

# An Empirical Investigation of Tax Avoidance and Earnings Persistence: Evidence from Indonesia

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## ABSTRACT

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This study examines the relationship between tax avoidance and earnings persistence among Indonesian public listed firms. We utilized a pooled sample regression of 869 firm year observations from 2019-2021. We documented that tax avoidance practices significantly reduce earnings persistence, and better ownership control by foreign ownership amplifies this finding. Financial adherence and compliances such as better audit quality also play a significant role in increasing earnings persistence among Indonesian public listed firms. However, IFRS adherence is insignificant. The novelty of this research is to provide insightful findings pertaining to tax and earnings persistence behavior in Indonesia by integrating non-financial variables such as government and foreign ownership. Despite that, a limitation of this research may include not studying the Covid pre- and post- conditions of the Indonesian financial landscape in its relation to tax and earnings persistence. The practical implication of this research is on-point, which is to provide recommendations to the Indonesian government to strengthen control over tax avoidance and evasion among Indonesian firms, which may impact the social welfare of Indonesia as taxes are supposed to or ideally be used for building the infrastructure of the country.

JEL Codes: H26, G32, M41

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