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Effective Tax Rate as a Reflection of Tax Management: An Analysis of Asset Characteristics and the Moderating Role of Institutional Ownership

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ABSTRACT

Tax management is defined as a company's effort to minimize tax burdens legally and efficiently. This study aims to examine the effect of fixed asset intensity and inventory intensity on tax management using the Effective Tax Rate (ETR) as a proxy, as well as to assess the moderating role of institutional ownership. The research focuses on textile and garment sub-sector companies listed on the Indonesia Stock Exchange (IDX) during the 2019–2023 period. The sample was selected using purposive sampling based on specific criteria, resulting in 85 observations. A quantitative approach was employed in this study, using moderated regression analysis. The results show that fixed asset intensity has a significant negative effect on ETR, indicating that companies use depreciation as a legitimate tax management strategy. In contrast, inventory intensity has no significant effect on ETR. Institutional ownership is found to weaken the negative relationship between fixed asset intensity and ETR but does not moderate the relationship between inventory intensity and ETR. These findings contribute to the development of tax accounting literature and offer practical implications for companies and investors in designing effective and regulation-compliant tax management strategies.

Keywords: Effective Tax Rate; Tax Management; Fixed Asset Intensity; Inventory Intensity; Institutional Ownership

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INTRODUCTION

Tax is the primary source of state revenue used to finance routine expenditures, infrastructure development, and the provision of public services. Realized state revenue from the taxation sector was IDR 2,155.4 trillion, or approximately 82.8% of total state revenue, according to data from the 2023 State Budget (APBN) (Kementerian Keuangan RI, 2023). Among these, Income Tax (PPh) provides the largest contribution compared to other types of taxes. Income Tax is imposed on income received by individuals and business entities that meet the subjective and objective criteria as taxpayers. As business entities, companies are responsible for paying taxes based on the profit earned in one fiscal year, in accordance with Law Number 36 of 2008 concerning Income Tax.

Tax is not only viewed as a legal obligation but also as a strategic factor that influences a company's financial efficiency. A high tax burden can reduce net income and affect business decision-making. Therefore, companies need to adopt careful tax management strategies to remain compliant with regulations while optimizing their financial performance (Herawati, 2024). One common strategy applied is tax management, which refers to systematic steps to minimize the tax burden through legally permitted planning. Tax management may include timing the recognition of income and expenses, utilizing fiscal incentives, and structuring financing arrangements (Akbar et al., 2025).

However, imprudent tax management can turn into aggressive actions that exceed compliance boundaries. If the strategies employed do not align with economic substance or are applied excessively, they may become tax avoidance or even illegal tax evasion. Therefore, tax management practices must remain within reasonable limits and comply with applicable tax regulations, as stipulated in Law Number 16 of 2009. The Effective Tax Rate (ETR) is used to gauge how well tax management tactics are working. The ETR, or income tax expense to profit before tax, is a measure of a company's tax efficiency (Wall Street Prep, 2023).

A lower ETR generally indicates intensive tax management activities, while a higher ETR may suggest more conservative fiscal compliance. ETR values are also influenced by industry characteristics and the accounting strategies adopted by companies. One manufacturing industry characterized by being labor-intensive and export-oriented, making it sensitive to cost efficiency including tax burdens, is the textile and garment industry. According to Figure 1.1, which was derived from data from the Indonesia Stock Exchange (IDX), the ETR of businesses in the textile and apparel subsector rose sharply to 14.38% in 2021. However, in 2023, the ETR recorded -1.48%, which may have been caused by fiscal losses or tax restitution (IDX, 2024).

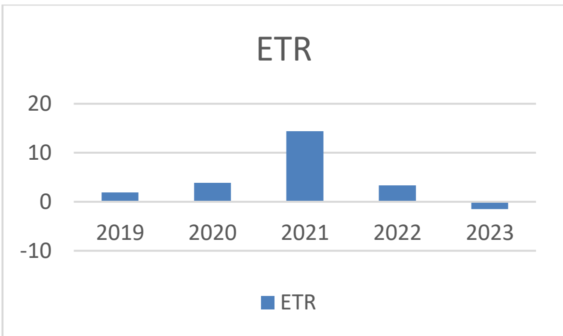

Figure 1.1 The ETR of textile and garment sub-sector companies 2019-2023

Such ETR fluctuations indicate that the tax strategies applied by companies are not always consistent and are influenced by various internal and external factors. One issue believed to affect tax management is asset characteristics, particularly inventory intensity and fixed asset intensity. Depreciation costs from fixed assets, such buildings and machinery, can lower taxable income. ETR is negatively impacted by fixed asset intensity, according to (Afifah and Hasymi, 2020). (Firmansyah, 2022), Damayanti and Irawati (2025) found similar results, indicating that businesses with a higher fixed asset intensity typically have lower ETRs. However, (Lubis, 2022) found that fixed asset intensity positively affects ETR. (Oktaviani and Ajimat, 2023) discovered different results and came to the conclusion that fixed asset intensity and ETR do not significantly affect each other. This suggests that empirical results about the impact of fixed asset intensity on tax management are still inconsistent. Therefore, further research in specific industries is needed to gain deeper and more contextual understanding.

Inventory intensity is thought to have an impact on company tax management in addition to fixed assets. Inventories provide flexibility in the choice of recording methods such as FIFO, LIFO, or weighted average, which ultimately affects profit and tax amounts. (Wijayanti and Muid, 2020) showed that companies with high inventory intensity have lower ETR. (Syamsuddin and Suryarini, 2020) also stated that inventory intensity negatively affects ETR. However, Tanjung (2023) found that inventory intensity has a positive and significant effect on ETR. In contrast, (Pebriani and Kasir, 2024) found no significant effect between inventory intensity and ETR. This inconsistency further emphasizes the urgency of re-examining this variable in different industry settings.

Another factor worth considering is institutional ownership. Institutional investors, such as pension funds and insurance companies, have the capacity to exercise tighter oversight of corporate governance practices, including tax policies. Institutional shareholders tend to monitor and encourage companies to comply with tax regulations in lawful ways, avoiding aggressive tax avoidance, and maintaining adherence to applicable rules. Institutional ownership is believed to be able to curb aggressive tax management practices and encourage higher compliance. Nonetheless, research looking at how institutional ownership functions as a moderating factor in the connection between asset characteristics and tax management remain very limited in the literature. Therefore, this aspect needs further investigation to determine whether institutional ownership strengthens or weakens this relationship.

According to the explanation above, there is a research gap in the form of contradictory empirical results about how inventory intensity and fixed asset intensity affect tax management. The demand for more study is further increased by the paucity of studies examining institutional ownership as a moderating element. In an attempt to better understand how inventory and fixed asset intensity affect tax management, this study will use ETR to analyze textile and apparel subsector companies listed on the Indonesia Stock Exchange from 2019 to 2023. Analyzing whether institutional ownership might mitigate the association between asset characteristics and tax management is another goal of this study. The findings of this investigation should yield theoretical contributions to the tax accounting literature as well as serve as practical references for companies and investors in formulating efficient and accountable tax strategies.

LITERATURE REVIEW

Agency Theory

According to (Jensen and Meckling's, 1976) agency theory, managers (agents) and business owners (principals) have competing interests. When it comes to taxes, managers are motivated to manage taxes in order to boost after-tax profits, which could then improve individual pay. However, such actions may pose risks to shareholder interests if tax management becomes aggressive. Institutional ownership, as a representative of the principal, has strong monitoring capabilities over management policies, including in tax management practices. Institutional ownership can serve as a mitigating mechanism against deviant tax management practices and reduce agency conflicts in tax-related decision-making (Li et al., 2021).

Effect of Fixed Asset Intensity on ETR
Fixed asset intensity reflects the proportion of a company's assets allocated in physical form such as buildings and machinery. Fixed assets have a depreciation characteristic, whereby depreciation expenses can be recognized as costs, thereby reducing taxable income and potentially lowering the effective tax rate (ETR). According to agency theory, managers, as agents, have an interest in maximizing after-tax profits for performance incentives, which encourages the use of legal tax management strategies. Optimizing depreciation is one of the most common strategies used to legally reduce the tax burden. Studies by (Nurfitriani and Hidayat, 2021), (Firmansyah, 2022), and (Chen et al., 2023) indicate that companies with higher fixed asset intensity tend to have lower ETRs. This suggests that the greater the allocation of assets in fixed form, the greater the potential for companies to achieve tax efficiency. Therefore, fixed asset intensity is expected to have a negative effect on ETR and is considered one of the important factors influencing corporate tax management policies.

H1: Fixed Asset Intensity has a negative effect on ETR.

Effect of Inventory Intensity on ETR
Inventory intensity reflects the proportion of a company's assets in the form of goods, which are flexible in accounting treatment. The choice of inventory valuation methods such as FIFO or weighted average can affect the cost of goods sold and taxable income, thereby influencing the tax burden. Agency theory suggests that managers are motivated to use this flexibility to design legal tax efficiency strategies. Several studies, such as (Gita et al., 2021) and (Wahyuningrum et al., 2024), found that inventory intensity has a negative effect on ETR. Higher inventory values allow managers to adjust the timing and amount of expense recognition, thereby legally reducing the tax burden. Thus, inventory serves not only as an operational asset but also as a strategic instrument in tax management. Thus, it is suggested that inventory intensity has a detrimental impact on ETR.

H2: Inventory Intensity has a negative effect on ETR.

Institutional Ownership as a Moderator in the Relationship between Fixed Asset Intensity and ETR
Institutional ownership serves as an important monitoring mechanism in corporate governance, particularly in preventing deviant managerial behavior, including in tax management practices. According to agency theory, conflicts of interest between managers (agents) and owners (principals) can be mitigated by the presence of institutional shareholders, who have long-term interests and the capability to monitor management policies (Maznorbalia et al., 2023). In the context of fixed asset intensity, companies with a high proportion of fixed assets tend to utilize depreciation as a legal strategy to reduce taxable income, which is reflected in lower ETR. However, the presence of institutional investors may reduce managers' flexibility to implement aggressive tax strategies due to pressure for transparency, tax compliance, and maintaining corporate reputation.

Several studies indicate that institutional ownership can limit the impact of tax efficiency strategies implemented through fixed assets. (Darsani and Sukartha, 2021) found that the relationship between capital intensity and ETR becomes weaker in companies with high institutional ownership. (Wahyuni and Nurmala, 2022) also emphasized that institutional investors encourage more conservative tax behavior. Therefore, by lessening the detrimental impact of fixed asset intensity on the effective tax rate, institutional ownership is anticipated to mitigate the link between fixed asset intensity and ETR in this study.

H3: Institutional Ownership moderates the relationship between Fixed Asset Intensity and ETR.

Institutional Ownership as a Moderator in the Relationship between Inventory Intensity and ETR

Institutional ownership is believed to play a significant role in controlling managerial policies, including tax management strategies carried out through inventory management. Based on agency theory, institutional investors act as parties capable of mitigating potential managerial moral hazard, particularly in flexible accounting policies such as inventory valuation methods. Inventory intensity reflects the proportion of a company's investment in goods available for sale and can be used in tax planning through the choice of accounting methods such as FIFO or weighted average, which affect the cost of goods sold and taxable income. Companies with high inventory intensity have opportunities to apply tax efficiency strategies through expense recognition that influences ETR.

However, the tax efficiency effect of inventory intensity may be weakened by institutional ownership, as institutional investors tend to promote more conservative, accountable, and regulation-compliant tax practices. (Wahyuni and Nurmala, 2022) found that companies with high institutional ownership tend to avoid aggressive tax avoidance strategies. Similarly, (Darsani and Sukartha, 2021) found that the influence of accounting flexibility on tax effectiveness becomes insignificant when institutional ownership levels are high. Therefore, by lessening the detrimental impact of inventory intensity on the effective tax rate, institutional ownership is anticipated to regulate the link between inventory intensity and ETR in this context.

H4: Institutional Ownership moderates the relationship between Inventory Intensity and ETR.

RESEARCH METHOD

The purpose of this quantitative study is to explore the role of institutional ownership as a moderating variable and investigate the impact of asset characteristics on tax management, as measured by the Effective Tax Rate (ETR). Two indicators fixed asset intensity and inventory intensity are used in this study to quantify asset characteristics. All textile and apparel manufacturing sub-sector businesses registered on the Indonesia Stock Exchange (IDX) between 2019 and 2023 make up the population. Purposive sampling is the sampling method employed, and it is predicated on certain criteria, such as businesses that were regularly listed throughout the observation period and that supplied comprehensive information on current tax expense, profit before tax, fixed assets, inventory, and ownership structure. Based on these criteria, a total sample of 17 companies was obtained with five years of observation, resulting in 85 observations (17 companies × 5 years).

The direct impacts of inventory and fixed asset intensity on ETR, as well as the interactions between each independent variable and the moderating variable of institutional ownership, were investigated through hypothesis testing using Moderated Regression Analysis (MRA). SPSS software was used for all data processing and analysis. The following is the formulation of the regression model utilized in this study:

$$ETR=\beta0+\beta1FAI+\beta2II+\beta3IO+\beta4(FAI\times IO)+\beta5(II\times IO)+\varepsilon \qquad (1)$$

Operational Definition of Variables

Tax Management

Tax management is the all-encompassing work done by a tax manager in a business or organization to guarantee that all tax-related issues are handled correctly, effectively, and inexpensively in order to maximize the business's contribution. The effective tax rate (ETR) serves as a stand-in for tax management in this study. Since there is a negative correlation between ETR and tax management, a lower ETR indicates better tax management, and vice versa. The following formula from (Pohan, 2018) can be used to determine the company's effective tax rate:

$$ETR= = \frac{\text{Income Tax Expense}}{\text{Profit Before Tax}} \qquad (2)$$

Fixed Asset Intensity

According to (Siregar and Widyawati, 2016), fixed asset intensity is the proportion of fixed assets owned by a company compared to its total assets. Fixed asset intensity can be calculated using the formula from (Siregar and Widyawati, 2016:7) as follows:

$$\text{Fixed Asset Intensity}=\frac{\text{Fixed Assets}}{\text{Total Assets}}\times 100\% \qquad (3)$$

Inventory Intensity

According to (Siregar and Widyawati, 2016), inventory intensity is the proportion of inventories owned by a company. This study uses inventory intensity as a proxy to represent the company's inventory intensity. Inventory intensity can be calculated using the formula from (Siregar and Widyawati, 2016) as follows:

$$\text{Inventory Intensity}=\frac{\text{Total Inventory}}{\text{Total Assets}}\times 100\% \qquad (4)$$

Institutional Ownership

(Supriadi, 2020:128) defines institutional ownership as the percentage of a company's shares held by financial institutions that are not banks and that handle money for other people. Using the following formula from (Supriadi, 2020:128), institutional ownership can be determined:

$$\text{Institutional Ownership}=\frac{\text{Institusional Shares}}{\text{Total Shares Outstanding}}\times 100\% \qquad (5)$$

RESULTS

Table 1. Descriptive Statistics (N =85)

Construct	Min.	Max.	Mean	Std. Deviation
Fixed Asset Intensity	0.000	2.730	0.475	0.373
Inventory Intensity	0.010	4.170	0.354	0.503

Institutional Ownership	0.000	5.090	0.879	1.096
Tax Management (ETR)	-1.000	13.030	0.260	1.469

Note. M = Mean, SD = Standard Deviation.
Source: Processed Data (2025)

The goal of descriptive statistics is to give a broad picture of the features of the research data. According to the findings of the descriptive analysis, the fixed asset intensity variable has a mean of 0.475 and a standard deviation of 0.373, with a minimum value of 0.000 and a maximum value of 2.730. With a mean of 0.354 and a standard deviation of 0.503, the inventory intensity variable ranges from a minimum of 0.010 to a maximum of 4.170.

With a mean of 0.879 and a standard deviation of 1.096, the institutional ownership variable ranges from a minimum of 0.000 to a maximum of 5.090. In contrast, the tax management variable (ETR) has a mean of 0.260 and a standard deviation of 1.469, with a minimum value of -1.000 and a maximum value of 13.030. High maximum values represent tax payments above the typical rate, whilst negative values suggest the potential for tax losses to be recognized.

Table 2. Classic Assumption Test

Variable	Normality	Multicollinearity		Heteros-kedasticity	Durbin Watson
		Tolerance	VIF		
Fixed Asset Intensity	0.062	0.992	1.008	0.318	1.923
Inventory Intensity		0.996	1.004	0.163	
Institutional Ownership		0.996	1.004	0.140	

source: processed data,2025

The Kolmogorov–Smirnov test on unstandardized residuals was used to perform the normality test, and the results showed a significance value of 0.062, which is higher than 0.05. The residuals are generally dispersed, according to this. According to the multicollinearity test, there is no multicollinearity because all variables have tolerance values > 0.10 and VIF values < 10. The tolerance and VIF values range from 0.992 to 0.996 and 1.004 to 1.008, respectively.

All independent variables have significance values over 0.05, according to the Glejser method's heteroskedasticity test, which indicates the absence of heteroskedasticity symptoms. 1.923 is the result of the Durbin-Watson statistic autocorrelation test. There is no autocorrelation in the regression model, as the DW value falls within the lower bound (du) of 1.7470 and the upper bound (4 – du) of 2.2530, or 1.7470 < 1.923 < 2.2530.

Table 3. Moderated Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.257	0.068		3.759	0.000
Fixed Asset Intensity	-0.179	0.090	-0.414	-1.994	0.050
Inventory Intensity	-0.022	0.078	-0.083	-0.281	0.779
Institutional Ownership	-0.039	0.097	-0.293	-0.400	0.690
X1 x Z	0.130	0.135	0.661	0.964	0.038
X2 x Z	-0.002	0.100	-0.008	-0.020	0.984

source: processed data,2025

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Moderation Regression Equation:

$$ETR= 0{,}257-0{,}179X1-0{,}022X2-0{,}039Z+0{,}130(X1\times Z)-0{,}002(X2\times Z)$$

With a significance value of 0.050, the partial t-test results indicate that fixed asset intensity significantly and negatively affects ETR. This implies that the effective tax rate paid decreases as the percentage of a company's investment in fixed assets increases. This result supports agency theory, which holds that managers are motivated to maximize tax efficiency in order to increase business value.

Meanwhile, inventory intensity does not have a significant effect on ETR ($p = 0.779$), indicating that companies do not actively use inventory as a tax management strategy. Institutional ownership also does not have a significant direct effect on ETR ($p = 0.690$).

However, the interaction between fixed asset intensity and institutional ownership (X1 × Z) significantly affects ETR ($p = 0.038$), indicating that institutional ownership weakens the negative effect of fixed asset intensity on ETR. In contrast, the interaction between inventory intensity and institutional ownership (X2 × Z) is not significant ($p = 0.984$), indicating no moderation effect in that relationship.

Table 4. F-Test

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	0.297	5	0.059	3.994	0.003[b]
	Residual	1.175	79	0.015		
	Total	1.472	84			

source: processed data,2025

The significance value of 0.003 in the F-test results is less than the 0.05 threshold. This indicates that the Effective Tax Rate (ETR) is significantly impacted by fixed asset intensity, inventory intensity, institutional ownership, and the interactions X1 × Z and X2 × Z all at the same time. As a result, the regression model that was employed is thought to be appropriate for elucidating the changes in ETR in this investigation.

Table 5. Coefficient of Determination (R^2)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.649[a]	0.402	0.351	0.1219443

source: processed data,2025

The coefficient of determination (R2) test yielded an Adjusted R Square value of 35.1%, or 0.351. This indicates that 35.1% of the variation in the Effective Tax Rate (ETR) can be explained by the independent variables fixed asset intensity, inventory intensity, institutional ownership, and the combined interactions X1 × Z and X2 × Z. Meanwhile, the remaining 64.9% is due to factors that are not part of the model. This implies that although the model is significant, the independent variables' share of the ETR explanation is not very high.

DISCUSSION

Effect of Fixed Asset Intensity on Effective Tax Rate

The test results indicate that fixed asset intensity has a considerable negative influence on the Effective Tax Rate (ETR). The study's first hypothesis (H1), according to which a company's effective tax rate falls as the proportion of fixed assets in total assets rises, is thus accepted. Businesses with a high fixed asset intensity are more likely to manage their tax obligations successfully, per this study.

The negative relationship between fixed asset intensity and ETR can be explained through legally and strategically implemented tax management practices. Tax management encompasses corporate efforts to minimize tax burdens by managing transactions, timing of recognition, and utilizing applicable fiscal provisions. In this case, fixed assets such as machinery, equipment, and buildings offer tax-saving potential through the depreciation mechanism, as depreciation expenses on fixed assets can be recognized as costs that reduce taxable income. The larger the value of fixed assets, the greater the company's opportunity to use depreciation as a lawful and regulation-compliant tax reduction strategy.

This result is consistent with agency theory, which posits that managers, as agents, are driven to maximize after-tax earnings to achieve organizational or personal objectives, such as bonuses, incentives, or performance assessments. One common approach is through fixed-asset-based tax management strategies. Therefore, the use of depreciation is not merely an accounting policy but also a part of legal tax planning within the framework of fiscal efficiency. The findings are in line with earlier research by (Firmansyah, 2022) and (Nurfitriani and Hidayat, 2021), which found that fixed asset intensity had a detrimental impact on ETR. Similarly, (Chen et al., 2023), in a cross-country study in Southeast Asia, found that manufacturing sector companies with high capital intensity tend to have lower ETRs. In other words, the strategic use of fixed assets can be part of long-term tax management policy, especially in capital-intensive industries such as textiles, garments, and manufacturing.

Effect of Inventory Intensity on Effective Tax Rate

According to the test results, the Effective Tax Rate (ETR) is not significantly impacted by inventory intensity. This indicates that the proportion of inventory in a company's total assets is not a determining factor in the level of tax burden efficiency reflected in the ETR. As a result, the second hypothesis (H2), according to which inventory intensity lowers ETR, is disproved. This finding implies that corporate tax management procedures do not always employ inventories as a strategic instrument.

Theoretically, inventory provides accounting flexibility that can be leveraged for tax efficiency through the choice of valuation methods such as FIFO or weighted average. Based on agency theory, managers should have an incentive to legally manage tax burdens to maximize after-tax profits. However, in practice, companies may prioritize inventory management for operational and production efficiency purposes rather than as a primary instrument for tax planning. This is supported by (Pebriani and Kasir, 2024), who also found that inventory intensity does not significantly affect ETR. This finding implies that not all asset characteristics can be effectively utilized in tax management. In sectors such as textiles and garments, inventories tend to have high turnover, making them more difficult to manipulate in the long term for tax-saving purposes.

Moderating Role of Institutional Ownership in the Relationship between Fixed Asset Intensity and ETR

The interaction regression results show that the interaction between fixed asset intensity and institutional ownership has a positive and significant effect on ETR ($p = 0.038$). This means that institutional ownership weakens the negative effect of fixed asset intensity on ETR. This result is in line with earlier studies conducted by (Darmawan and Ratri, 2022), which states that the presence of institutional shareholders can reduce a company's tendency to engage in tax aggressiveness. Institutional shareholders have

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an interest in maintaining long-term reputation and regulatory compliance, thereby curbing aggressive tax avoidance practices even when a company has high asset intensity. The role of institutional ownership as a governance mechanism can function as a control over opportunistic managerial decisions.

Moderating Role of Institutional Ownership in the Relationship between Inventory Intensity and ETR

The test results indicate that the interaction between inventory intensity and institutional ownership is not significant (p = 0.984). Although the positive coefficient suggests a moderating direction consistent with the hypothesis, there is insufficient statistical evidence to state that institutional ownership weakens the effect of inventory intensity on ETR. This may occur because the effect of inventory on tax policy is relatively small and not substantial enough to be a main concern for institutional shareholders. In addition, inventory intensity is more volatile compared to fixed assets, making its impact on tax management strategies more difficult for institutional investors to control. This result aligns with earlier research by (Hidayati and Ramadhan, 2023), which also found that not all types of asset characteristics are pertinent when it comes to the moderation of institutional ownership in tax management.

CONCLUSION

This study intends to evaluate the moderating role of institutional ownership in textile and garment sub-sector companies listed on the Indonesia Stock Exchange (IDX) for the 2019–2023 period, in addition to evaluating the impact of asset characteristics, specifically fixed asset intensity and inventory intensity, on tax management as measured by the Effective Tax Rate (ETR). According to the analysis, fixed asset intensity significantly and negatively affects ETR, suggesting that businesses with a larger percentage of fixed assets are more likely to use depreciation as a tax efficiency measure. Inventory intensity, on the other hand, has no discernible impact on ETR, indicating that inventory is not actively employed in this industry's tax management plans. Furthermore, institutional ownership is found to moderate the relationship between fixed asset intensity and ETR, with the presence of institutional shareholders weakening this negative effect. This highlights the monitoring role of institutional investors in promoting more conservative tax compliance. However, the association between inventory intensity and ETR is not substantially moderated by institutional ownership. These findings imply that the effectiveness of tax management strategies is highly influenced by the type of assets and the governance oversight in place. Accordingly, this study provides theoretical contributions to the tax accounting literature and practical insights for formulating corporate fiscal strategies.

LIMITATION

Although this study provides important empirical contributions, several limitations should be noted. First off, the study's focus is restricted to textile and apparel sub-sector businesses that are listed on the Indonesia Stock Exchange (IDX), thus extra caution should be used when extrapolating the results to other industrial sectors. Second, the independent variables in the model explain only 35.1% of the variation in ETR, indicating that many other factors such as leverage, firm size, profitability, or government fiscal policy may influence tax management but were not examined in this study. Third, the approach used in this study is quantitative with secondary data, which does not capture the subjective perspectives of managers or internal policies related to tax decision-making. To obtain a more thorough grasp of tax administration procedures from the internal viewpoint of businesses, future study is advised to broaden the focus to other industries, include extra variables as controls or mediators, and incorporate a qualitative method.

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DECLARATION OF CONFLICTING INTERESTS

The authors did not disclose any potential conflicts of interest.

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