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TAX AVOIDANCE IN ISLAMIC BANKING: THE PROMINENT ROLE OF BOARD DIRECTOR EXRPERTISE

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Abstract

This study examines the effect of board director expertise, political connection, and joint audit on tax avoidance. Specifically, a joint audit is the moderating variable in that relationship. This study uses a purposive sampling method where the sample was generated from the Islamic banking industry from 2012 to 2021 with 11 companies. Further, the data was analyzed using the multiple regression method. The results showed that board director expertise could boost the company's tax avoidance practice. The high understanding of directors on accounting, particularly tax regulations, enhances their possibility of using the regulations' loopholes to decrease the company's payable tax. This result is highly supported by upper echelon theory, which postulates that the ability of the top management level (i.e., board of director) is created by their experience, value, and personality. Hence, their expertise is sufficient to influence tax avoidance. On the other hand, the remaining variables tested did not show a significant effect. This result highlighted the importance of the company's consideration in choosing their expertise. Again, the board director's expertise is the most prominent factor instead of political connection and joint audit on tax avoidance.
Keywords: expertise of board directors, Islamic banking, joint audit, tax avoidance, political connection
JEL: M40, M41, M48

Abstrak

Penelitian ini menguji pengaruh kecakapan dewan direksi, koneksi politik dan *joint audit* terhadap penghindaran pajak. Secara khusus, *joint audit* dilakukan sebagai variabel moderasi dalam hubungan tersebut. Penelitian ini menggunakan metode *purposive sampling* dimana sampel diperoleh dari industri perbankan syariah periode 2012-2021 dengan jumlah 11 perusahaan. Selanjutnya data dianalisis dengan menggunakan metode regresi linier berganda. Hasil penelitian menunjukkan bahwa kecakapan dewan direktur dapat meningkatkan penghindaran pajak perusahaan. Hasil ini didukung oleh *upper echelon theory* yang menyatakan bahwa kemampuan tingkat manajemen puncak (salah satunya dewan direktur) dibentuk oleh pengalaman, nilai, dan kepribadian mereka. Oleh karena itu, kecakapan yang mereka miliki dapat mempengaruhi penghindaran pajak. Di sisi lain, variabel yang diuji lainnya justru tidak menunjukkan pengaruh yang signifikan. Berdasarkan hasil penelitian ini, perusahaan dapat menjadikan kecakapan dewan direktur sebagai pertimbangan utama ketika nantinya memilih susunan dewan direktur. Kembali merujuk pada hasil penelitian ini, kecakapan dewan direktur merupakan faktor yang paling penting dibandingkan koneksi politik dan *joint audit* ketika dikaitkan dengan penghindaran pajak.
Kata Kunci: joint audit, kecakapan direksi, koneksi politik, penghindaran pajak, perbankan syariah
JEL: M40, M41, M48

INTRODUCTION

Indonesia has various types of banking, from commercial to Islamic and foreign banks. Islamic banks directly impact the economy when joining the global system (Anwar et al., 2020). The phenomenon of tax avoidance in the Islamic commercial banking industry is the indecisiveness of the tax law regulations in Murabaha, where Murabaha is a sale and purchase transaction in which the bank makes a profit (Bank Syariah Indonesia). According to the regulation of the Directorate General of Taxes 1071/PJ.53/2003, Murabaha buying and selling activities by Islamic Commercial Banks do not include services in the banking sector exempt from value-added tax (VAT).

Sharia values are widely reflected in corporate governance. Corporate governance is the relationship between directors, employees, managers, shareholders, and stakeholders (Kovermann & Velte, 2019). An essential component of corporate governance is the financial expertise of directors, which helps them to be more effective in managing the company (El-Ammari, 2022). The director's expertise in business strategy will save the corporation's burdens, among which is the tax burden. Directors with deep expertise will utilize the opportunity to cut down on taxes. Accordingly, Alshirah et al. (2020) argues that financial expertise positively affects tax avoidance when this business strategy is considered to have no risk. Besides, the discussion related to the board expertise can be branched from upper echelon theory, which states that the current ability of the top management level was created by their experience, values, and personality (Hambrick, 2007). Therefore, the board of directors' expertise is arguably an exciting factor to be further examined.

Business is closely related to political connections; some are exploited for business advantage. The Islamic banking sector is supported by the proof that large Islamic banking is developed in countries such as Indonesia and others with relationship-based economies and high political participation in the business world (Khelil et al., 2022). Political relations are considered corporate tax planning and implementing a business strategy to resolve institutional challenges, such as property rights in developing countries and investor protection by the law. Therefore, political connections in developing countries are more dependent than in developed countries (Jizi, 2018). Business transactions are increasing, and the demand for audit quality is very high. According to Zahn (2022), joint audits provide more opportunities for the auditor to disclose conflicts with company management regarding an accurate and fair assessment of the financial statements.

Tax avoidance is becoming more common due to the emergence of loopholes in the tax code (Directorate General of Taxes). If a company's income is more significant, it will affect the payment of larger taxes and vice versa. Therefore, tax avoidance is likewise relevant to the Indonesian banking industry. In particular, this research was developed from previous research by Ajili (2020), which examined the political relationship between tax avoidance and joint audit as moderating variables. Subsequent research contributes to the literature on Islamic banks and stakeholders such as boards, auditors, and governments. Therefore, adding corporate governance (expertise board of director) variables in this study is a novel contribution compared to the existing studies.

The result showed that only the board of directors' expertise influences tax avoidance. Furthermore, the higher the board of directors' ability, the lower the tax avoidance is conducted by the company. Unfortunately, the remaining variables, political connection and joint audit, did not show a significant effect. Based on these results, the researcher could propose a practical suggestion where the best consideration for the company choosing its board of directors is levied on the board's expert candidates, which covers their ability in accounting, economics, business, and law scope. Meanwhile, they can neglect the political connection and joint audit factor.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Board of director expertise and tax avoidance

The board of directors is also the individual who represents the shareholders' concerns. The board of directors is chosen as the influential person of corporate governance to ensure that assets are adequately protected as described in OJK regulation No.10/POJK.04/2018 regarding the performance of investment manager governance. Government regulations and the organizational framework itself predetermine the roles and duties of the board of directors.

The main strength of Islamic finance in Indonesia from a corporate governance point of view is profit and income that can be maximized while minimizing taxation costs (Naheed R, 2021). Corporate tax planning is carried out by directors with financial expertise to benefit the company. The tax planning strategy aims to improve the implementation of tax avoidance (Seidu, 2021). Properly handled corporate taxes can minimize a company's costs and increase its cash flow.

Tax avoidance is perceived to be beneficial, particularly for businesses, but it also introduces several risks. According to Ahmed H (2020) the expertise of directors is positively related to the level of risk disclosure. Financial expertise can be acquired through education or experience in accounting. Accounting positions such as public accountant, chief financial officer (CFO), or finance officer may be available.

According to Taufik (2022), CEOs and directors with financial expertise admit a positive relation with tax avoidance and pursue tax avoidance more aggressively. In addition, Oussii & Boulila (2021) argued that those with previous experience or expertise in companies will make good decisions about tax avoidance. Therefore, expertise and experience will affect the strategy used to operate the company. Based on this description, then:

H1: Directors' financial expertise positively affects tax avoidance in the Islamic banking industry.

Political connection and tax avoidance

Industries that are politically connected have a particular connection with the government. A special relationship with the government can be interpreted as a government-owned company. It can be in the form of State-Owned Enterprises (SOE) or Regional-Owned Enterprises (ROE). Caiffa & Giosi (2020) profess to have examined the impact of political connections in SOE.

Staying protected from potential risks is one of the advantages of having political connections, according to Fan & Chen. (2022), where the research focuses on the relationship between tax avoidance and risk and shows how management reduces tax payments less to help businesses maintain profits. Second, the company's political connections provide access to information about future tax laws, enabling it to adopt complex taxation techniques (Khelil at al., 2022).

Companies with political connections with the government will perform better than others (Abdani F, 2020). Based on the analysis by Khelil (2022) companies that have political relations have more aggressive tax rates than companies that are not connected. According to Asutay & Sidek (2021), research results prove that political relationships admit a positive fallout on tax avoidance in manufacturing corporations. This is consistent with the notion that politically connected firms benefit from obtaining or maintaining lower tax rates. This research focuses on case studies of Islamic banking in Indonesia, which must be based on sharia regulations. Based on the description, then:

H2: There is a positive relationship between political connections and tax avoidance in the Islamic banking industry.

The moderating role of joint audit in the relationship between the expertise of the board director and tax avoidance

The critical role of the board of directors in the banking industry is to ensure the continuity of policies and management of banking operations per corporate governance mechanisms. In corporate governance, they are primarily responsible for recommending that at least one director should have expertise (Jizi & Nehme, 2018) Director expertise is essential in developing financial statements and strategies in corporate taxation. Previous studies have stated that board characteristics such as expertise significantly affect tax avoidance (Alam et al., 2020).

A joint audit with the auditor indirectly reduces the corporate capability to avoid taxes due to significant tax book differences, a red flag detected by the tax authorities (Kharuddin ,2021) This relates to the central role of an auditor, which is to present statements of financial that are lugged out relatively by accounting principles. The board of directors' decisions will be affected if the financial statements are conferred reasonably. If the auditor presents financial statements with high audit quality, directors and managers are not motivated to avoid tax avoidance (Van-der-Zahn & Tebourbi, 2022). Established on the description above, the hypothesis keywords are:

H3: Joint audit moderates the relationship between the expertise of the board of directors and tax avoidance.

The moderating role of joint audit in the relationship between political connection and tax avoidance

The political connection of a country is related to public policy for doing business (Proença, Augusto & Murteira, 2020). The growing business in Indonesia causes companies to take advantage of political connections to protect themselves from the tax authorities. Therefore, it can be argued that political connections can influence tax aggressiveness (Fan & Chen, 2022).

Companies that choose to conduct joint audits can encourage the aspect of financial reports. According to Tessema, A. (2020), it is better to produce good audit quality by using big-four firms rather than non-big-four audit firms. The big four public accounting firms are considered to have competence and a high level of audit quality.

The auditor's role in auditing a company is to ensure that there are no material misstatements in the financial statements, whether caused by errors or fraud. According to Tessema (2020), companies with political connections will choose Big Four auditors because they signal to parties outside and inside the company that it is transparent. It also shows that good-quality financial reports will help prevent expropriation by dominant internal parties and their political interests. In addition, companies that use the services of extensive public accounting firms have lower fraud rates, and it is increasingly challenging to implement tax avoidance policies (Van-der-Zahn & Tebourbi, 2022). Established on the description above, the keywords with the hypothesis are:

H4: Joint audit moderates the relationship between political connection and tax avoidance.

RESEARCH METHOD

Sample Design

This study uses a quantitative approach. The data used is in the Islamic Banking sector listed on the Financial Services Authority for 2012-2021. Purposive sampling was used to choose the research sample, where the method uses specific criteria in sample selection:

1. Sharia general banking companies for 2012-2021 enrolled with the Financial Services Authority.
2. Companies that release annual reports for the years 2012-2021.
3. Sharia companies with non-negative effective tax rates measure the extent to which companies maximize existing tax incentives.

The data gathered will be analyzed using multiple regression analysis. Before conducting those tests, the data must pass all classical assumption tests, such as normality, heteroscedasticity, multicollinearity, and autocorrelation. The following formula shows the variables examined in this study:

$$Tax\ Avoidance = \beta_0 + \beta_1.Expertise + \beta_2.Political\ Connection + \beta_3.Joint\ Audit + \beta_4.Expertise*Joint\ Audit + \beta_5.Political\ Connection*Joint\ Audit + \beta_6.ROA + \beta_7.Leverage + \beta_8.Intangible\ Asset + \beta_9.Capital\ Intencity + \beta_{10}.Size + \beta_{11}.Zakat + \varepsilon$$

RESULT AND DISCUSSION

Descriptive Statistics

Table 4.2 presents descriptive statistics such as the mean, as well as the standard deviation, the maximum, and the lowest.

Tabel 1. Descriptive Statistic

	N	Minimum	Maximum	Mean	Std. Deviation
Expertise of BOD	110	2.00	7.00	3.7545	0.04211
Political Connection	110	0.00	1.39	0.2544	0.40776
Tax Avoidance	110	-12.24	8.72	0.4360	1.63747
Joint Audit	110	0.00	1.00	0.4545	0.50021
Return on Asset	110	-0.35	22.52	0.2908	2.03800
Financial Leverage	110	0.00	8.26	0.5513	0.71937
Intangible Asset	110	0.00	0.45	0.0100	0.03977
Capital Intensity	110	0.00	17.96	0.1639	1.49318
Bank Size	110	13.26	31.27	20.7154	5.30504
Zakat	110	-0.12	28.56	0.7868	3.95433
Valid N (listwise)	110				

Source: Data Proceed (2022)

The expertise of the BOD variable has the smallest amount of 2 and a maximal appraisal of 7. In addition, the expertise of board directors has an average value of 3.75 (375%) with a standard deviation of 0.042. The political connection variable has the smallest amount of 0.00 and a maximum of 1.39. In addition, the average amount is 0.025, smaller than the standard deviation value of 0.407. The tax avoidance variable averages 0.436 (43.6%), smaller than a standard deviation value of 1.637 (163.7%). The joint audit variable has the smallest amount of 0 and a maximum amounts of 1. This joint audit variable averages 0.454 (45%), smaller than the standard deviation value of 0.500(50.0%). ROA variable has a smaller average value of 0.290 than a standard deviation value of 2.038, so the data distribution is wide. The ROA variable has the smallest amount of -0.35 and the maximum amount of 22.52. The financial leverage variable has a medium amount of 0.55 (55%) with a standard deviation of 0.71 (71%), and the LEV variable has the smallest amount of 0.00 and a maximal amount of 8.26. INTANG variable has a smaller average value of 0.010 (01.0%) than a standard deviation value of 0.039 (03.9%), the smallest amount of 0.00, and a maximum value of 0.45. The CINT variable has the littlest amount of 0.00, a maximal amount of 17.96, an average amount of 0.163, and a standard deviation of 1.493. The bank size variable has a higher average of 20.71 with a standard deviation value of 5.30, so the data assessment is good. In addition, size has the smallest amount of 13.26 and the maximal amount of 31.27. The Zakat variable has the smallest amount of -0.12 and the maximum of 28.56. In addition, the ZAKAT variable has an average value of 0.786 and a standard deviation of 3.954.

Normality Test

Based on the conclusion of Table 4.3.1, the Asymp. Value Sig. (2-tailed) is 0.200 > α (0.05) because 0.200 (0.2) is closer to 1 than 0.05, then H0 is approved, which means the error is usually distributed.

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		110
Normal Parameter	Mean	0.0000000
	Std. Deviation	1.12691110
Most Extreme Differences	Absolute	0.051
	Positive	0.036
	Negative	-.051
Test Statistic		0.051
Asymp.Sig. (2-tailed)		0.200[c,d]

Source: Data Proceed (2022)

Multicollinearity Test

As established in the table, it can be depicted that the tested variable has a VIF value <10 or a tolerance value > 0.01, which indicates that there is no multicollinearity.

Table 3. Multicollinearity Test

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Expertise of BOD	0.895	1.117
Political Connection	0.826	1.210
Joint Audit	0.861	1.162
Return on Asset	0.807	1.239
Financial Leverage	0.815	1.227
Intangible Asset	0.429	2.332
Capital Intensity	0.450	2.222
Bank Size	0.762	1.313
Zakat	0.936	1.068

Source: Data Proceed (2022)

Autocorrelation test

Based on Table 4.3.3, Chi-Square counts 2.31 (N*R Square; 110*0.021). At the same time, the table of Chi-Square is 16.918 (Df = 9, α 0.05). The analysis shows that the Count of Chi-Square is 2.31 < Table Chi-Square is 16.918; it can be concluded that the data does not show autocorrelation symptoms.

Table 4. Autocorrelation Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.143[a]	0.021	-0.089	0.48700424

Source: Data Proceed (2022)

Heteroscedasticity test

Based on Table 4.3.4, in the Glejser test, all independent variables (Expertise of BOD, Political Connection, Joint Audit, Return on Asset, Financial Leverage, Intangible Assets, Capital Intensity, Bank Size, Zakat) to a residual value have a significant value > 0.05, which means that there is lack heteroscedasticity.

Table 5. Heteroscedasticity Test

Model		T	Sig.
1	(Constant)	0.247	0.883
	Expertise of BOD	0.037	0.970
	Political Connection	0.152	0.880
	Return on Assets	0.432	0.666
	Financial Leverage	3.727	0.560
	Intangible Assets	-1.005	0.317
	Capital Intensity	-0.883	0.379
	Bank Size	-1.771	0.080
	Zakat	0.266	0.791
	Joint Audit	-0.094	0.925

Source: Data Proceed (2022)

F-Test

As established in Table 4.4, it can be concluded that H0 is refused and H1 is approved. This can be depicted from the calculated F value, equivalent to 4.326, while the resulting significance value is 0.000 < 0.05. Consequently, it is possible to conclude that the multiple regression method is practicable and that the independent variables interact with the dependent variable simultaneously.

Table 6. F-Test Result

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	6.687	11	.608	3.466	.000[b]
	Residual	14.907	85	.175		
	Total	21.594	96			

Source: Data Proceed (2022)

R-square Test

In the regression model, the determination coefficient shows how much influence the independent variables have on the dependent variable. The well-adjusted R square value is 0.310. Consequently, the independent variable is adept at clarifying the dependent variable, namely tax avoidance of 31.0%, while the resting 69.0% is influenced by another aspect not included in the research model.

Table 7. R-Square Test

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.556[a]	0.310	0.220	0.41878

Source: Data Proceed (2022)

Multiple linear regression analysis

Table 8. Regression Analysis Test

Coefficients						
	Unstandardized Coefficients		Standardized Coefficients			
Model	B	Std. Error	Beta	T	Sig.
1 (Constant)	2.507	0.676		3.710	0.000
Expertise of BOD	-0.090	0.188	-0.048	-0.476	0.025
Political Connection	-0.024	0.319	-0.008	-0.074	0.941
Joint Audit	0.433	0.619	.456	0.699	0.486
Return on Assets	0.114	0.026	.491	4.385	0.000
Financial Leverage	0.051	0.053	.096	0.961	0.339
Intangible Assets	0.003	0.019	.016	0.146	0.884
Capital Intensity	0.002	0.039	.005	0.043	0.966
Bank Size	-0.398	0.208	-.207	-1.916	0.059
Zakat	-0.006	0.020	-.031	-0.302	0.764
Expertise BOD*Joint Audit	-0.327	0.332	-0.653	-0.986	0.327
Political Connection*Joint Audit	0.149	0.242	0.079	0.616	0.539

Source: Data Proceed (2022)

T table = t (α/2; n-k-1); t (0.05/2; 110-11-1); t (0.025;99) = 1.98422 and have significant effect if the <0.05. The conclusion of the analysis of t test expertise of board directors (X1) with a significant value of 0.025. This means that the expertise of the board director has a significant sequel on tax avoidance. Political connection with a significant level of 0.941. This means that the political connection does not affect tax avoidance. Joint audit with a significant level of 0.486. This means that the joint audit does not affect the tax avoidance. Return on Assets (ROA) with a significant level of 0.000. This means that the ROA has a significant sequel on tax avoidance. Financial Leverage (LEV) has a significant level of 0.339. This means the Financial Leverage (LEV) has no fallout on tax avoidance. The decision to analyze the t-test Intangible Assets (INTANG) with a significant level of 0.884. This means that the INTANG has no fallout on the tax avoidance. Capital Intensity (CINT) has a significant level of 0.966. This means that the CINT has no fallout on the tax avoidance. Bank Size (SIZE) has a significant level of 0.460. This means that the SIZE has no fallout on the tax avoidance. ZAKAT with a significant level of 0.025. This means that the ZAKAT has a significant fallout on tax avoidance. Moderating variable joint audit at the relationship expertise of board directors and tax avoidance with a significant level of 0.327. This means that the joint audit of the relationship expertise of board directors has no fallout on tax avoidance. Moderating variable joint audit at the relationship political connection and tax avoidance with a significant level of 0.539. This means the joint audit of the relationship political ties has no fallout on tax avoidance.

Expertise of Board Directors on Tax Avoidance

The CETR (cash effective tax rate) is well-used in this study to part tax avoidance. From the results of Table 4.6, a significant value is 0.025 ≤ 0.05, which indicates that the expertise of directors influences tax avoidance in Islamic banking. In addition, the expertise of board directors has a negative coefficient value of -1.213, which means that the expertise of board directors has a low CETR level. So, the decrease in CETR, the higher the level of tax avoidance. The higher the CETR, the lower the tax avoidance. Based on this explanation, H1 is approved.

With their expertise, directors can contribute to corporate governance as a resource to advance corporate performance, such as improving company financial performance, one of which is effective tax performance. Increasing the joint expertise of the board directors will give managers greater impetus to develop corporate strategy and taxation. These results align with Seidu (2021), stating that using tax planning strategies and director expertise in a company can help minimize the tax burden. In addition, directors who have experience or expertise in the company will make good decisions about tax avoidance (Naheed R, 2021). This finding is different from Taufik (2022) inquiry, which suggests that the financial expertise of the board directors has a different relationship with tax avoidance depending on the level of corporate profits.

Political Connection to Tax Avoidance

Political connection has a negative coefficient value of -0.024, which means that the political connection has a low CETR level. So, the decrease in CETR, the higher the level of tax avoidance. In addition, political relations have a significance value of 0.941 > 0.05, with no significant effect on tax avoidance. Hence, H2 is rejected. This proves that the trick of tax avoidance by Islamic banking companies is not influenced by these companies having ties to the government or politics.

The number of politically connected boards of directors and commissioners cannot influence tax avoidance. There is no prohibition on the board directors and board commissioners in office having concurrent positions in the government sector by OJK Regulation Number 21/POJK/2015. The board of commissioners and directors who hold concurrent positions do not try to exploit their political connections to cut down the company's tax burden. Political connections have no effect because companies that the government mainly owns in the Regulation of the Minister of Finance Number 71/PMK.03/2010 mention that they are low-risk taxpayers. In addition, the board of directors and board of commissioners are determined and evaluated by the government by considering the tax contribution to the state. Therefore, the company will maintain a good image for sustainability (Basiruddin, 2020)

The statement of this study is consistent with those of Abdani (2020) that political connections have no fallout on tax avoidance, and El-Ammari (2022) has a negative but no significant effect on tax avoidance. However, these results differ from Asutay & Sidek (2021), who state that political connections affect tax avoidance in Indonesian non-financial companies and manufacturing companies.

Moderating the role of joint audit in the relationship between the expertise of board directors and tax avoidance

Results show that H1 states that the variables X and Y have a positive effect. Table 4.6 explains that the expertise of the directors moderated by the joint audit has a significant value of 0.327 > 0.05, meaning that it has no fallout on tax avoidance. Based on the analysis of the study, it appears that joint audits conducted by Islamic banking companies weaken the expertise of directors' relations and tax avoidance.

Companies that implement good governance will impact how the corporation develops. The most influential person in the company's organizational structure is the director. According to Alhababsah (2021), external auditors have independence in calculating taxes owed by companies. In addition, joint audits with external auditors will not be affected by other parties because the auditors carry out their functions and duties by general control to avoid tax avoidance.

Moderating the role of joint audit in the relationship between political connection and tax avoidance

Results shown in Table 4.6 show that political connections moderated by joint audits have a significant value of 0.539 > 0.05 for tax avoidance. According to the research authors, joint audits by Islamic banking companies did not moderate the relationship between political ties and tax avoidance.

The existence of political connections within the company raises the perception that tax audits are low. Companies that have a relationship with the government will not undermine the government's trust by not doing tax avoidance. Joint audits by external auditors have no effect. Their companies do not choose to be audited by big-4 auditors because they already have the government's trust (Restuti, 2019).

CONCLUSION

The scope of this study was to actuate the influence of the expertise of the board of directors and political relations on tax avoidance moderated by a joint audit. The regression shows that the director's expertise significantly affects tax avoidance. In addition, the regression shows that political relations have no significant effect on tax avoidance. Furthermore, the joint audit cannot moderate the relationship between board director expertise, political connection, and tax avoidance.

Based on the statistical result, it can enrich both practical and theoretical fields. In practical scope, this result shed the importance of considering the board of directors' ability instead of any other factors, such as joint audit and political connection, primarily when the company mainly focuses on tax avoidance. Upper echelon theory postulates that the ability of the top management level is carried out by experience, value, and personality. The ability reflects this in economics, accounting, business, and law. When the board of directors, particularly the finance director, has this ability, it could decrease the possibility of a company doing tax avoidance. In addition, from a theoretical scope, this research used the Islamic banking sector, which is rarely examined in tax avoidance literature. Besides, this study successfully extended Ajili (2020), which calls for further examination of board directors' expertise.

Several limitations were found in this research. First, this study used a limited sample of only 11 companies and ten years in the 2012-2021 period of Islamic banking company entry with the Financial Services Authority. Second, this study only looks at it from the perspective of political connections and the expertise of directors. Third, joint audits with Big-4 external auditors have not been found in many Islamic banking companies. According to the existing constraints, this study also provides recommendations for future researchers. They first added or expanded research objects in other sectors, such as non-Islamic banking and other sectors, as examples to achieve research results. Second, Proxies for political connections should be added to research on companies that are registered as State-Owned Enterprises. Third, Future researchers can try measuring tax avoidance that can be proxied by other measures besides CETR.

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