), risk reflects the uncertainty inherent in the company's operations and financial performance that can have an impact on the company's survival.

This condition is increasingly being experienced by companies operating in the industrial goods, industrial services, and multi-sector holdings. These three sectors have complex business characteristics, are capital intensive, and are affected by changes in economic policies and government regulations. Companies in the industrial goods sector must face the risk of raw material prices and uncertainty related to market demand. Industrial services companies are faced with project fluctuations and efficiency pressures, while multi-sector holdings have the challenge of managing diversified businesses spread across various fields. This complexity increases exposure to both internal and external risks, making it important to understand how enterprise risks are formed and managed.

In facing these challenges, companies often carry out various tax efficiency strategies, one of which is through tax avoidance. Based on Hanlon & Heitzman (2010), defines tax avoidance as a tax planning effort that involves the utilisation of tax law loopholes to reduce tax liabilities. Tax avoidance is used as a way to increase the efficiency of business expenses because this action does not conflict with tax provisions. Higher tax avoidance actions can increase future business risks due to potential losses from paying fines Hutchens & Rego (2015) or reputational damage resulting in a decrease in stock price (Hanlon & Slemrod, 2009). There are various reasons why tax avoidance actions can lead to increased firm risk. First, tax avoidance has the potential to create uncertainty about tax obligations. Second, the level of tax avoidance becomes a reference for investors in making investments. Third, tax avoidance actions can add complexity to the company's financial statements and disclosures, thus creating uncertainty regarding the company's future cash flows (Guenther et al., 2017).

Various studies related to the effect of tax avoidance on firm risk produce mixed findings. The study results state that tax avoidance has a positive influence on increasing firm risk (Carolina et al., 2021; Krapl et al., 2020; Yuwono & Mustikasari, 2022). The study results of Guedrib & Bougacha (2024) state that tax avoidance has a negative effect on firm risk. Meanwhile, the study results of Firmansyah & Muliana (2018) state that tax avoidance has no effect on firm risk. The diverse study results depend on the differences in tax avoidance efforts undertaken by each company.

In addition to tax avoidance, companies also face tax risk. Tax risk reflects uncertainty regarding the amount of tax obligations that must be fulfilled by the company in the future (Guenther et al., 2017). This uncertainty is an important concern for companies regarding fiscal compliance which can have an impact on the sustainability of the company's business. Uncertainty in tax regulations and policy changes can cause companies to have difficulty in planning financial strategies properly (Yasmin et al., 2024).

Various research studies on the effect of tax risk on firm risk produce mixed findings. The study results state that tax risk has a positive influence on increasing firm risk (Hutchens & Rego, 2015; Krapl et al., 2020; Carolina et al., 2021; Yuwono & Mustikasari, 2022). The study results of Hariyanto (2018) state that tax risk has a negative influence on firm risk. Meanwhile, the study results of Firmansyah & Muliana (2018) state that tax risk has no effect on firm risk. The diverse study results depend on differences in uncertainty related to tax risk faced by each company.

In an effort to understand the extent to which tax avoidance and tax risk affect firm risk, it is necessary to consider corporate governance factors that have the potential to increase or decrease the strength of this relationship, namely independent commissioners who act as moderating variables to assess how effectively the supervisory function is carried out on the effectiveness of company management.

Independent commissioners are parties who have no financial, structural, share ownership, or family ties with other board members, so as not to affect their objectivity and independence in carrying out their supervisory functions (Efendi, 2016). As a neutral party, independent commissioners have a supervisory function to prevent aggressive tax avoidance or policies that risk harming the company. As stipulated in Article 20 paragraph (3) Chapter III of OJK Provisions No. 33 of 2014 that public companies are required to have at least 30% of the proportion of independent commissioners in the membership structure of the board of commissioners. It can be interpreted that the higher the proportion value, the stronger the supervisory role of company management.

Various research studies on the effect of independent commissioners in moderating the relationship between tax avoidance and potential tax risk on firm risk produce mixed findings. Based on the results study of Diantari & Ulupui (2016), it states that the presence of independent commissioners has a negative influence on tax avoidance (which can reflect uncertainty related to tax risk). Meanwhile, the results study of Harianti & Hapsari (2024) state that the presence of independent commissioners has no moderating influence on the relationship between tax avoidance and potential tax risk on firm risk. The diverse study results depend on differences in the role of independent commissioners as independent parties in corporate governance.

The importance of understanding the relationship between tax avoidance and tax risk on firm risk by considering the role of independent commissioners in moderating this relationship is the basis for conducting this study. Various previous studies in examining the effect of tax avoidance and tax risk on firm risk have produced mixed findings. In addition, the role of independent commissioners as a moderating variable in the relationship has also not been widely studied, especially in industrial goods, industrial services, and multi-sector holdings.

Therefore, this research study was conducted to fill this gap by analysing the effect of tax avoidance and tax risk on firm risk, and considering the role of independent commissioners in strengthening or weakening the relationship.

The research focuses on companies in the industrial goods, industrial services, and multi-sector holdings that have been listed on the Indonesia Stock Exchange for 2021-2023. The selection of these sectors is based on the relevance of the research variables, where there are variations in tax avoidance and potential tax risks and there is a tendency to be affected by tax regulations, especially in multi-sector holdings that manage various types of businesses in more than one business sector, so that they can be analysed in the context of the role of independent commissioners as supervisors of corporate governance. Meanwhile, the selection of the observation period, 2021-2023, was carried out to adjust to the condition of the company's financial performance which began to stabilise after the Covid-19 pandemic, as well as to obtain more relevant and up to date analysis results. The results of this research study are expected to provide insights in the fields of taxation and corporate governance, as well as materials in considering policies to formulate tax regulations and a more optimal supervisory mechanism.

2. Theoritical Framework and Hypothesis

Agency theory is one approach to the relationship between shareholders (principals) and management (agents). In agency theory, the management (agent) does not always act in accordance with the interests of the shareholders (principals) due to differences in information and goals between the two (Jensen & Meckling, 1976). Based on agency theory, the management (agent) plays a role in managing the company and making decisions that have an impact on company performance. The difference in interests between the management (agent) and the shareholders (principal), can lead to a conflict of interest.

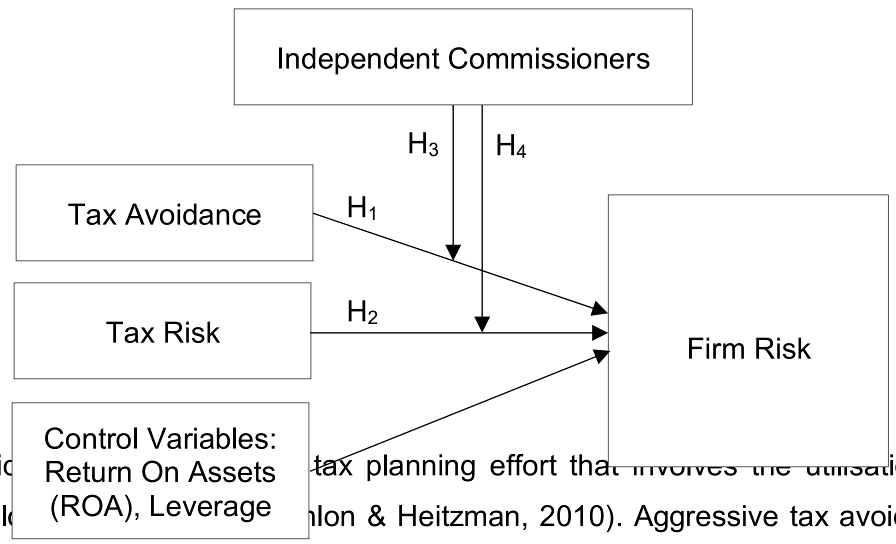

Figure 1 Conceptual Framework

Tax avoid tax planning effort that involves the utilisation of tax law loopholes to l hlon & Heitzman, 2010). Aggressive tax avoidance actions can lead to risks faced by the company. Tax avoidance can increase uncertainty about the tax obligations borne by the company in the future (Guenther et al., 2017; Wang et al., 2020).

Agency theory suggests that there are unequal interests between the management (agent) and the shareholders (principal), that the management (agent) tends to act in carrying out tax avoidance actions to increase short-term profits. This action can lead to long-term risks faced by the company. Based on Richardson et al. (2013), the more aggressive the tax avoidance measures implemented by the company, the higher the level of risk faced by the company.

Based on the study results of Yuwono & Mustikasari (2022), it shows that tax avoidance has a positive influence on increasing firm risk. These findings indicate that although tax avoidance provides short-term benefits in the form of tax burden savings, it can have an impact on increasing firm risk. Therefore, a hypothesis formulation can be proposed, namely:

H1: Tax avoidance has a positive influence on firm risk.

Tax risk is the uncertainty associated with the company's tax obligations, both in terms of the amount of tax to be paid and the potential sanctions due to tax reporting discrepancies. This uncertainty can arise due to differences in interpretation of tax regulations, the complexity of company transactions, and the aggressiveness of tax planning strategies carried out by company management (Guenther et al., 2017).

Based on agency theory, tax risk can arise as a result of the actions of management (agents) who have the aim of increasing profits or financial efficiency, so they tend to make tax decisions, including interpreting tax rules, delaying tax payments, or arranging complex tax schemes. However, these actions can increase tax risk which can lead to financial, operational, and even reputational risks, which in turn will contribute to an increase in overall firm risk. Based on Bloomquist in Harianti & Hapsari (2024), the more tax risk faced by the company increases, the greater the consequences of the company in facing financial pressure or potentially business failure.

Based on the study results of Carolina et al. (2021), shows that tax risk has a positive influence on increasing firm risk. This finding shows that tax risk reflects uncertainty regarding tax obligations that can have an impact on firm risk. Therefore, a hypothesis formulation can be proposed, namely:

H2: Tax risk has a positive influence on firm risk.

Independent commissioners are parties who have no relationship with the company's operational activities. The existence of independent commissioners plays a role in assessing the quality and transparency of corporate governance, especially in implementing tax avoidance measures. This shows that independent commissioners have a role in balancing the interests of the company against tax regulation compliance.

Based on agency theory, the management (agent) has an interest in maximising profits through tax avoidance. However, this action has the potential to create unequal interests between the management (agent) and the shareholders (principal) because aggressive tax avoidance actions can pose a risk to the company. Under these conditions, the existence of independent commissioners can minimise the emergence of unequal interests between management (agents) and shareholders (principals) to maximise company profits and play a role in supervising management (agents) in implementing aggressive tax avoidance actions.

Based on the study results of Diantari & Ulupui (2016), it shows that the presence of independent commissioners has a negative influence on tax avoidance. This finding indicates that the role of independent commissioners is effective in supervising management to take tax avoidance actions. Therefore, a hypothesis formulation can be proposed, namely:

H3: Independent commissioners have a moderating influence on the relationship between tax avoidance and firm risk.

Independent commissioners are parties who have no relationship with the company's operational activities. Independent commissioners can play a role in overseeing and controlling management actions in implementing tax planning strategies that can have an impact on tax risk. The existence of independent commissioners can help reduce uncertainty about tax risks arising from aggressive tax avoidance actions, thereby reducing the potential firm risk.

Based on agency theory, the management (agent) has a goal to increase profits or financial efficiency, so it tends to make risky tax decisions, including in interpreting tax rules, delaying tax payments, or arranging complex tax schemes. However, such actions can increase tax risks that can lead to financial, operational, and even reputational risks, which will ultimately contribute to an increase in overall firm risk. Under these conditions, the existence of independent commissioners can minimise the emergence of unequal interests between management (agents) and shareholders (principals) to maximise company profits and play a role in supervising management (agents) in making risky tax decisions.

Based on the study results of Diantari & Ulupui (2016), it shows that the presence of independent commissioners has a negative influence on tax avoidance (which can reflect uncertainty related to tax risk). This finding indicates that the role of independent commissioners is effective in supervising management to take tax avoidance actions (which can reflect uncertainty related to tax risk). Therefore, a hypothesis formulation can be proposed, namely:

H4: Independent commissioners have a moderating influence on the relationship between tax risk and firm risk.

3. Research Methodology

The research type uses quantitative research. The research was conducted using a population of companies in the industrial goods, industrial services, and multi-sector holdings that have been listed on the Indonesia Stock Exchange in 2021-2023. Sample selection was carried out using purposive sampling criteria, a sample selected based on relevant criteria. The type of data used is secondary data, where the data collected is in the form of annual financial reports from companies in the industrial goods, industrial services, and multi-sector holdings during 2021-2023, with the data source obtained from the https://www.idx.co.id/id page and the company's official website, and the monthly stock price list obtained from the https://finance.yahoo.com/ page. The data collection mechanism was carried out using the documentation method, which is a data collection technique that utilises documents that are already available. Data processing was carried out using the statistical tool IBM SPSS Statistics 26. Testing of equation 2 was conducted through data transformation using mean-centering, which involves subtracting the mean value of each variable from the data for that variable (Murniati et al., 2013).

Table 1 Measurement of Variables

Variables	Measurement
Firm Risk	Calculated based on the standard deviation of monthly stock returns for 3 years, namely 2021-2023 (Hutchens & Rego, 2015; Guenther et al., 2017).
Tax Avoidance	Calculated based on the value of the Effective Tax Rate (ETR) (Guenther et al., 2017). $\text{Tax Avoidance} = \frac{\text{Income Tax Expense}}{\text{Net Income Before Tax}}$
Tax Risk	Calculated based on the standard deviation of the Effective Tax Rate (ETR) (Guenther et al., 2017; Drake et al., 2019).
Independent Commissioners	Calculated based on the total independent commissioners to the total members of the board of commissioners (Pratomo & Nuraulia, 2021).
Return On Assets	$\text{ROA} = \frac{\text{Net Income Before Tax}}{\text{Total Assets}}$ (Harahap, 2013)
Leverage	$\text{Leverage} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$ (Kasmir, 2014)

Return on assets aims to analyse the company's performance in generating profits from available assets. Meanwhile, leverage aims to analyse the company's performance in using the amount of debt to finance its operations. The analysis method uses multiple linear regression analysis with the following analysis model:

Equation 1:

$$Y = \alpha + \beta 1 \cdot X1 + \beta 2 \cdot X2 + \beta 3 \cdot C1 + \beta 4 \cdot C2 + \epsilon$$

Equation 2:

$$Y = \alpha + \beta 1 \cdot MC\_X1 + \beta 2 \cdot MC\_X2 + \beta 3 \cdot MC\_M + \beta 4 \cdot (MC\_X1 * MC\_M) + \beta 5 \cdot (MC\_X2 * MC\_M) + \beta 6 \cdot MC\_C1 + \beta 7 \cdot MC\_C2 + \epsilon$$

Description: Y is a firm risk, α is a constant, β is a beta coefficient, X1 is a tax avoidance, X2 is a tax risk, C1 is a return on assets, C2 is a leverage, MC is mean centering (Data for each variable - Mean of each variable), ϵ is a error

4. Results and Discussion

Based on Table 2, companies in the sectors of industrial goods, industrial services, and multi-sector holdings that meet the purposive sampling criteria obtained 28 companies with a total sample of 84 (2021-2023). Based on Table 3, the firm risk, tax avoidance, and tax risk show a fairly low average value, while the independent commissioners variable shows an average value that has fulfilled the minimum provisions of corporate governance. The standard deviation value on each variable shows a relatively consistent distribution of data between companies.

Table 2 Sample Acquisition Process

No	Criteria	Total
1.	Companies that have been listed on the Indonesia Stock Exchange in 2023	857
2.	Companies that are not in the industrial goods, industrial services, and multi-sector holdings	(794)
3.	Companies in the industrial goods, industrial services, and multi-sector holdings that do not have complete or unavailable annual financial reports during 2021-2023	(5)
4.	Companies in the industrial goods, industrial services, Companies in the industrial goods, industrial services, and multi-sector holdings that experienced losses during 2021-2023	(25)
5.	Companies in the industrial goods, industrial services, and multi-sector holdings that prepare annual financial reports with a currency type other than rupiah	(3)
6.	Outlier data	(2)
Companies in the industrial goods, industrial services, and multi-sector holdings that are sampled		28
Total research sample (Number of companies × 3 years = 28 × 3 years)		**84**

Table 3 Descriptive Statistics

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Firm Risk	84	0,000	0,533	0,24396	0,141241
Tax Avoidance	84	0,005	0,559	0,22720	0,091633
Tax Risk	84	0,001	0,140	0,05046	0,040581
Independent Commissioners	84	0,333	0,667	0,41811	0,093518
Return On Assets	84	0,004	0,514	0,08665	0,084485
Leverage	84	0,065	10,521	1,10673	1,913028

Source: SPSS output (data processed, 2025)

The data in this study have fulfilled all the classical assumption tests which consist of normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. The classical assumption tests results are presented in the table 4. Based on table 5, equations 1 and 2 show significance less than 0.05. It can be concluded that simultaneously, independent variable in this study can influence the dependent variable. In other words, the regression model has met the validity requirements.

Table 4 Classical Assumption Test Results

Test	Result			
	Equation 1		Equation 2	
Normality Test (One Sample Kolmogorov-Smirnov Test)	Asymp. Sig. (2-tailed) is 0,200		Asymp. Sig. (2-tailed) is 0,200	
Multicolinearity Test	**Tolerance**	**VIF**	**Tolerance**	**VIF**
-Tax Avoidance	0,906	1,103		
-Tax Risk	0,841	1,190		
-Return On Assets	0,894	1,119		
-Leverage	0,911	1,098		
-MC_Tax Avoidance			0,726	1,377
-MC_Tax Risk			0,736	1,358
-MC_Independent Commissioners			0,789	1,267
-MC_ Tax Avoidance * MC_Independent Commissioners			0,807	1,239
-MC_ Tax Risk * MC_Independent Commissioners			0,798	1,254
-MC_Return On Assets			0,875	1,143
-MC_Leverage			0,769	1,300
Heteroscedasticity Test (Spearman's Rho)				
-Tax Avoidance		0,659		
-Tax Risk		0,306		
-Return On Assets		0,405		
-Leverage		0,216		
-MC_Tax Avoidance				0,603
-MC_Tax Risk				0,350
-MC_Independent Commissioners				0,453
-MC_ Tax Avoidance * MC_Independent Commissioners				0,820
-MC_ Tax Risk * MC_Independent Commissioners				0,792
-MC_Return On Assets				0,453
-MC_Leverage				0,180
Autocorrelation Test (Runs Test)	Asymp. Sig. (2-tailed) is 0,380		Asymp. Sig. (2-tailed) is 0,188	

Source: SPSS output (data processed, 2025)

Table 5 Regression Model Testing Results

Model	Sig.
Equation 1	0,002
Equation 2	0,017

Source: SPSS output (data processed, 2025)

Table 6 Hypothesis Testing Results

Model	Variables	Beta	t	Sig.
Equation 1	Constant	0,374	0,000	0,000
	Tax Avoidance	-0,136	-0,829	0,409
	Tax Risk	-0,835	-2,175	0,033
	Return On Assets	-0,390	-2,181	0,032
	Leverage	-0,021	-2,667	0,009
Equation 2	Constant	0,246	0,000	0,000
	MC_Tax Avoidance	-0,140	-0,750	0,456
	MC_Tax Risk	-0,816	-1,956	0,054
	MC_Independent Commissioners	0,050	0,284	0,777
	MC_ Tax Avoidance * MC_Independent Commissioners	0,888	0,452	0,653
	MC_ Tax Risk * MC_Independent Commissioners	0,737	0,169	0,866
	MC_Return On Assets	-0,403	-2,190	0,032
	MC_Leverage	-0,023	-2,620	0,011

Source: SPSS output (data processed, 2025)

Based on table 6 in equation 1, the tax avoidance variable shows a t value of -0.829 (negative relationship direction) and a significance of 0.409 greater than the value of 0.05. It concludes that partially, tax avoidance has no influence on firm risk. In other words, **hypothesis 1 is rejected**. Meanwhile, the tax risk variable shows a t value of -2.175 (negative relationship direction) and a significance of 0.033 smaller than the value of 0.05. It is concluded that partially, tax risk has a negative influence on firm risk. In other words, **hypothesis 2 is rejected**.

Based on table 6 in equation 2, the interaction variable, namely mc-tax avoidance * mc_independent commissioners, shows a t value of 0.452 (positive relationship direction) and a significance of 0.653 greater than the value of 0.05. It concludes that partially, independent commissioners have no moderating influence on the relationship between tax avoidance and firm risk. In other words, **hypothesis 3 is rejected**. Meanwhile, the interaction variable, namely mc_tax risk * mc_independent commissioners, shows a t value of 0.169 (positive relationship direction) and a significance of 0.866, greater than the value of 0.05. It concludes that partially, independent commissioners have no moderating influence on the relationship between tax risk and firm risk. In other words, **hypothesis 4 is rejected**.

The Effect of Tax Avoidance on Firm Risk

The research results show that tax avoidance has no effect on firm risk, meaning hypothesis 1 is rejected. The results obtained indicate that the tax avoidance actions taken by the company do not directly affect the firm risk. The results of the descriptive statistical analysis show that of the 84 samples studied, the average value of tax avoidance actions taken by the company is 0.22720 or 22.7%. The findings obtained indicate that the efforts made by the company in the application of tax avoidance are relatively low or legal in nature by utilising the applicable tax law loopholes, so that they do not have a direct impact on firm risk.

Based on the agency theory proposed by Jensen & Meckling (1976), this result can be explained that although there are differences in interests between management (agents) and shareholders (principals) in making tax decisions, these differences in interests can be controlled or do not have a significant effect on firm risk. This shows that the management (agent) is able to manage the strategy without causing a direct increase in risk, thus indicating that the tax avoidance strategy carried out by the company is relatively low or legal.

The findings obtained are different from the study results of Yuwono & Mustikasari (2022), which states that tax avoidance has a positive influence on increasing firm risk. However, the findings of this study are supported by the study results of Firmansyah & Muliana (2018), which states that tax avoidance has no effect on firm risk. This can be explained by the characteristics of each company in implementing tax avoidance measures to minimise its tax obligations which are relatively small or legal in nature, so that they do not have a direct impact on firm risk. In addition, this is also likely to be influenced by differences in the company sector, the number of research samples, and different observation periods.

The Effect of Tax Risk on Firm Risk

The research results show that tax risk has a negative influence on firm risk, meaning hypothesis 2 is rejected. The results obtained indicate that tax risk has an influence on decreasing firm risk. The results of descriptive statistical analysis show that of the 84 samples studied, tax risk shows a standard deviation value of 0.040581 which indicates that there is variation related to tax risk among the companies studied. This is because tax risk refers to uncertainty related to tax obligations in the application of tax regulations that can have an impact on firm risk. This uncertainty makes companies more vigilant in making tax decisions to increase profits or financial efficiency.

Based on the agency theory proposed by Jensen & Meckling (1976), this result can be explained that although there are differences in interests between management (agents) and shareholders (principals) in making tax decisions to increase profits or financial efficiency, these differences in interests can be controlled or do not have a significant effect on firm risk. This shows that management (agent) is able to manage tax risk wisely and transparently, so that it can reduce the firm overall risk.

The findings obtained are different from the study results of Carolina et al. (2021), stating that tax risk has a positive influence on increasing firm risk. However, the findings of this study are supported by the study results of Hariyanto (2018), stating that tax risk has a negative effect on firm risk. This can be explained through the characteristics of each company in implementing more vigilant actions towards making tax decisions to increase profits or financial efficiency, so that it can prevent an increase in firm risk. In addition, this is also likely to be influenced by differences in the company sector, the number of research samples, and different observation periods.

The Effect of Independent Commissioners in Moderating the Relationship Between Tax Avoidance and Firm Risk

The research results show that independent commissioners have no moderating influence on the relationship between tax avoidance and firm risk, meaning that hypothesis 3 is rejected. The results obtained indicate that the role of independent commissioners cannot strengthen or weaken the relationship between tax avoidance and firm risk. The results of the descriptive statistical analysis show that of the 84 samples studied, the average value of the proportion of independent commissioners is 0.41811 or an amount of 41.8% which should have fulfilled the minimum provisions required in Article 20 paragraph (3) Chapter III of OJK Provisions No. 33 of

2014 at least 30% of the number of independent commissioners in the membership structure of the board of commissioners. This can occur because the tax avoidance measures applied by the company are relatively low or legal in nature and do not have a direct impact on firm risk, so the role of independent commissioners has not been able to influence in this context.

Based on the agency theory proposed by Jensen & Meckling (1976), this result can be explained that although the role of independent commissioners serves to minimise the unequal interests between management (agents) and shareholders (principals), including in implementing aggressive tax avoidance measures. However, the results of this study indicate that the role of independent commissioners has not been able to exert influence in this context. This could be due to the fact that the tax avoidance strategy is not aggressive enough, so it cannot trigger an increase in firm risk.

The findings obtained are different from the study results of Diantari & Ulupui (2016), stating that the presence of independent commissioners has a negative effect on tax avoidance. However, the findings of this study are supported by the study results of Harianti & Hapsari (2024), stating that the presence of independent commissioners has no moderating influence on the relationship between tax avoidance and firm risk. This can be explained that the tax avoidance measures implemented by the company are relatively low or legal in nature and do not have a direct impact on firm risk, so the role of independent commissioners has no influence in this context. In addition, this is also likely to be influenced by differences in the company sector, the number of research samples, and different observation periods.

The Effect of Independent Commissioners in Moderating the Relationship Between Tax Risk and Firm Risk

The research results indicate that independent commissioners have no moderating influence on the relationship between tax risk and firm risk, meaning that hypothesis 4 is rejected. The results obtained indicate that the role of independent commissioners cannot strengthen or weaken the relationship between tax risk and firm risk. The results of the descriptive statistical analysis show that of the 84 samples studied, the average value of the proportion of independent commissioners is 0.41811 or 41.8% which should have fulfilled the minimum provisions required in Article 20 paragraph (3) Chapter III of OJK Provisions No. 33 of 2014 at least 30% of the number of independent commissioners in the board of commissioners membership structure. This can occur because companies are more vigilant in implementing taxation decisions to increase profits or financial efficiency which has an impact on reducing firm risk, so that the role of independent commissioners has not been able to influence in this context.

Based on the agency theory proposed by Jensen & Meckling (1976), this result can be explained that although the role of independent commissioners serves to minimise the unequal interests between the management (agent) and the shareholders (principal), including in making tax decisions. However, the results of this study indicate that the role of independent commissioners has not been able to have a significant influence in this context. This could be due to companies being more vigilant about making taxation decisions, so as not to trigger an increase in firm risk.

These findings differ from the study results of Diantari & Ulupui (2016), showing that the presence of independent commissioners has a negative effect on tax avoidance (which can reflect uncertainty related to tax risk). However, the findings of this study are supported by the study results of Harianti & Hapsari (2024), stating that the presence of independent commissioners has no moderating influence on the relationship between tax risk and firm risk. This result can be explained that companies are more wary of making tax decisions to increase profits or financial efficiency which has an impact on reducing firm risk, so that the role of independent commissioners has not been able to have an influence in this context. In addition, this is also likely to be influenced by differences in the company sector, the number of research samples, and different observation periods.

5. Conclusion

Based on the results of the study, it was concluded that tax avoidance has no effect on firm risk. The findings indicate that tax avoidance measures are not effective in reducing firm risk, as the efforts made by companies to implement tax avoidance are relatively low or legal in nature, through the use of existing tax loopholes, and therefore do not have a direct impact on firm risk. Meanwhile, tax risk has a negative impact on firm risk. This finding indicates that tax risk reduces firm risk because tax risk reflects uncertainty related to tax obligations, which makes companies more cautious in implementing tax decisions to increase profits or financial efficiency, thereby preventing an increase in firm risk.

On the other hand, independent commissioners do not have a moderating influence on the relationship between tax avoidance and firm risk. This finding is due to the fact that the tax avoidance measures implemented by companies are relatively low or legal in nature and do not have a direct impact on firm risk, so the role of independent commissioners does not have a significant influence in this context. Meanwhile, independent commissioners do not have a moderating influence on the relationship between tax risk and firm risk. This finding is due to companies being more cautious in making tax decisions to increase profits or financial efficiency, which reduces firm risk, so that the role of independent commissioners has not been able to exert influence in this context.

The research study that has been conducted has a number of limitations, including the small sample size. This is because many companies in the industrial goods, industrial services, and multi-sector holdings suffered losses between 2021 and 2023. Additionally, the research findings indicate that the adjusted R-square value obtained is still relatively low. This is because there are still other variables or factors that have not been included in this study, which are expected to have the potential to explain the variation in the independent variable (firm risk).

Based on the limitations, it is hoped that further studies on this model can use companies in different sectors and a longer research period, so that more samples can be involved and more complex findings can be produced. In addition, it is necessary to use other variables or factors that have not been applied in this study, such as firm size, cash flow volatility, and other factors that are expected to produce findings that strengthen the analysis of the research variables.

6. References

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