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Tax Avoidance Practice: Political Connection, Firm Characteristics and Audit Quality Test at Banking Industry in Indonesia

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Abstract.
This study aims to examine the influence of political connections, firm characteristics and Audit Quality on Tax Avoidance. The samples are 39 banking companies which are listed in IDX over the 2014-2016 periods with total 101 observations. The sample collection technique has been done by using purposive sampling. Hypotheses of this research were tested by multiple regression models. Independent variables consist of Political Connection, Firm Characteristics (which are proxied by Leverage and Capital Intensity), and Audit Quality. While dependent variable is Tax Avoidance. The result showed that only Political Connections having a significant influence on Tax Avoidance. Leverage, Firm Characteristics and also Audit Quality did not have a significant influence on Tax Avoidance.
Keywords: Tax Avoidance, Political Connection, Firm Characteristics, and Audit Quality

1. Introduction

The role of non-tax state revenue (PNBP) is getting small towards the whole tax revenue in the last couple of years. If historically studied, the 2014 non-tax state revenue (PNBP) was recorded by 26% towards domestic revenues, in which its realization amounted to Rp. 397.7 trillion rupiahs while the whole domestic revenues amounted to 1.546.6 trillion rupiahs. Later on, the ratio was down to 17% and 15% only during the next years. That trend is predicted to get small in the upcoming years.

While state revenue target is wholly increasing. As a result, it can not be denied that taxation role will be enlarged. That is the case with the government dependent on tax receipt will be also getting higher. That circumstance is clearly seen on various policies of taxation institution strengthening and tax reformation that is freely being extensive by the government.

The increase of state revenue from tax which is more increased will be utilized by the government as a fund source to set and execute policy on the social or economic sector, also widely used for community welfare. For that matter, corporate taxpayer or taxpayer is expected able to voluntarily obey taxation obligation and taxation regulation wholeheartedly. Taxpayer disobedience can trigger the disrupted of state finance. One of that disobedience is tax avoidance, an effort to avoid tax legally which does not violate taxation regulation carried out by the taxpayer through decreasing total tax due by finding the weakness Hutagaol (2007, in Dewi and Jati, 2014). On the other hand, gap utilization in taxation law which will influence or even become an obstacle for government to achieve revenue target from tax sector expected.

That circumstance is also conducted by management. Tax avoidance is an active resistance form towards tax carried out by the firm in order to minimize taxes burden. The similar opinion is proposed by Prebble (2012) and Wang (2010). Prebble et al. (2012) stated that tax avoidance is a form of profit taking action by utilizing the existing legal weakness to minimize tax due. While Wang (2010) stated that tax avoidance is a tool to practice tax saving by switching resources that should be given to the country for shareholders so that the firm's after-tax value increases.

In accordance with the idea above, Dyreng et al. (2008) add that a firm practicing tax avoidance is not always failed since there are many tax provisions encourage a firm to decrease tax, added by the grey area of a legal boundary, especially for a complex transaction. As a result, tax avoidance practice is legally valid so resulting in the government cannot render sanction even when there is an indication of a tax avoidance scheme which will be conducted by the firm.

Even though tax avoidance is legal, that activity brings a risk for the firm in the form of penalty and the bad news is the awful reputation of the firm (Annisa and Kurniasih, 2012). For that matter, tax avoidance is unique since formal legally is valid to be conducted by a firm but actually is not always wanted by the government (Maharani and Suardana, 2014).

Tax avoidance practice carried out by management can be influenced by several factors, i.e. having or no political connection, firm characteristics, audit quality, etc. Political connection is one of the firm's competitive strategies in finding and utilizing opportunity in the business field (Leuz and Gee, 2006). Firm encouragement to have a political connection has had a special concern from economic observer since the existence of special treatment indication from the government, especially from the firm directly owned by official or individual holding an important position in the government (Faccio, 2006). A firm is said to have a political connection if minimum one of the primary shareholders (someone having at least 10 percent of total voting rights) or one of the chairs

(CEO, president, vice president, head and secretary) is a parliament member, minister or having relationship with politician or political party (Faccio, 2016). A firm having a political connection will get protection from the government, have an easy access to get debt for equity, have low tax audit risk causing the firm to be more aggressive to conduct tax planning affecting the opacity of financial transparency. Various types of special right can be obtained by a firm with political connection even when finance crisis attacks the firm will easily receive a bailout from the government (Leuz and Gee, 2006; and Kim and Zhang, 2013).

In addition to political connection, another factor is also considered to influence a firm in paying tax or even doing tax avoidance practice is a firm characteristic. As proposed by Siregar et.al; Widyawati (2016), characteristics that directly influence tax effectivity rate are leverage, capital intensity, etc. A firm has a tendency to increase leverage rate or its capital intensity so that the presented profit in the financial statements are lower, so are the tax paid. To be clear, that case is an effort carried out by a firm in order to avoid tax.

Audit quality is all possibilities happen when the auditor examines client's financial statements and finds violation or mistake and submits an audited financial statement (Dewi and Jati, 2014). In order to conduct an audit, the most important thing is transparency which is one of the elements of good corporate governance. Transparency towards the shareholders can be achieved by submitting cases related to the taxation at the basic capital and shareholders meeting. Transparency improvement towards shareholders in terms of tax case is increasingly requested by a public authority (Sartori, 2010). Since there is an assumption from aggressive tax behavior, their firm takes an aggressive position in terms of tax and will prevent that condition if known previously.

Financial statements audited by the Big Four accounting firms' auditor is stated more quality by several references so that presenting the real firm value, for that matter is expected that the firm audited by the Big Four accounting firms (Price Water House Cooper – PWC, Deloitte Touche Tohmatsu, KPMG, Ernst & Young – E&Y) has a lower rate of fraud compared to the firm audited by Non Big Four accounting firms (Annisa and Kurniasih, 2012). According to Chai and Liu (2010), if the tax nominal paid is too high, it will force a firm to make tax embezzlement so the more qualified audits of a firm, the more the firm tends to not conduct profit manipulation for taxation interest.

Several studies studying factors influencing tax avoidance have been conducted before, but still demonstrating a different result. Kim and Zhang (2013) have observed the influence of political connection on tax avoidance practice. The result shows that a firm having a political connection will be more aggressive in tax than a firm having no political connection. To be clear, it can be said that political connection influences tax avoidance. A not similar statement is stated by Tehupuring and Ellia (2016) indicating the negative influence between political connection and tax avoidance and even Lestari and Putri's (2017) also have demonstrated the result of there is no influence among those two. The research conducted by Tehupuring & Ellia (2016) and Damayanti (2015) studying the influence of quality audit on tax avoidance shows that audit quality has an influence on tax avoidance. However, a different result is indicated by Eksandy's (2017) research that quality audit has an influence on tax avoidance.

A research studying another factor also influence tax avoidance as conducted by Siregar & Widyawati (2016) in which the influence of firm characteristic is proxied by leverage and capital intensity. The different result has been expressed by Munandar et al. (2016) and Dewinta & Setiawan (2016) stating that leverage has no influence on tax avoidance. While Dewi et al. (2016) have announced the result that capital intensity has an influence on tax avoidance.

This contradictory result provides an opportunity to carry out a research again. For that matter, this research tries to empirically restudy and also develop it by collaborating the previous research conducted by Siregar & Widyawati (2016) and Tehupuring & Ellia (2016) using different industrial type and research period. Especially for firm characteristics, it is only focused on leverage proxy and capital intensity only. In addition, the majority of the previous research uses manufacturing industry so this research focuses on the banking industry.

According to the explanation above so, the researchers are interested to empirically test and analyze again the influence of political connection, firm characteristics, and audit quality towards tax avoidance practice at banking industry in Indonesia over the 2014-2016 period.

2. Literature Review And Hypothesis Development

2.1. Literature Review

A theory influencing this research is agency and stakeholder theory. Agency theory is a basis that influences firm business practice applied over this time. Agency theory is a basis that influences firm business practice applied over this time. The main principle of that theory as proposed by Jensen & Meckling (1976) that agency relationship appears when there is a contract between the principal (owner) who gives authority to the manager to manage his/her company and both of them have a similar interest in maximizing their welfare. In the agency, the theory is described that between management (agency) and capital owner (principal) have a different interest. Their interest difference is in the owner's utility maximization with benefit obstacle and incentive which will be received by management. That different interest causes a conflict of interest among those two (Jensen and Meckling, 1976). In its relationship with tax avoidance, there is an interest difference between government and company. On the left side, the government tries to increase tax revenue so that able to achieve the set target, but on the other hand, the company tries the opposite (Setyaningrum & Suryani, 2016; Turyatini, 2017).

The main focus of stakeholder theory is how a firm monitors and responds its stakeholder needs. *A stakeholder is parties having direct or indirect interest towards the existence or firm activity.* Stakeholder theory says that a firm is not an entity that only operates to self-interest, but have to give benefits for its stakeholder. For that matter, bearing in mind that a firm consists on stakeholder group and individual so between a firm and stakeholder influence each other (Freeman, 1984), especially in relation to the management of company's economic resource. The bigger the power of stakeholder to manage economic resources, the higher the power in controlling the firm, the bigger the power to control the firm, so is the opposite. As a result, stakeholder's interest and needs have to be managed. No exception power stakeholder in accordance with tax avoidance practice conducted by a firm.

The government through the Directorate General of Tax has tried its best to increase state revenue through tax with various policies launched and various regulation improvements undertaken. However, another company also always make an effort with various ways to save financing made like tax avoidance practice. That was conducted under the assumption that finance saving will maximize profit accepted or influence investment return rate. Siregar & Widyawari (2016) have explained that tax avoidance is "tax affairs" engineering that are still in the frame of taxation policy (lawful). That definition is interpreted with various efforts conducted by a firm as a taxpayer to minimize tax payment by utilizing opportunity that is still not permitted in taxation law. Tax avoidance practice happens caused by various factors. Those factors are: having or no political connection, firm characteristics, audit quality, etc. According to Purwoto (2011:7), Indonesia country and Soeharto as a president has been popular in the initial development of political connection literature. At that time, there were many firms trying to build political connection with the hope of getting ease of running business. As proposed by Purwoto (2011:7), that political connection firm is a firm which with particular ways have a political bonds or make an effort the existence of closeness with politician or government. In addition, political connection can be an essential source for many firms (leuz and Gee, 2006). Faccio (2006) explained that a firm is considered to have a political connection if at least one of the big shareholders (someone who control at least 10% from total share with voting rights) or one of the firm’s chairs (CEO, president, vice president, head of and secretary) is parliament member, minister, or people tightly related to politician or political party. Political connection also can be seen from if there is or not government direct ownership in the firm (Adhikari et al., 2006:538). Gomez and Jomo (1997); Johnson and Mitton (2003, in Faccio, 2006) have explained an intended close relationship as follows: (1) Top executive firm or primary shareholder has a friendship relationship with the head of country, minister or parliament member, (2) Connection with officials who ever served as a head of a country or prime minister during the previous period, (3) top executive firm or primary shareholder is directly involved in the political world. Political connection will be clearer in a country having higher level of corruption. Even though corruption is actually having a negative impact on the economy and growth rate of a country, the similar thing does not apply to political connection considered valuable by many firms (Faccio, 2009). Indonesia is in 107 ranks from 175 countries in 2014 based on the Corruption Perception Index (CPI) assessed by Transparency International. A firm with political connection is able to conduct more aggressive tax planning since the protection from the government impacted on the decrease of financial statements transparency. Profit quality in the financial statements by firm with political connection significantly is worse than the similar one having no political connection. The grey condition of financial statements brings a negative impact on the firms like high needs of capital since the lack of investor or risk as a result of examinations. However, a firm having political connection seems not care about the consequence happens; one of them is because political relationship owned able to decrease or even eliminate the existing negative condition. (Chaney *et al.* 2007; Kim and Zhang, 2013). The difficult to get an investor as a donor is not a big problem for a firm. Political connection makes the firm ease to get loan with able to be extended credit limit. This happens since the donor gets direct economic support from the government in which the company is connected as well as the existence of guarantee from the government that borrower or lender connected politically will be provided land bridging fund when both of them face financial crisis (Faccio et al. 2006).

In addition to political connection, firms characteristic are also considered to have an influence on tax avoidance. Firm characteristics are a trademark of characteristic sticking to a business entity (Surbakti, 2012:14). Firm characteristics can be seen from various aspects, among others business or industrial type, liquidity level, firm profitability (Ibrahim, 2010:78), financial leverage and share ownership (Djebali and Belanes, 2012:177), firm size (Zadeh and Eskandaria, 2012) and others. At this research, firm characteristics used are leverage and capital intensity.

In the previous research, firm characteristics can be proxied in a different way. However, this research proxies characteristic with 2 cases, i.e. leverage and capital intensity. Leverage in a business definition refers to the use of the asset and fund resource by a firm where the use of asset of fund is intended to increase the potential benefit for stakeholders of the firm. *There are two types of leverage in a firm, i.e. operating leverage and* *financial leverage (Martono and Harjito, 2006:295).* Operating leverage is defined as a firm’s ability in utilizing fixed operating costs to enlarge the influence of sale volume changes on earnings before interest and taxes (EBIT) (Syamsuddin, 2007;107). *Leverage is also defined as a ratio of long-term debt to the total asset (Kim and Zhang, 2013:43).* Noor, Fadzilah, and Mastuki (2010:190) have defined leverage as total debt divided by the total asset. According to Rajan and Zingales (1995, in Djebali and Belanes, 2012:181) financial leverage is defined as a ratio of debt (both long-term and short-term debt) towards the total asset. Adhikari et al. (2006) also defined leverage as a ratio of total debt divided by the total asset. A firm using debt will cause an interest that must be paid. In the taxation regulation chapter 6 paragraph 1 number 3 Law Number 36 Year 2008 concerning Income Tax, lending are the cost that can be deducted (deductible expense) towards taxable income. Deductible interest expense will decrease firm's taxable profit Reduced taxable profit at the end will decrease total tax which must be paid by the firm.

While to the proxy of capital intensity is interpreted as one of the forms of financial decision. That kind of policy is set up by management to increase firm's profitability. Capital intensity reflects the size of capital needed by a firm to produce income. Fund source or capital increase is obtained from the derivation of a fixed asset or the increase of total fixed asset (purchase). Capital intensity is defined as a ratio between fixed asset like a tool, machine and various properties towards total asset (Noor et al., 2010:190). This ratio reflects how size firm's asset invested in the form of fixed asset. Being consistent with the previous research, this research also uses the ratio between net fixed assets towards total asset to calculate capital intensity. Investment selection in the form of asset or capital related to taxation is in terms of depreciation. A firm that decides to invest in the form of a fixed asset can change depreciation cost as a cost that can be reduced by income or deductible expense in nature. Deductible depreciation cost will decrease firm's taxable profit which finally will decrease total tax which has to be paid.

In addition to what explained above, another factor assessed to also have an influence on tax avoidance is audit quality. Audit quality is all of the possibilities that may happen when the auditor examines client’s financial statements and finds violation or mistake and submits it to the audited financial statements (Dewi and Jati, 2014). In order to conduct an audit, the most important thing in its performance is transparency which is one of the elements of good corporate governance. Transparency towards the shareholders can be achieved by submitting cases related to taxation at the basic capital and shareholders meeting. Transparency improvement towards shareholders in terms of tax matter is increasingly requested by a public authority (Sartori, 2010). Since there is an assumption from aggressive tax behavior, their firm takes an aggressive position in terms of tax and will prevent that condition if known previously. Financial statements audited by the Big Four accounting firms, according to several references, are more qualified to present the real value of a firm. for that matter, the firm audited by the Big Four accounting firms (Price Water House Cooper – PWC, Deloitte Touche Tohmatsu, KPMG, Ernst & Young E – Y) has a low level of fraud compared to a firm audited by Non-Big Four accounting firms (Annisa and Kurniasih, 2012). According to Chai and Liu (2010), if tax nominal paid is too high, it commonly will force the firm to conduct tax embezzlement, so the more quality the audit conducted by a firm, the more the company has a tendency to not manipulate profit to taxation interest.

2.2. Hypotheses Development

Political connection belongs to the firm will make it get a special treatment, like the ease in getting debt for equity, low risk of tax examination that causes the firm more aggressive in applying tax planning impacted on the decrease of financial statements transparency. The lost of an investor as a result of transparency decrease of financial statements can be changed by government role as the primary donor. In addition, the firm having a political connection with the government in power is proven to have tax avoidance which is significantly high compared to the similar firm having no political connection (Francis et al., 2012; Kim and Zhang, 2013; Leuz and Gee, 2013; Christensen et al., 2014). The study conducted by Adhikary (2006), Christensen et al. (2013), Hardianti (2014), and Tehupuring & Ellia (2016) have concluded that political connection has a significant influence on tax avoidance. While the research carried out by Nugroho (2011) concluded that political connection has no significant influence on tax avoidance. According to the explanation above so is formulated hypotheses as follows:

H1: Political connection has an influence on tax avoidance.

Firm characteristics are a trade-mark stacking into a business entity (Surbakti, 2012). Firm characteristics can be proxied in various types, among others leverage and capital intensity. When a firm more depends on the funding and financing policy of debt than the one comes from equity for its operation, thus the firm will have lower ETR (Effective Tax Rate). That is caused by the firms having higher debt rate will pay higher interest tax so that decrease the value of ETR The similar one is demonstrated by Siregar & Widyawati’s (2016) research revealed that leverage has an influence on tax avoidance. According to that explanation, it can be formulated hypothesis as follows:

H_{2a} : *Leverage has an influence on Tax Avoidance*

In addition to leverage, there is also capital intensity. Capital intensity is how size the firm invests its asset in the form of fixed asset and inventory. Asset intensity is total fixed asset belong to a firm compared to total asset firm. The firm's fixed asset enables the firm to decrease the tax as a result of depreciation appears form annual fixed asset since the load of depreciation has an influence as a reducer of tax load (Siregar & Widyawati, 2016). Therefore, capital intensity has an influence on tax avoidance. According to that explanation, it can be formulated hypothesis as follows:

H_{2b} : Capital intensity has an influence on Tax Avoidance

Audit quality is all possibilities might happen when the auditor checks the audited financial statements and finds violation on it and reports it in the audited financial statements. In conducting audit is needed professionalism, accountability, integrity or transparency. Transparency as one of the important factors in assessing audit quality, this is caused by the existence of transparency will cause stakeholder knows information related to taxation. In its relation to the firm tax, the firm tends to make tax aggressiveness to avoid too high tax reporting. For that matter, in order to guarantee information quality related to taxation so required an auditor in order to examine financial statements so that information reliability is guaranteed. Financial statements audited by an auditor from accounting firm affiliated with the Big Four accounting firms are more qualified compared to the firm audited by auditor having an affiliation with the non-Big Four accounting firms. To be clear, audit quality has an influence on tax avoidance as in the research conducted by Tehupuring & Ellia (2016). According to that explanation, it can be formulated hypothesis as follows:

H_3: Audit quality has an influence on Tax Avoidance

3. Method

This was a quantitative research using secondary data in the form of banking company's audited financial statements over the 2014-2016 period listed in ISE. Purposive sampling was a technique chosen to collect the sample to conduct this research. Total sample amounted to 40 firms.

Variables used to carry out this research consisted of 3 independent variables and one dependent variable. Its detail of measurements is as explained in table 1. While the definition of operation of each variable will be explained below::

Tax avoidance is the firm's effort to decrease and minimize company's tax load. Tax avoidance in this research is proxied using ratio among income tax load with revenue before tax as used in Lanis and Richardson (2012).

Faccio (2006) explained that a firm is considered to have a political connection if at least one of the big shareholders (someone who control at least 10% from total share with voting rights) or one of the firm's chairs (CEO, president, vice president, head of and secretary) is parliament member, minister, or people tightly related to politician or political party.

Leverage is firm's ability of debt used for investment financing. This variable was measured using ratio total debt with total asset belong to a firm as applied in the study conducted by Siregar & Widyawati (2016). While capital intensity is how to size the firm is invested in the form of fixed asset (Siregar & Widyawati, 2016). A firm can utilize fixed asset to conduct tax avoidance of low Effective Tax Rate by utilizing depreciation cost for a fixed asset that directly decreases firm's profit being the basis of calculation of tax firm.

Audit quality is all possibilities that might happen when the auditor examines audited financial statements and if finding a violation so it will be reported in the financial statements (Dewi & Jati, 2014). Audit quality in this research will be measured by a variable of a dummy in which if the firm is audited by accounting firm affiliated to the Big Four accounting firms so it will be rated 1, and in the opposite, if audited by non-Big Four accounting firms will be rated zero (0).

Table 1. Measurement Variable

Variable	**Measurement**	
Tax Avoidance	$\frac{\text{Income Tax Burden}}{\textit{Earning Before Tax}}$	*(Lanis & Richardson, 2012)*
Political connection	*dummy, if the commissioner, the CEO or the secretary of the company is working in concurrent post, they are given code 1 and 0 (0) if not.*	(*Faccio, 2006)*
Leverage	$\frac{\text{Total Liability}}{\text{Total asset}}$	*(Siregar & Widyawati, 2016)*
Capital intensity	$\frac{\text{Net Fixed asset}}{\text{Total asset}}$	*(Siregar & Widyawati, 2016)*
Audit quality	*Dummy, in which 1 for the Big Four accounting firm and (0) for non-Big Four accounting firms.*	*(Dewi & Jati, 2014)*

Data analysis was conducted with a descriptive statistic, classical assumption test, and multiple regressions with the assistance of SPSS version 21.0. In addition, t-test use with the basis of decision making, if significance value < 0.05, so the hypothesis is accepted but if the significance value > 0.05 so the hypothesis is rejected (Turyatini, 2017)).

Any formulation of regression equation used in this research is as follows:

$TA = \beta + \beta 1KP + \beta 2LEV + \beta 3IM + \beta 4KAU + \varepsilon$

Description:

TA	:	*Tax Avoidance*
β	:	Constant
β1β2β3β4	:	Coefficient of Regression
KP	:	Political Connection
LEV	:	Leverage
IM	:	Capital Intensity
KAU	:	Audit Quality
ε	:	Nuisance Factor

4. RESULT

Table 4. Regression Analysis Result

Variabel	Coefficient	p-value
Constant	11.502	0.000***
Political Connection (PC)	-2.377	0.019**
Leverage (Lev)	-1.686	0.095*
Capital Intensity (CI)	-1.228	0.222
Audit Quaity (AQ)	0.599	0.551

Dependent variable: tax avoidance
R 0.314[a]
R^2 0.099
Adj R^2 0.061
F-Statistic 2.624
Probability (F-Statistic) 0.039[b]
N 101
***, **, * significant in 0.01; 0.05; 0,1

Therefore, regression model equation being the basis of this research is as follows::

$TA = 11,.502 - 2.377\ KP - 1.686\ LEV - 1.228\ IM + 0.599\ KAU + \varepsilon$

According to the regression analysis result, as seen in table 4 above, it is known that political connection has a negative influence on tax avoidance (coefficient -2.377 with a significance of 0.019 < 0.05). It means that political connection partially has a significant influence on tax avoidance but its influence is negative. Thus, H1 is accepted. That circumstance is likely caused by banking company which has had various tightened regulation made by related institutions including Financial Service Authority (OJK) so that categorized into a low-risk taxpayer. As implied in the Ministerial regulation No. 71/PMK/.03/2010 that the government trusts the banking as a taxpayer which is impossible to do a practice of tax avoidance Mulyani et al., (2013, as quoted in Tehupuring & Ellia, 2016). That research result is consistent with the research result of Tehupuring &Ellia (2016 have conducted) but inconsistent with Kim & Zhang (2013); Mulyani et al., (2014); Butje &Tjondro (2014) have carried out.

Coefficient value for leverage amounted to -1.686 with significance value of 0.095 > α (0,05). It can be concluded that leverage has partially no significant influence on tax avoidance. Therefore, H_{2a} is rejected. It can be concluded that leverage has partially no significant influence on tax avoidance. That circumstance is possibly caused by taxation regulation setting up the policy of firm's funding structure indicating that firm funding policy can be a description of tax avoidance practice (Gupta & Newberry, 2017). In addition, this research shows that if leverage increases so tax avoidance decreases or can be said its effective tax increases. *Leverage emphasizes the important role of debt funding for a company by showing firm asset value funded from debt.* This is truly rational to happen since according to the sample observation result, it results in an average of leverage amounted to 0.8293 so that the majority of the firm sample using the equity in fulfilling firm asset giving the total is more than 50%. The research result is consistent with what Munandar et.al (2016) and Dewinta &Setiawan (2016) found, but inconsistent with the research conducted by Mulyani et al. (2014), Butje & Tjondro (2014), Siregar & Widyawati (2016), and Adhikari et al. (2006), and Noor et al. (2010).

Coefficient value for capital intensity amounted to -1.228 with significance value of 0.222 > α (0.05). Therefore, it can be concluded that capital intensity partially has no significant influence on tax avoidance. Therefore, H_{2b} is rejected. That was likely caused by capital intensity accentuates on how size composition from fixed asset towards total asset owned by a firm. The higher the composition, the higher the depreciation cost of that asset so the firm cost will also increase. Not-significant intensity capital influence is alleged because of firm's capital intensity average of the firm sample in this research is very low by 0.0203. For that reason, it can be said that asset depreciation has no influence on taxable income depreciation. That research results inconsistent with what Mulyani et al. (2014) and Siregar & Widyawati (2016) find, but inconsistent with what Dewi et al. (2016) and Adhikari et al., (2006) found.

Coefficient value for audit quality amounted to 0.599 with a significance level of $0.551 > \alpha$ (0.05), so can be concluded that audit quality partially has no significant influence on tax avoidance. Therefore, H_3 is rejected. That circumstance is likely caused by an audit conducted by the Big Four accounting firms or non-Big Four accounting firms has no significant influence in mitigating the occurrence of tax avoidance practice since the auditor conducts audit has performed audit assignment in accordance with audit standard set by Public Accountants Professional Standards Board (DSPAP). That result is consistent with what Eksandy (2017) has found but inconsistent with what Tehupuring & Ellia (2016) and Damayanti (2015) has found.

Based on the analysis of F test, it can be known that F cost value amounted to 2.624 with significance 0.039 $< \alpha$ (0.05). That result shows that political connection, leverage, capital intensity, audit quality simultaneously has a significant influence on tax avoidance. While according to analysis coefficient of determination is obtained Adjusted R Square by 0.061 which means 6.1% variable of tax avoidance will be influenced by its dependent variable, while the rest of 93.9 % is influenced by another factor out of their regression model.

5. Conclusion

According to several explanations above so, it can be concluded as follows. Firstly, if relying on simultaneous hypothesis test, it shows that political connection, leverage, capital intensity, and audit quality jointly influence tax avoidance practice. While partial test result can be concluded as follows: there is a significant influence between variable if the political connection on tax avoidance practice with negative influence. While leverage, capital intensity, and audit quality variable show no significant influence on tax avoidance practice.

This research is far from perfect so there is still much weakness found. Several weaknesses of this research include limited selection and total sample, limitation of the variable used together with its measurement, period of observation which is only 3 years, etc.

Later on, by depending on the weakness of the research above so the suggestion or recommendation can provide is as follows: Firstly, for further research, it is expected can enlarge and more selective in choosing the sample and extending observation period. In addition, giving those four variables tested in this research show low simultaneous test result so the further research can develop by exploring another variable which is more dominant having an influence on the practice of tax avoidance like executive characteristic, size, tax reformation, corporate governance, etc. In addition, the further research is also expected to be more detail in selecting proxy used in the research variable measurement. Since the use of different proxy actually shows a different result. Secondly, a suggestion for Directorate General of Tax or Decision maker is expected to be more attention to the phenomenon of leverage usage to perform tax avoidance practice. Moreover, Directorate General of Tax or decision maker needs to give attention to the companies which do not have a political connection, since actually, this research result shows that a firm does not have a political connection is indicated to conduct tax avoidance.

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