

DO AUDIT COMMITTEE CHAIR CHARACTERISTICS MATTER FOR CORPORATE TAX AVOIDANCE? EVIDENCE FROM INDONESIA

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Abstract

Corporate tax avoidance remains a complex issue, making the role of corporate governance mechanisms in shaping firms' tax strategies increasingly important. Although prior studies have examined the board of directors, CEO characteristics, and audit committee attributes, the influence of the audit committee chair remains underexplored. This study investigates the impact of audit committee chair characteristics on corporate tax avoidance in Indonesian consumer cyclical firms. The examined characteristics include military connections, political connections, family affiliations, financial affiliations, and the number of positions held by the audit committee chair. Using 141 firm-year observations from 77 firms during 2021–2023, this study employs multiple linear regression, with tax avoidance proxied by the cash effective tax rate (CETR). Since CETR is inversely related to tax avoidance, higher CETR indicates lower tax avoidance. The findings show that military-connected audit committee chairs are associated with lower tax avoidance, whereas financial affiliations are associated with higher tax avoidance. Political connections, family affiliations, and the number of positions held have no significant effect. The study contributes to governance-based tax avoidance literature and offers insights for tax monitoring policies.

Keywords: audit committee chair, affiliation, connection, corporate tax avoidance

Abstrak

Penghindaran pajak perusahaan merupakan isu kompleks sehingga peran mekanisme tata kelola perusahaan dalam membentuk strategi pajak semakin penting untuk dikaji. Meskipun penelitian sebelumnya telah membahas dewan direksi, karakteristik CEO, dan komite audit, pengaruh ketua komite audit masih relatif kurang diperhatikan. Penelitian ini menginvestigasi pengaruh karakteristik ketua komite audit terhadap penghindaran pajak perusahaan pada perusahaan sektor consumer cyclical di Indonesia. Karakteristik yang diteliti meliputi koneksi militer, koneksi politik, afiliasi keluarga, afiliasi keuangan, serta jumlah jabatan yang dipegang oleh ketua komite audit. Dengan menggunakan 141 observasi perusahaan-tahun dari 77 perusahaan selama periode 2021–2023, penelitian ini menerapkan regresi linier berganda, dengan penghindaran pajak diprosikan melalui cash effective tax rate (CETR). Karena CETR berhubungan terbalik dengan penghindaran pajak, CETR yang lebih tinggi menunjukkan penghindaran pajak yang lebih rendah. Hasil penelitian menunjukkan bahwa ketua komite audit berkoneksi militer berasosiasi dengan penghindaran pajak yang lebih rendah, sedangkan afiliasi keuangan berasosiasi dengan penghindaran pajak yang lebih tinggi. Koneksi politik, afiliasi keluarga, dan jumlah jabatan tidak berpengaruh signifikan.

Kata kunci: ketua komite audit, afiliasi, koneksi, penghindaran pajak perusahaan

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INTRODUCTION

Corporate tax avoidance has long been a contentious concern, and in Indonesia, this issue is particularly salient (Oktaviani et al., 2023). As a developing economy, Indonesia relies heavily on taxes, from which more than 75% of Indonesia's revenue comes to finance its budget. Although tax revenues increased from 2023 to 2024, the central government's audited financial statements indicate that the state's heavy reliance on taxes also increased by 0.91%, from 77.38% in 2023 to 78.29% in 2024 (Kementerian Keuangan, 2025). However, this aggregate improvement masks a significant problem where corporate income tax, as the second-highest contributor to tax revenues as of November 2024, with a total contribution of Rp289.90 trillion or 17.16%, declined sharply by 23.12% (Kementerian Keuangan, 2024). The contradiction between rising overall tax revenues and declining corporate tax contributions highlights a critical fiscal challenge, suggesting that factors beyond macroeconomic conditions, including firms' strategic tax behaviour, may be eroding the corporate tax base. Consequently, corporate tax avoidance emerges as a central policy and governance problem, as it may preserve firm-level cash flows while simultaneously undermining government revenues and exacerbating fiscal risks (Bach et al., 2025; Gao et al., 2025). Therefore, understanding how internal corporate governance actors monitor and constrain tax avoidance is essential, particularly in emerging markets where tax compliance, ownership structures, political-business ties, and governance quality remain closely intertwined.

Recent studies have highlighted the role of corporate governance structures in shaping firms' tax strategies. Prior research has examined several governance actors, including CEOs, boards of directors, and audit committees. For example, in the Malaysian setting, higher CEO compensation and CEO duality lead to greater tax avoidance activities because CEOs may be driven by monetary incentives and power concentration (Koay & Sapiei, 2025). In Indonesia, firms with military-connected directors tend to increase tax avoidance because they benefit from privileged access to legislative tax information and face lower transparency pressure (Wahab et al., 2024). Other studies have examined board gender diversity, board education, board size, independent directors, and CEO educational background in relation to tax avoidance (Hossain et al., 2025; Paramayuda et al., 2025; Stanley & Widianingsih, 2024, 2025; Sugeng & Radianto, 2025). Regarding the audit committee, Qawqzeh and Al Zobi (2025) investigate audit committee size, female representation, accounting or finance expertise, and independence, showing that audit committee characteristics may influence the extent of corporate tax avoidance. Taken together, these studies suggest that tax avoidance is not merely a financial or tax-planning issue, but also a governance issue shaped by the characteristics, incentives, and monitoring capacity of key decision-makers.

However, despite these substantive insights, most prior studies still treat the audit committee as a collective governance mechanism rather than examining the individual who leads it. This creates an important gap because the audit committee chair is not merely one member among others; the chair has a central role in setting the committee's agenda, coordinating oversight, directing discussions with auditors and management, and shaping the effectiveness of monitoring. Recent studies have begun to show that audit committee chair characteristics matter for governance outcomes. For instance, Baatwah et al. (2025) examine the expertise of audit committee chairs in relation to tax avoidance, while Al Lawati and Hussainey (2021) discuss how overlapping audit committee directors may affect tax avoidance. Amara et al. (2025) further demonstrate that

female leadership in audit committees can strengthen the relationship between audit quality and tax avoidance. Nevertheless, these studies do not comprehensively examine whether the personal background and affiliations of the audit committee chair, such as military connections, political connections, family affiliations, financial affiliations, and multiple positions, shape corporate tax avoidance. This limitation is particularly important in the Indonesian context, where professional background, political exposure, ownership ties, and governance networks may influence how corporate monitoring is exercised.

Drawing on this gap, this study aims to establish empirical evidence by investigating the impact of audit committee chair characteristics on corporate tax avoidance among Indonesian consumer cyclical firms during the 2021–2023 period. This study contributes to the literature by shifting the focus from audit committee characteristics in general to the specific role of the audit committee chair, whose personal background and affiliations may shape the effectiveness of tax-related monitoring. Specifically, this study examines five characteristics of the audit committee chair: military connections, political connections, family affiliations, financial affiliations, and the number of positions held. This focus is important because the findings of this study indicate that not all chair characteristics have the same governance implications. Military-connected audit committee chairs are associated with lower tax avoidance, suggesting stronger compliance-oriented monitoring, whereas financial affiliations are associated with higher tax avoidance, indicating that personal financial stakes may weaken independence and increase tolerance toward aggressive tax strategies. Meanwhile, political connections, family affiliations, and the number of positions held do not show significant effects, implying that their governance influence may be either limited or offset by competing incentives.

Theoretically, this study offers two main contributions to the current tax avoidance literature. First, this study expands prior studies on the determinants of corporate tax avoidance by incorporating audit committee chair characteristics that have received limited attention in previous research. Second, while prior research typically treats the audit committee as a unified control mechanism, this perspective overlooks the potential influence of the individual leading it. By focusing on the chair, this study provides a more fine-grained understanding of how governance monitoring operates at the individual level. Practically, this study is beneficial to firms, investors, and tax regulators. For firms, the findings emphasize the need to consider not only formal independence requirements but also the background, affiliations, and potential conflicts of interest of audit committee chairs. For investors, the findings provide additional governance signals for assessing tax-related risk. For tax regulators, the findings suggest that governance-based tax monitoring should consider the attributes of audit committee chairs, particularly where financial affiliations may increase the likelihood of tax avoidance.

The composition of the paper proceeds as follows: Part 2 provides a review of the relevant literature and the formulation of the research hypotheses; Part 3 details the research methodology; Part 4 presents the statistical results; Part 5 discusses the empirical findings; and Part 6 concludes the study and discusses its implications by outlining the study's limitations and providing recommendations for future research.

LITERATURE REVIEW

Agency Theory

Agency theory explains the relationship between shareholders as principals and managers as agents who are entrusted to manage corporate resources on their behalf (Jensen & Meckling, 1976). The theory assumes that managers may pursue their own interests when their incentives are not fully aligned with those of shareholders, creating agency conflicts and agency costs (Chen et al., 2023; Jensen & Meckling, 1976). One way to reduce these costs is through corporate governance mechanisms that monitor managerial decisions and limit opportunistic behaviour (Rossi et al., 2025).

Corporate governance refers to the rules, structures, and processes through which firms are directed, monitored, and controlled. The audit committee is one of the key mechanisms within this structure because it assists the board in overseeing financial reporting, internal control, external audit, and risk management (Azizkhani et al., 2023). Within the audit committee, the chair holds a strategic position because the chair coordinates the committee's work, guides discussions with auditors and management, and ensures that significant financial and compliance issues receive proper attention.

Agency theory is relevant to corporate tax avoidance because tax decisions may reflect either legitimate tax planning or managerial opportunism. Tax avoidance may preserve corporate cash flows, but it can also create agency problems when managers use complex tax strategies to obscure firm performance, extract private benefits, or expose the firm to legal and reputational risks. Effective monitoring is therefore needed to ensure that tax-related decisions remain consistent with the firm's long-term interests. The background, affiliations, and external commitments of the audit committee chair may affect how effectively the committee monitors aggressive tax avoidance.

Audit Committee Chair

The audit committee supports the board by overseeing financial reporting, internal control, external audit, and risk management. It also helps reduce the risk of misleading financial information being presented to shareholders and other stakeholders (Seth & Saxena, 2025; Singhania & Panda, 2025). Within this committee, the chair holds a leadership role because the chair directs meetings, sets priorities, facilitates communication with auditors and management, and ensures that material financial and compliance matters are properly reviewed.

The audit committee chair is expected to possess sufficient knowledge of business operations, auditing, financial reporting, and governance processes (Azizkhani et al., 2023). The chair's role is therefore not merely administrative. It involves professional judgement, independence, and the ability to challenge management when financial or compliance risks arise. In relation to tax avoidance, this role becomes particularly important because corporate tax strategies often involve complex financial judgements, discretionary reporting choices, and responses to changing tax regulations.

In the Indonesian corporate governance setting, the chair's characteristics may be especially relevant because listed firms often operate within structures shaped by ownership concentration, political-business networks, family influence, and regulatory scrutiny. A chair with a military background may place stronger emphasis on discipline, compliance, and reputational protection. In contrast, a chair with financial ties to the firm may face potential tension between monitoring

responsibilities and personal financial interests. Examining the chair individually therefore helps explain why audit committees with similar formal structures may differ in their ability to monitor tax-related decisions.

Corporate Tax Avoidance

Corporate tax avoidance refers to corporate actions aimed at reducing tax payments within the boundaries of tax regulation. Dyreng et al. (2008) define tax avoidance as any strategy used to lower a firm's cash effective tax rate in the long run. Hanlon and Heitzman (2010) describe tax avoidance as a broad spectrum of tax-planning activities, ranging from legal tax reduction strategies to more aggressive practices associated with non-compliance, evasion, aggressiveness, or sheltering. Similarly, Xu (2024) characterizes tax avoidance as taxpayers' efforts to reduce tax liabilities while operating within the law, while Nghah et al. (2022) interpret it as lawful schemes used to minimize tax obligations.

Although tax avoidance may improve cash flow, it can also increase regulatory, legal, and reputational risks when pursued aggressively. For this reason, tax avoidance is closely related to corporate governance. Weak monitoring may allow managers to use tax strategies for short-term advantage, while stronger oversight may limit excessive risk-taking in tax planning. This study uses the cash effective tax rate (CETR) as a proxy for corporate tax avoidance. CETR is calculated by dividing cash taxes paid by earnings before taxes. Since CETR is inversely related to tax avoidance, a higher CETR indicates lower tax avoidance, while a lower CETR indicates higher tax avoidance.

Hypotheses Development

Agency theory suggests that conflicts of interest may encourage managers to engage in tax avoidance when such strategies provide short-term benefits but expose the firm to financial, legal, or reputational risks. The audit committee chair may help limit this risk by strengthening the monitoring of tax-related decisions.

An individual with military connections is often associated with discipline, determination, and adaptability in achieving organizational objectives (Harymawan et al., 2022). Firms with military directors may also uphold values such as ethics, discipline, and stakeholder support, which can help align organizational and stakeholder interests (Wahab et al., 2025). Applied to audit committee chairs, military connections may strengthen monitoring because individuals with military backgrounds tend to be associated with compliance, accountability, and sensitivity to institutional reputation. A military-connected audit committee chair is therefore expected to be less tolerant of aggressive tax strategies that may expose the firm to legal and reputational risks.

Political connections may also shape corporate tax behaviour, although their effect is more complex. Strong political ties may reduce a firm's vulnerability to political turnover and external shocks, thereby lowering the need to engage in tax avoidance (Tsai et al., 2021). At the same time, politically connected individuals may have access to regulatory knowledge and networks that can support strategic tax planning. However, political visibility may also increase reputational scrutiny. For this reason, politically connected audit committee chairs may have incentives to maintain compliance and transparency. Based on this argument, the following hypotheses are proposed:

H₁: An audit committee chair with military connections has a significant negative impact on corporate tax avoidance.

H₂: An audit committee chair with political connections has a significant negative impact on corporate tax avoidance.

Family affiliation may also influence how audit committee chairs monitor corporate tax decisions. CEOs in family firms tend to place greater emphasis on long-term orientation and reputational concerns (Souguir et al., 2024). Khelil and Khlif (2023) also explain that family affiliations may reduce tax avoidance in several contexts because family firms are often concerned with socioemotional wealth, fiscal consequences, and reputational damage. An audit committee chair with family ties may therefore have stronger incentives to protect the firm's long-term reputation and preserve family wealth, making aggressive tax strategies less attractive.

However, family affiliation may also reduce independence when family interests dominate governance decisions. The effect of family affiliation therefore depends on whether long-term reputation and wealth preservation outweigh the risk of weaker independent monitoring. This study follows the alignment argument, where family-affiliated audit committee chairs are expected to reduce tax avoidance.

Financial affiliation may also affect the chair's monitoring role. When the chair owns shares in the firm, their interests may become more aligned with those of shareholders, motivating them to support decisions that preserve firm value. Zolotoy et al. (2021) show that share ownership may encourage executives to reconcile stakeholder demands as a strategy to protect their wealth. From this perspective, financial affiliation may reduce tax avoidance because the chair has incentives to protect the firm from regulatory and reputational risks.

At the same time, financial affiliation may weaken independence. A chair with direct financial stakes may become more tolerant of tax avoidance if it is seen as a way to improve short-term cash flows, profitability, or share value. This creates a potential tension between monitoring responsibility and personal financial interest. Nevertheless, based on the agency-based alignment perspective, this study predicts that financial affiliation reduces tax avoidance. Accordingly, the following hypotheses are developed:

H₃: An audit committee chair with a family affiliation has a significant negative impact on corporate tax avoidance.

H₄: An audit committee chair with a financial affiliation has a significant negative impact on corporate tax avoidance.

The number of positions held by the audit committee chair may also affect monitoring effectiveness. From an agency theory perspective, tax avoidance can reflect managerial opportunism and therefore requires active oversight from the audit committee chair. When the chair holds multiple positions, the time and attention available for monitoring may decline. Prior studies show that busy executives are often associated with weaker governance outcomes because their responsibilities are spread across multiple roles (Harymawan et al., 2023; Wahab et al., 2025).

For audit committee chairs, multiple positions may reduce the time available to review financial reporting issues, evaluate tax-related risks, and challenge management decisions. This may give managers more room to pursue aggressive tax strategies. Although multiple roles may also provide broader experience, professional networks, and governance exposure, agency theory suggests that

excessive external commitments are more likely to weaken monitoring intensity. Based on this argument, the following hypothesis is proposed:

H₅: The number of positions held by the audit committee chair has a significant positive impact on corporate tax avoidance.

RESEARCH METHODS

Population, Sample, and Data Collection

This quantitative study investigates the impact of audit committee chair characteristics on corporate tax avoidance. This research focuses on Indonesian consumer cyclical firms listed on the Indonesia Stock Exchange (IDX) during the 2021–2023 period. The consumer cyclical sector was selected because firms in this sector are highly sensitive to economic fluctuations, consumer purchasing power, and post-pandemic recovery conditions. These characteristics make the sector relevant for examining corporate tax behaviour, particularly because firms facing unstable business conditions may have stronger incentives to manage cash flows through tax planning strategies.

Data for the audit committee chair characteristics were obtained from ESG Intelligence, a secondary database that compiles firm-level information from publicly available corporate reports, including annual reports, financial reports, governance disclosures, and sustainability-related documents of IDX-listed firms. The use of this database helps ensure consistency in identifying governance-related variables, including military connections, political connections, family affiliations, financial affiliations, and the number of positions held by the audit committee chair. Meanwhile, data for firm-level control variables, including profitability, leverage, firm size, capital intensity, and liquidity, were obtained directly from firms' financial reports available on their official websites and the IDX database.

The study population comprises 160 firms in the consumer cyclical sector. Using purposive sampling, a final sample of 77 firms was selected, yielding 141 firm-year observations. The criteria used for the purposive sampling technique are shown in Table 1. Firms that reported cash effective tax rate (CETR) values outside the interval of 0 and 1 were removed because such values may distort the interpretation of the tax avoidance proxy (Medhioub & Boujelbene, 2024; Stanley & Widianingsih, 2024). Furthermore, only firms with positive earnings before tax were included in the CETR calculation because negative pre-tax income may produce misleading effective tax rate values (Sánchez-Ballesta & Yagüe, 2021). Outliers were removed when observations showed extreme values that could substantially distort the regression estimation and residual distribution. This procedure was applied to reduce the influence of abnormal observations rather than merely to improve statistical normality.

Table 1 Research Observations

Description	Observations
Initial observations (160 × 3 years)	480
The firm was not listed on the IDX throughout 2021–2023	(68)
Incomplete data on audit committee chair characteristics	(25)
The firm did not publish financial reports for 2021–2023	(38)
The firm did not report cash taxes paid	(79)
CETR < 0 or CETR > 1	(99)
Outliers	(30)

Description	Observations
Final observations	141

Source: Compiled by Researchers, 2025

Measurement of Variables

Operational definitions of the variables used in this study are shown in Table 2. Following prior tax avoidance literature, this study controls for several firm-level characteristics commonly associated with corporate tax behaviour, namely profitability, firm size, leverage, capital intensity, and liquidity. Corporate tax avoidance is proxied by the cash effective tax rate (CETR), calculated as cash taxes paid divided by earnings before taxes. CETR has an inverse relationship with tax avoidance: a lower CETR indicates higher tax avoidance, while a higher CETR indicates lower tax avoidance (Khelil & Khlif, 2023). Therefore, the interpretation of regression coefficients must consider this inverse relationship. A positive coefficient on CETR indicates lower tax avoidance, whereas a negative coefficient on CETR indicates higher tax avoidance.

Table 2 Measurement of Variables

Variables	Description	Measurement	Source
Cash Effective Tax Rate (CETR)	Proxy for corporate tax avoidance	Cash taxes paid / Earnings before taxes	Dyreng et al. (2008, 2017)
Military Connection (HMC)	Military experience of the audit committee chair	Dummy variable: 1 if the audit committee chair served in the Army, Navy/Marine, Air Force, or police; 0 otherwise	ESG Intelligence
Political Connection (HPC)	Political experience of the audit committee chair	Dummy variable: 1 if the audit committee chair was a member of a political party, representative council, consultative assembly, regional representative body, central government, international organization, ministry, or served as a regional head; 0 otherwise	ESG Intelligence
Family Affiliation (HFY)	Family ties between the audit committee chair and the firm's controlling executives	Dummy variable: 1 if the audit committee chair has family affiliation within the firm; 0 otherwise	ESG Intelligence
Financial Affiliation (HFL)	Financial ties between the audit committee chair and the firm	Dummy variable: 1 if the audit committee chair owns any type of shares in the firm; 0 otherwise	ESG Intelligence
Number of Positions (NHP)	Total number of positions held by the audit committee chair	Total number of positions held	ESG Intelligence
Profitability (PFT)	A firm's ability to generate profits from its assets	Net income / Total assets	Iazzi et al. (2023)
Firm Size (FSZ)	Size of the firm	Ln(Total assets)	Abdelmoula et al. (2022)
Leverage (LEV)	The extent to which a firm is financed by debt	Total liabilities / Total equity	Khlifi et al. (2025)
Capital Intensity (CIT)	Proportion of total assets invested in fixed assets	Fixed assets / Total assets	Hendayana et al. (2024)
Liquidity (LIQ)	A firm's ability to meet short-term liabilities using current assets	Current assets / Current liabilities	Adela et al. (2023)

Source: Compiled by Researchers, 2025

Method of Analysis

This study uses multiple linear regression to examine the association between audit committee chair characteristics and corporate tax avoidance. Multiple linear regression is appropriate because the study examines several independent variables and control variables simultaneously (Marill & Lewis, 2004; Uyanik & Güler, 2013). Because the data consist of firm-year observations from 2021 to 2023, the analysis is conducted using a pooled regression approach. Year effects are included to control for differences in macroeconomic and regulatory conditions across the observation period, particularly because the period covers the post-pandemic recovery phase.

The regression model is specified as follows:

$$CETR_{it} = \beta_0 + \beta_1 HMC_{it} + \beta_2 HPC_{it} + \beta_3 HFY_{it} + \beta_4 HFL_{it} + \beta_5 NHP_{it} + \beta_6 PFT_{it} + \beta_7 FSZ_{it} + \beta_8 LEV_{it} + \beta_9 CIT_{it} + \beta_{10} LIQ_{it} + YEAR_{it} + \varepsilon_{it}$$

Where CETR represents the cash effective tax rate, HMC represents military connection, HPC represents political connection, HFY represents family affiliation, HFL represents financial affiliation, NHP represents the number of positions held by the audit committee chair, PFT represents profitability, FSZ represents firm size, LEV represents leverage, CIT represents capital intensity, and LIQ represents liquidity. The symbol *i* denotes firm, *t* denotes year, and ε represents the error term.

Classical assumption tests were conducted before interpreting the regression results. Normality was assessed using the Skewness-Kurtosis test, where residuals are considered normally distributed if the p-value exceeds 0.05. Multicollinearity was examined using the Variance Inflation Factor (VIF), with no serious multicollinearity concern when the VIF value is below 10. Heteroscedasticity was tested using the Breusch-Pagan/Cook-Weisberg test, where a p-value greater than 0.05 indicates the absence of heteroscedasticity.

To improve the reliability of statistical inference, the regression results are reported using robust p-values. Robust estimation is used to reduce potential bias in standard errors that may arise from non-constant error variance or extreme firm-level observations. Hypothesis testing is interpreted using the F-test, adjusted R-squared, and t-test results. Because the dependent variable is CETR, the direction of the coefficients is interpreted inversely in relation to tax avoidance. A positive coefficient indicates higher CETR and therefore lower tax avoidance, whereas a negative coefficient indicates lower CETR and therefore higher tax avoidance.

RESEARCH RESULT

Descriptive Statistics

Table 3 Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max
Cash Effective Tax Rate (CETR)	0.210	0.129	0.002	0.629
Military Connection (HMC)	0.043	0.203	0	1
Political Connection (HPC)	0.121	0.327	0	1
Family Affiliation (HFY)	0.0142	0.119	0	1
Financial Affiliation (HFL)	0.0142	0.119	0	1
Number of Positions Held (NHP)	3.780	2.423	1	13
Profitability (PFT)	0.093	0.394	-0.232	4.693
Firm Size (FSZ)	4.966	7.679	0.045	35.912
Leverage (LEV)	2.077	15.999	-1.023	190.307

Variable	Mean	Std. Dev.	Min	Max
Capital Intensity (CIT)	0.285	0.205	0.0003	0.970
Liquidity (LIQ)	4.216	10.919	0.037	126.091

Source: Processed by Researchers, 2025

Table 3 presents the descriptive statistics for all variables used in this study. The mean CETR is 0.210, or 21.00%, which is slightly below Indonesia's statutory corporate income tax rate of 22%. This suggests that, on average, the sampled firms paid taxes at a rate slightly lower than the statutory benchmark. However, this finding should be interpreted cautiously because the mean value does not necessarily indicate that the majority of firms engaged in tax avoidance.

For audit committee chair characteristics, the mean value of HMC is 0.043, indicating that 4.3% of the firm-year observations involve audit committee chairs with military connections. Meanwhile, the mean value of HPC is 0.121, suggesting that political connections are more common than military connections among audit committee chairs in the sample. Family affiliation and financial affiliation both have mean values of 0.0142, indicating that only a small proportion of audit committee chairs have family or financial ties with the firms they oversee.

The number of positions held by audit committee chairs has a mean value of 3.780, with a minimum of 1 and a maximum of 13. This indicates that audit committee chairs in the sample hold, on average, nearly four positions, with the busiest chair holding 13 positions. The sampled consumer cyclical firms have an average profitability of 9.3%, while the mean leverage value of 2.077 indicates that, on average, firms have liabilities that are approximately twice their equity. The mean capital intensity is 0.285, showing that around 28.5% of total assets are invested in fixed assets. The mean liquidity value of 4.216 suggests that, on average, the sampled firms have sufficient current assets to cover their short-term liabilities. Lastly, the mean firm size indicates that the firms in the sample vary considerably in scale, as reflected in the relatively high standard deviation of FSZ.

Classical Assumption Tests

Table 4 reports the results of the classical assumption tests. The Skewness/Kurtosis test produces a p-value of 0.0563, which is greater than 0.05. This indicates that the residuals are normally distributed after outlier treatment. The mean VIF value is 1.11, which is far below the commonly used threshold of 10, indicating that multicollinearity is not a serious concern in the model. The Breusch-Pagan/Cook-Weisberg test produces a p-value of 0.5318, which is greater than 0.05, suggesting that the model does not suffer from heteroscedasticity. Overall, the classical assumption test results indicate that the regression model is appropriate for further hypothesis testing.

Table 4 Classical Assumption Test

Description	Results
Skewness/Kurtosis Test	0.0563
Mean VIF	1.11
Breusch-Pagan/Cook-Weisberg Test	0.5318

Source: Processed by Researchers, 2025

Hypothesis Testing

Table 5 presents the multiple linear regression results, with CETR as the dependent variable. Because CETR is inversely related to tax avoidance, a positive coefficient indicates lower tax avoidance, while a negative coefficient indicates higher tax avoidance. The F-test result is significant, with Prob > F of 0.0003, indicating that the regression model is statistically significant and suitable for explaining variation in CETR. The adjusted R-squared value of 0.1563 suggests that the model explains 15.63% of the variation in CETR, while the remaining variation is explained by factors outside the model.

Table 5 Multiple Linear Regression Results

Description	CETR
HMC	0.24702*** (0.000)
HPC	-0.0030817 (0.923)
HFY	0.0974108 (0.255)
HFL	-0.2093963** (0.025)
NHP	0.0009292 (0.830)
PFT	-0.046966* (0.074)
FSZ	0.0014593 (0.822)
LEV	0.000121 (0.848)
CIT	-0.0867541 (0.115)
LIQ	-0.0005316 (0.578)
Prob > F	0.0003***
Adjusted R-squared	0.1563

Notes: robust p-values in parentheses, *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Source: Processed by Researchers, 2025

The results show that HMC has a positive and significant effect on CETR at the 1% level. This indicates that audit committee chairs with military connections are associated with higher CETR and, therefore, lower corporate tax avoidance. Thus, H1 is supported. In contrast, HFL has a negative and significant effect on CETR at the 5% level. This means that audit committee chairs with financial affiliations are associated with lower CETR and, therefore, higher corporate tax avoidance. Accordingly, H4 is rejected because the result is significant but opposite to the predicted direction.

The remaining audit committee chair characteristics, namely HPC, HFY, and NHP, do not show significant effects on CETR. This indicates that political connections, family affiliations, and the number of positions held by audit committee chairs do not significantly influence corporate tax avoidance in the sampled firms. Therefore, H2, H3, and H5 are rejected.

For the control variables, FSZ, LEV, CIT, and LIQ do not have significant effects on CETR. However, PFT has a negative and significant effect on CETR at the 10% level. Since lower CETR indicates higher tax avoidance, this finding suggests that more profitable firms tend to engage in higher corporate tax avoidance.

DISCUSSION

Military Connection and Corporate Tax Avoidance

The results indicate that military-connected audit committee chairs are associated with lower corporate tax avoidance. This conclusion is drawn from the positive and significant coefficient of military connection on CETR, which means that firms chaired by military-connected audit committee chairs tend to report higher cash effective tax rates. Since CETR is inversely related to tax avoidance, this result suggests lower tax avoidance. This finding supports H1 and indicates that military background may be relevant in explaining how audit committee chairs monitor tax-related decisions.

From an agency theory perspective, tax avoidance may create agency problems when managers use tax strategies to improve short-term financial outcomes while exposing the firm to legal, regulatory, or reputational risks. In this setting, the audit committee chair is expected to strengthen the monitoring of managerial decisions. A military-connected chair may bring a stronger orientation toward discipline, procedural compliance, and risk control, which can make the committee less tolerant of aggressive tax strategies. Prior studies suggest that individuals with military backgrounds are often associated with discipline, accountability, and structured decision-making (Harymawan et al., 2024; Pavićević & Keil, 2025). However, this interpretation should be made cautiously because this study does not directly measure personal values, ethical orientation, or the actual monitoring behaviour of the chair.

The result also provides a more nuanced view of military connections in Indonesian corporate governance. Wahab et al. (2024) found that firms with military-connected directors may engage in higher tax avoidance, partly because such connections can provide access to regulatory information and reduce external pressure for transparency. In contrast, this study focuses specifically on the audit committee chair, whose formal role is supervisory rather than executive. This difference may explain why military connections at the audit committee chair level are associated with lower, rather than higher, tax avoidance. The finding therefore suggests that the governance effect of military connections may depend on the position occupied within the firm. When military background is located in a monitoring role, it may strengthen compliance-oriented oversight; when it is located in an executive or strategic role, its implications may differ.

Political Connection and Corporate Tax Avoidance

The results show that politically connected audit committee chairs do not have a significant effect on corporate tax avoidance. The coefficient of political connection is not statistically significant, indicating that political background does not systematically explain variation in CETR among the sampled firms. Therefore, H2 is not supported.

This finding suggests that political connections may not automatically translate into more aggressive or more conservative tax behaviour when the connection is held by the audit committee chair. From an agency theory perspective, political connections can work in different directions. On

the one hand, politically connected individuals may provide access to networks, regulatory information, or informal protection, which could reduce the perceived cost of tax avoidance (Almutairi & Abdelazim, 2025; Rashid et al., 2024). On the other hand, political visibility can also increase reputational exposure, making firms more cautious in engaging in tax strategies that may attract public or regulatory attention.

The insignificant result may indicate that these two possibilities offset each other. Political connections may provide access, but they may also bring reputational risk. As a result, the presence of a politically connected audit committee chair does not consistently push firms toward either higher or lower tax avoidance. In Indonesia, where political-business relationships are common but increasingly exposed to public and regulatory scrutiny, political ties may function more as a legitimacy or networking resource than as a direct influence on tax decisions. Another possible explanation is that the audit committee chair's political background may not be sufficiently related to technical tax oversight. Tax avoidance decisions often require detailed financial, accounting, and regulatory judgement, and political experience alone may not determine how the committee evaluates such matters.

Family Affiliation and Corporate Tax Avoidance

The results indicate that family-affiliated audit committee chairs do not significantly affect corporate tax avoidance. Although the coefficient is positive, it is not statistically significant, meaning that family affiliation cannot be concluded to reduce or increase tax avoidance in the sampled firms. Thus, H3 is not supported.

This finding can be understood from the mixed role of family affiliation in corporate governance. Family affiliation may encourage long-term orientation because family-related actors often have incentives to protect firm continuity, reputation, and socioemotional wealth (Khelil & Khlif, 2023; Souguir et al., 2024). From this view, a family-affiliated audit committee chair may be expected to discourage aggressive tax avoidance when such practices threaten the firm's reputation or create future regulatory costs.

At the same time, family affiliation may weaken the chair's independence, especially when family interests are closely tied to ownership control or internal decision-making. A family-affiliated chair may be less willing to challenge management or controlling shareholders when tax strategies are considered beneficial for the firm or family group. This creates a tension between long-term reputation protection and reduced independent monitoring. The insignificant result suggests that neither effect dominates in this sample. Family ties may support long-term orientation, but they may also limit the chair's ability to act as an impartial monitor.

The low occurrence of family affiliation in the sample may also help explain the insignificant result. The descriptive statistics show that only a small proportion of audit committee chairs have family affiliation, which may limit the statistical power to detect its effect. Therefore, the finding should not be interpreted as evidence that family affiliation is irrelevant in all settings. Rather, within the sampled consumer cyclical firms, family affiliation does not appear to be a decisive factor in explaining corporate tax avoidance.

Financial Affiliation and Corporate Tax Avoidance

The results show that financial affiliation of the audit committee chair is associated with higher corporate tax avoidance. This conclusion is based on the negative and significant coefficient of

financial affiliation on CETR. Since lower CETR indicates higher tax avoidance, the result suggests that firms whose audit committee chairs have financial ties to the firm tend to engage in higher tax avoidance. Therefore, H4 is rejected because the result is significant but opposite to the predicted direction.

Agency theory helps explain this result through the issue of independence. The audit committee is expected to monitor management and reduce agency problems, but this function may weaken when the chair has a direct financial interest in the firm. A chair who owns shares may become more sensitive to short-term financial outcomes, including cash flow preservation and reported profitability. In this situation, tax avoidance may be viewed less as a governance risk and more as a strategy to retain cash within the firm. This does not mean that financially affiliated chairs intentionally encourage non-compliance. Rather, their financial stake may make them more tolerant of tax planning that improves short-term financial performance.

This finding also indicates that financial affiliation may create a tension between ownership alignment and monitoring independence. Prior theory often assumes that share ownership aligns decision-makers with shareholders. However, the result of this study suggests that, for audit committee chairs, financial affiliation may have a different implication. Because the chair's role is to monitor rather than manage, direct financial ties may blur the boundary between independent oversight and personal economic interest. As a result, the chair may be less inclined to oppose tax strategies that appear beneficial to firm value, even when those strategies increase tax-related risk.

The sectoral and temporal context may also matter. The study focuses on consumer cyclical firms during 2021–2023, a period shaped by post-pandemic recovery and business uncertainty. Consumer cyclical firms are sensitive to changes in purchasing power and economic conditions. Under such conditions, firms may place greater emphasis on liquidity and financial stability. Financially affiliated audit committee chairs may therefore be more accepting of tax strategies that help preserve cash flows, especially when firm performance remains vulnerable. This interpretation is consistent with studies showing that tax avoidance may increase during periods of financial pressure or economic disruption (Athira & Ramesh, 2023; Sanoran, 2025). Nevertheless, the study does not directly test crisis-related motivation, so this explanation should be treated as a contextual interpretation rather than a causal conclusion.

Number of Positions Held and Corporate Tax Avoidance

The results indicate that the number of positions held by the audit committee chair does not significantly affect corporate tax avoidance. The coefficient of NHP is not statistically significant, suggesting that holding more positions does not consistently explain variation in CETR among the sampled firms. Therefore, H5 is not supported.

From an agency theory perspective, this result suggests that busyness alone may not be enough to determine the chair's monitoring effectiveness. The initial expectation was that multiple positions could reduce the time and attention available for overseeing financial reporting and tax-related decisions. Prior studies also indicate that excessive commitments may weaken governance effectiveness when responsibilities are spread across several roles (Harymawan et al., 2023; Wahab et al., 2025).

However, the insignificant result suggests a more cautious interpretation. The disadvantages of holding multiple positions may be offset by the benefits of professional experience, broader networks, and governance exposure. Audit committee chairs who hold several roles may face time

constraints, but they may also accumulate knowledge from other firms and committees that helps them understand complex governance and tax issues. Related studies suggest that busyness can bring experience and reputation benefits when individuals are able to manage their responsibilities effectively (Fayad et al., 2025; Khatib & Sulimany, 2025; Sulub & Haron, 2025).

Therefore, the finding does not support the view that multiple positions automatically weaken tax monitoring. It suggests instead that the quality of oversight may depend more on competence, independence, and actual involvement than on the number of positions alone. This may also explain why NHP has no significant effect in the model. The number of positions is a simple quantitative measure and may not fully capture how much time the chair devotes to each role, how demanding those roles are, or how actively the chair participates in audit committee activities. Future research could refine this variable by distinguishing between executive and non-executive positions, internal and external appointments, or the complexity of each role.

CONCLUSION

Corporate tax avoidance remains an important governance and fiscal issue in Indonesia. This study examines whether audit committee chair characteristics influence corporate tax avoidance among Indonesian consumer cyclical firms during the 2021–2023 period. Using 141 firm-year observations and multiple linear regression, this study investigates five characteristics of audit committee chairs: military connection, political connection, family affiliation, financial affiliation, and the number of positions held. Corporate tax avoidance is proxied by the cash effective tax rate (CETR), where higher CETR indicates lower tax avoidance and lower CETR indicates higher tax avoidance.

The findings show that military-connected audit committee chairs are associated with lower corporate tax avoidance. This result suggests that military background may support a more compliance-oriented monitoring role within the audit committee. In contrast, financial affiliation is associated with higher corporate tax avoidance, indicating that share ownership or financial ties may weaken the chair's independence and increase tolerance toward tax strategies that preserve firm cash flows. Meanwhile, political connection, family affiliation, and the number of positions held by the audit committee chair do not show significant effects on corporate tax avoidance. These findings indicate that not all background characteristics of audit committee chairs carry the same governance implications.

Theoretically, this study extends the literature on corporate tax avoidance by showing that the audit committee chair should not be treated merely as part of the audit committee structure. The personal background and affiliations of the chair may shape how tax-related monitoring is carried out, particularly when the chair has military or financial ties. Practically, the findings suggest that firms should consider not only formal independence requirements but also the chair's background and potential conflicts of interest when appointing audit committee chairs. For investors, these characteristics may serve as additional governance signals when assessing tax-related risk. For tax regulators, the findings indicate that governance attributes, especially financial affiliations of audit committee chairs, may be useful in developing more targeted tax risk monitoring.

This study has several limitations. First, audit committee chair characteristics are measured using dummy variables, which may not fully capture the depth, strength, or type of connection and affiliation held by each chair. Second, the sample is limited to consumer cyclical firms, so the findings may not be generalizable to all sectors. Third, this study uses CETR as the main proxy for

tax avoidance, while other measures may capture different aspects of corporate tax planning. Future research may extend the analysis to other sectors, use alternative tax avoidance proxies, and distinguish between different forms of military, political, family, and financial connections. Further studies may also examine whether the effect of audit committee chair characteristics differs across periods of economic stability and financial pressure.

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