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The Effect of Prudence and Financial Distress on Tax Avoidance with Independent Commissioners as A Moderation Variable

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Abstract:
This study aims to analyze the influence of prudence and financial distress against tax avoidance with an independent commissioner as a moderation variable. This study uses quantitative analysis by utilizing secondary data from multinational companies listed on the Indonesia Stock Exchange (IDX) in the 2019–2023 period. Sample selection is carried out by technique purposive sampling So that 22 companies were obtained as research samples. The data analysis method used is Moderated Regression Analysis (MRA), with hypothesis testing assisted using IBM SPSS software version 27. The results of the study indicate that: (1) prudence affects tax avoidance; (2) financial distress has no effect on tax avoidance; (3) the independent commissioner is unable to moderate the relationship between the prudence and tax avoidance; and (4) the independent commissioner is unable to moderate the relationship between the financial distress and tax avoidance.

Keywords: Tax avoidance, prudence, financial distress, independent commissioner

I. Introduction

Tax avoidance is one way to avoid taxes legally by taking advantage of loopholes in tax regulations that do not violate and do not contradict tax regulations (Anggraeni & Oktaviani, 2021). Although legal, tax avoidance it often has a negative connotation, especially when referring to tax avoidance attempts by artificial means in personal and business transactions to take advantage of loopholes, ambiguities, anomalies, or weaknesses in tax regulations (Gunawan, 2024). This condition allows taxpayers to take advantage of the situation based on the absence of firm and clear rules regarding the current tax avoidance problem.

Tax avoidance it is actually a complex problem for companies, because taxes are a burden that will reduce their income. If the company makes a large profit, the income tax that will be paid to the state will also be large. Therefore, companies strive to pay as little tax as possible by using the tax avoidance. On the contrary, the government does not want the practice of tax avoidance to occur because it will have a direct impact on state tax revenues that are not optimal. At the G20 forum in India, Finance Minister Sri Mulyani said that one of the business strategies to reduce costs is in a way that reduce taxes, in her speech Sri Mulyani said that tax ratio Indonesia is lower than countries that have an equivalent economic level. This is due to the practice of tax avoidance carried out by large companies, he also said that the low tax ratio indicates that there are problems in tax collection and of course this can have an impact on the growth of economic development.

One of the cases that occurred against tax avoidance is the company Apple Inc which has been involved in tax avoidance practices for a long time, with one of the most famous cases occurring in Australia. In the period 2014-2024, Apple Inc posted profits from sales in Australia to subsidiaries in Ireland, which is a country that implements low tax rates, so Apple Inc only pays a tax of 0.7% of what it should. Apple Inc's pre-tax profit of 8.9 billion Australian dollars ($8.1 billion) was earned from sales in Australia, but was booked into Apple Sales International. Ireland is in the spotlight for the G20 because it protects tax evasion committed by Apple Inc, Google, Microsoft and Amazon.com. Ireland protects companies that do not make sales in their country, to hide profits in high-income countries.

In the context of Indonesia, there are several companies that set up holding companies in Indonesia and have subsidiaries in different countries such as Singapore and the Netherlands. One of them is PT Adaro Tbk, which has a subsidiary in Singapore known as Coaltrade Service International, this subsidiary is claimed to only pay taxes of IDR 1.75 trillion lower than what should have been paid, PT Adaro is suspected of carrying out tax evasion practices by transferring large amounts of profits from Indonesia to subsidiaries located in different countries with the aim of reducing taxes because they have low tax rates (Kompasiana, 2022). Companies that have intermediaries or subsidiaries are often categorized as multinational corporations. The company has the capacity to effectively minimize and double non-taxable income, including dividends, interest, royalties, capital gain, and other income categories. This phenomenon can cause significant challenges, as it can lead to reduced tax revenue and this can endanger the authority and fairness of taxation in a country.

Prudence can be one of the factors of the company doing tax avoidance. Prudence is the principle of prudence in recognizing income and liabilities that can reduce the profits generated by the company in order to reduce the risk of uncertainty that will occur in the future (Febriyanto & Laurensius, 2022). Prudence is an accounting principle which when applied will result in lower profit and asset figures, and conversely expenses and debts tend to be high, this is due to the fact that prudence Apply the principle of accelerating cost recognition and postponing revenue recognition. Prudence provide an overview or actual condition of the company without any engineering regarding the company's valuation of assets, debts, and others that focus on uncertainty in a company (Hamdani & Mulyani, 2025). Principle prudence in PSAK 1 (2022) paragraph 13 is defined as an attitude that is a reference in the preparation of financial statements that considers the cost losses that will arise, but does not consider the profits or profits obtained during the company's activities (Tabroni & Haq, 2024). Until now, there have been differences of opinion on the principle prudence is still a topic of debate among many researchers, especially when a company is in the context of difficult financial conditions (financial distress). In maintaining its existence, the company consistently strives to cultivate a good reputation in the eyes of the government, creditors, investors, consumers and the wider public, at times of financial hardship the company may tend to do tax avoidance, the conditions under which the company faces financial difficulties, it is likely that they will take an aggressive path in finding ways to reduce the tax burden, to ensure the continuity of their business (Sam et al., 2024). Management will strive to reduce the various burdens borne by the company, including tax burdens to ensure the continued survival of the company.

Some researchers say that prudence affects tax avoidance. Application of principles prudence In financial reporting, it occurs when the company decides not to admit or not to rush to recognize an asset as well as the profit generated by the company, but as soon as possible in admitting losses and debts that can occur at any time so that in this condition it will be able to trigger the occurrence of tax avoidance, if the assets in a company are lower and the costs required are high, then the likelihood of the company to carry out tax avoidance practices is higher (Fitria et al., 2024).

In this case, companies that apply the principle of prudence in the preparation of financial statements, it is indicated to carry out practice tax avoidance in minimizing the company's tax burden. When the principle prudence is used by a manager in managing the recognition of losses and profits, with the principle that losses and expenses are recognized as soon as possible, whereas profits or gains are recognized at the end So the difference of opinion regarding the recognition of profit and loss will also have an impact on the decline of the company's profits and make the taxes that must be paid will also be smaller (Yoan et al., 2024).

In contrast to other studies that state that prudence has no effect on tax avoidance. Principle prudence is a form of corporate management policy in recognizing profits and losses differently. When a company makes a profit it will be recognized later than it should but costs and losses will be recognized as quickly as possible. This is done to anticipate the risk of instability that is too high for the financial statements in the future, so that the application of the prudence It aims to maintain the stability of the company, not just to carry out practices tax avoidance (Widayu & Venusita, 2024).

The second factor that triggers the occurrence tax avoidance be financial distress. Financial distress is a financial or liquidity hardship that may be the beginning of bankruptcy. Financial distress is one of the biggest causes of a company's bankruptcy. The success of a company is largely determined by the strategic and managerial characteristics of the company. One of the steps in implementing a company's strategy can have a direct impact on the company's financial condition so that it can cause the occurrence of financial difficulties, and in this condition will be one of the causes that trigger the occurrence tax avoidance (Andalia et al., 2023). Financial distress as one of the influencing factors tax avoidance. A situation in which a to fall on hard times in terms of financing that causes the company to be hampered in carrying out operational activities which is an indication that the company is experiencing financial distress. When in these difficulties, the company will try to rise by thinking about what strategies and ways can help the company's situation. One of the strategies that is very possible for companies to carry out is tax avoidance (Fatiha & Murtanto, 2024)

Conditions in which the company experiences financial distress, at which point the company will face a situation characterized by an increase in capital costs, reduced accessibility to external funding sources and making decisions that result in tax avoidance (tax avoidance). According to several previous researchers, they said in their research that when a company is experiencing a financial crisis, the company will minimize any expenses that must be paid (Istiqomah & Cahyono, 2024; Polanunu, Rini & Lastanti, 2024; Tabroni & Haq, 2024; Wulandari et al., 2024). Financial crises in companies arise and are used as strategies to cover the company's liabilities or liquidity, such as when the company's debt exceeds the assets owned by the company. In this condition, the company will tend to practice tax avoidance in an effort to ease the tax burden that must be paid (Alfarasi & Muid, 2022; Julianty et al., 2023).

In contrast to previous research, this study states that when the financial stability of a company begins to decrease, the main focus of the company changes towards improving its financial condition rather than having to reduce the tax liability that must be paid (Pangestu et al., 2023; Fatiha & Murtanto, 2024; Gunawan, 2024; Nisa & Hidajat, 2024). Management will prefer to deal with ongoing financial issues such as debt restructuring, rather than having to face the legal risks that will come when the company decides to do so tax avoidance.

The third factor that affects tax avoidance is an independent commissioner. An independent commissioner is a member of the board of commissioners from outside the issuer or company and meets the requirements as an independent commissioner as intended in the Financial Services Authority, which aims to balance decision-making primarily in protecting minority shareholders and other related parties (Lismiyati & Herliansyah, 2021). The existence of independent commissioners brought in from outside the company aims to be neutral and can ensure that the company carries out its operational activities in accordance with applicable legal principles. With the existence of independent commissioners in the company, it is expected to maintain and improve the performance of the board of directors as well as the management, so that with this supervision management is more careful in making decisions so that the activities that trigger the occurrence tax avoidance can be minimized (Ulhaq & Efendri, 2024).

According to Andalia et al. (2023), independent commissioners significantly influence tax avoidance. Their study emphasizes that the presence of independent commissioners within a company strengthens the monitoring function. A higher proportion of independent commissioners enhances the effectiveness and efficiency of corporate oversight, thereby reducing the likelihood of the company engaging in tax avoidance practices.

Independent commissioners are considered to be able to carry out their duties to fulfill their responsibilities as policy supervisors that have been determined by the board of directors in the company's operational activities, as well as provide guidance and direction to the directors in a company. Thus, tax avoidance actions carried out in accordance with the manager's and organization's policies can be minimized, so that the role of independent commissioners in minimizing tax avoidance will be more visible (Emanuel et al., 2023). In a study conducted by Febriyanto & Laurensius (2022) states that good corporate governance able to moderate between financial distress against tax avoidance existence good corporate governance In a company will be more effective in supervising the performance of the manager, the stricter supervision will make the manager not have the opportunity to take action tax avoidance. Likewise, it is related to prudence The existence of Good Corporate Governance makes management more careful in choosing the accounting method to be used so that the information produced is of higher quality and transparency, so that the existence of Good Corporate Governance encourages management to report the actual conditions.

This study aims to examine the influence of prudence and financial distress on tax avoidance, moderated by independent commissioners in multinational companies listed on the Indonesia Stock Exchange (IDX) between 2019 and 2023. The rationale for selecting multinational companies as the research locus is that tax avoidance activities are more prevalent in companies with domestic and international transactions, as this is related to tax rates and tax burdens.

II. Literatur Review

II.1 Agency Theory

Agency theory explains the contractual relationship between the owner of the company (principal) and management (agent) that arises due to differences in economic interests. The owner delegates management authority to the manager in the hope of increasing the value of the company, but in practice the manager often acts on personal or short-term interests (Bachtiar & Handayani, 2022). This difference in goals is what gives rise to agency conflict and create potential agency cost.

In the context of tax avoidance, managers tend to choose strategies that can lower the tax burden so that the reported net profit is higher. This strategy on the one hand benefits shareholders because it increases the value of the company, but on the other hand risks creating legal and reputational issues that can harm the company in the long run.

II.2 Tax avoidance

Justice is a fundamental concept in the life of the state that emphasizes that every citizen has equal rights before the law and equal opportunities to develop (Putra et al., 2025). One of the important instruments of the state in realizing justice is through the tax system. Law Number 28 of 2007 Article 1 Paragraph 1 concerning general provisions and tax procedures which was last updated through law number 7 of 2021 concerning the harmonization of tax Regulations emphasizes that taxes are a mandatory contribution of citizens to the state that is coercive based on the law. Taxes not only function as a source of state revenue, but also as an instrument of distributing justice through the provision of public services such as education, health, infrastructure, and social security (Julianty et al., 2023). However, companies' perspectives on taxes tend to be different. Taxes are seen as a burden that can reduce net profit, so the higher the company's profit, the greater the tax liability that must be paid (Nukman et al., 2024). This condition encourages companies to find strategies to reduce the tax burden, one of which is through practice tax avoidance.

Tax avoidance is an effort to avoid taxes that is carried out legally by taking advantage of loopholes or weaknesses in tax regulations. This practice is not contrary to the law, for example through the use of deductible fees or the delay in the recognition of income in order to lower the tax burden incurred (Anggraeni & Oktaviani, 2021). Thus, tax avoidance It is often seen as a managerial strategy to optimize a company's profits by keeping tax expenditures as low as possible. The tax system in Indonesia adheres to self-assessment system, where the taxpayer calculates, pays, and reports the amount of tax owed himself. This system provides flexibility for companies, but at the same time opens up opportunities to take advantage of regulatory loopholes to reduce tax liabilities (Al-Riyadi & Kusumawati, 2023). For management, tax avoidance be part of a tax planning strategy that is considered effective to reduce the company's financial burden. Therefore, the practice tax avoidance continues to be an interesting phenomenon to study, both from the perspective of law, fiscal justice, and corporate governance.

II.3 Hypothesis Development

II.3.1 The effect of prudence on tax avoidance

Prudence is an accounting principle that emphasizes prudence in the assessment of financial statements so that the company's assets, debts, and profits reflect the actual condition (Hamdani & Mulyani, 2025). Application prudence Encourage the acceleration of cost recognition and the delay of revenue recognition, resulting in lower reported profits and reduced tax liabilities (Alfarasi & Muid, 2022). Thus, prudence Potentially Improving Practice tax avoidance.

However, other studies have shown different results Sahertian and Arif, (2024) found that prudence in fact has no effect on tax avoidance. This principle serves to maintain the integrity of financial statements so that companies do not engage in opportunistic behavior, including tax evasion. The findings indicate a possible inverse relationship between prudence and tax avoidance.

H1: Prudence has an effect on tax avoidance

II.3.2 The effect of financial distress on tax avoidance

Financial distress is the company's unhealthy financial condition and has the potential to lead to bankruptcy (Rohmatillah et al., 2023). In this situation, companies tend to do tax avoidance as a strategy to reduce tax burden and maintain operational sustainability (Fatiha & Murtanto, 2024; Santo & Nastiti, 2023). By lowering tax liabilities, companies can maintain liquidity and meet obligations to creditors and investors.

Previous research has shown mixed results. Some studies have found that financial distress affects tax avoidance Because deteriorating financial conditions encourage management to take greater risks related to tax aggressiveness (Restu & Mu'arif, 2024). However, other studies state that financial distress has no effect on tax avoidance, because in financial difficulties, companies are usually under strict supervision by creditors and investors so that the space to carry out tax avoidance practices is limited (Tara & Effriyanti, 2024).

H2: Financial distress affects tax avoidance.

II.3.3 Independent commissioners are able to moderate the influence of prudence on tax avoidance

Prudence It is an accounting policy that delays the recognition of profits and accelerates the recording of costs with the aim of maintaining the accuracy of financial statements and reducing opportunistic behavior of managers (Alfarasi & Muid, 2022). However, the application of this principle can open up practical opportunities tax avoidance because the reported profit became lower. To minimize these risks, the existence of independent commissioners is an important mechanism in corporate governance. Independent commissioners play a role in supervising, evaluating, and monitoring management activities so that compliance with regulations is maintained and financial reporting practices are carried out transparently (Widayu & Venusita, 2024). If the number of independent commissioners is insufficient, companies are more vulnerable to tax avoidance.

Research Febriyanto and Laurensius, (2022) It shows that the existence of independent commissioners encourages management to be more careful in choosing accounting methods and presenting financial statements reasonably, thus potentially suppressing tax avoidance practices. Thus, independent commissioners can act as a supervisory mechanism that moderates the relationship between prudence and tax avoidance.

H3: Independent commissioners are able to moderate the influence of prudence on tax avoidance.

II.3.4 Independent commissioners moderate the impact of financial distress on tax avoidance

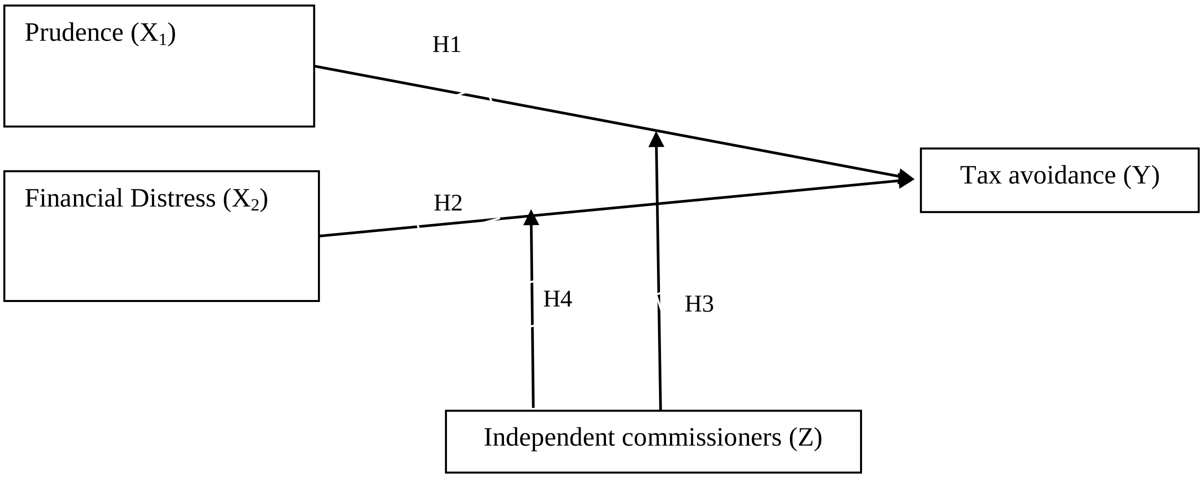
When the company experiences financial distress, management tends to do tax avoidance as a strategy to maintain business continuity (Ravanelly & Soetardjo, 2023). However, the existence of Independent Commissioner plays an important role in supervising, evaluating, and monitoring management performance in order to remain compliant with regulations and not harm shareholders (Andalia et al., 2023). With the authority they have, independent commissioners can influence the company's policies, including in tax strategies.

Research shows that independent commissioners are able to moderate relationships between financial distress and tax avoidance. Through strict supervision, independent commissioners can limit the space for management to carry out tax avoidance practices, so that the more independent commissioners in the corporate structure, the more effective the supervision carried out (Ulhaq & Efendri, 2024). Thus, independent commissioners become a governance mechanism that can suppress potential tax avoidance when the company faces the financial distress.

H4: Independent commissioners moderate the relationship between financial distress and tax avoidance.

II.4 Hypothesis Framework

Figure 2. Conceptual Framework



III. Research Method

III.1 Data Sources, Population, and Sample

This research is a quantitative research with a secondary type of data. Data is obtained from the IDX, in the form of annual company reports compiled from each company's website and www.idx.co.id. The population in this study is multinational companies listed on the Indonesia Stock Exchange for the 2020-2023 period. Sampling was done using purposive sampling and obtained a sample of 22 companies. The data analysis techniques used in this study are descriptive statistical analysis, classical assumption test, multiple linear regression analysis and hypothesis test processed with SPSS version 25.

III.2 Research Variables and Their Measurement

Table 1. Variable Operational and Measurement

	Operational definition	Variable Measurement
Tax avoidance	Tax avoidance is one way to avoid taxes legally by taking advantage of loopholes in tax regulations that do not violate and do not contradict tax regulations	$\mathrm{CETR} = \frac{\text{Income Tax Expense}}{\text{Earning Before Tax}}$
Prudence	Prudence is the principle of prudence in recognizing income and liabilities that can reduce the profits generated by the company in order to reduce the risk of uncertainty that will occur in the future	$\mathrm{CONACC} = \frac{(\mathrm{NIO} + \mathrm{DEP} - \mathrm{CFO})\ \mathrm{x}\ (-1)}{\mathrm{TA}}$
Financial distress	Financial distress is a situation where the company's financial condition is unhealthy and unstable, so it can be said that financial distress has a close relationship with the company's bankruptcy, this is caused by worsening financial conditions and this is one of the causes of bankruptcy	$\mathrm{Z} = 1{,}2\mathrm{A} + 1{,}4\mathrm{B} + 3{,}3\mathrm{C} + 0{,}6\mathrm{D} + 1{,}0\mathrm{E}$
Independent commissioners	An independent commissioner is a member of the board of commissioners who has no relationship with the board of directors or other commissioners who come from outside the company and is	$\mathrm{K\ I} = \frac{\text{Number of Independent Commisioners}}{\text{Total Number of Commisioners}}$

appointed based on the decision of the General Meeting of Shareholders (GMS), is not affiliated with any party so that his position is completely independent

Source: Data processed by the researchers, 2025.

III.3 Data Analysis Techniques

The data analysis technique used is multiple linear regression analysis to determine the simultaneous and partial effects of each independent variable on stock prices. Data processing is carried out using IBM SPSS version 27. The classical assumption tests used include a normality test, multicollinearity, heteroscedasticity, and autocorrelation. The significance of the influence of variables is tested using the t-test, F-test, and the coefficient of determination (R^2). The regression equation model used is as follows:

$$Y = a + \beta 1P + \beta 2FD$$
$$Y = a + \beta 1P + \beta 2FD + \beta 3KI + \beta 4P * KI + \beta 5FD * KI + e$$

Information:

Y	= Tax avoidance
α	= Constant
β1, β2, β3, β4, β5	= Regression coefficient value
P	= Prudence
FD	= Financial distress
TO	= Independent Commissioner
e	= Error

IV. Findings And Discussions

IV.1 Descriptive Statistical Analysis

This study uses statistical analysis to describe the variables statistically. Descriptive statistics for each variable can be seen in the following descriptive statistics:

Table 2 Desscriptive Statistics

	N	Minimum	Maximum	Mean	Std Deviation
Prudence	110	-1,42	1,58	-0,0315	0,38736
Financial distress	110	-8,34	40,6	2,2569	6,58889
Tax avoidance	110	-1,4	1,11	0,1505	0,39642
Independent Commissioner	110	0,25	0,75	0,4324	0,1297
Valid N (listwise)	110				

Source: Data processed by the researchers, 2025

From the table above, it can be seen that the results of descriptive statistical analysis based on the data that have been collected that this study uses a total of 110 samples (N). Value tax avoidance has a minimum score of -1.40 and a maximum score of 1.11 while the average score (mean) of 0.1505 with a standard deviation of 0.39642. Furthermore, the variable X1 is prudence has a minimum score of -1.42 while the maximum score is 1.58 and an average score (mean) of -0.0315 and standard deviation of 0.38736. Financial distress, as the second independent variable (X2) has a minimum value of -8.34 and a maximum value of 40.58 while the mean value is 2.2569 with a standard deviation of 6.5889. Then, the independent commissioner who is the moderation variable in this study has a minimum value of 0.25, a maximum value of 0.75 while the mean value is 0.4324 and the standard deviation of independent commissioners is 0.1297.

Table 3 Outlier

	N	∑	%	Minimum	Maximum	Mean	Std Deviation
Prudence	110	13	11,9	-0,29	0,17	-0,0154	0,07781
Financial distress	110	7	6,3	-4,4	7,05	1,1028	1,95708
Tax avoidance	110	2	1,9	-0,43	0,84	0,1604	0,22745
Independent Commissioner	110			0,25	0,75	0,4324	0,1297
Valid N (listwise)	110						

Source: Data processed by authors, 2025

Based on the descriptive statistical test in table 4.3 above, the number of samples (N) was 110 with the variable prudence, financial distress, tax avoidance and independent commissioners. Variable prudence, a total of 13 outlier observations were detected (11.9% of the total sample), with a minimum value of -0.29, a maximum value of 0.17, a mean of 0.0154, and a standard deviation of 0.07781. Variable financial distress, a total of 7 outliers were detected (6.3% of the total sample), with a minimum value of -4.40, a maximum value of 7.05, a mean of 1.1028, with a standard deviation. In the variable tax avoidance, a total of 2 outliers were detected (1.9% of the total sample), with a minimum value of -0.43, a maximum value of 0.84, a mean of 0.1604, with a standard deviation of 0.22745. Meanwhile, the independent commissioner variable was not affected by the outlier with a minimum value of 0.25, a maximum value of 0.75, a mean of 0.4324, with a standard deviation of 0.1297.

IV.2 The Result of Classic Assumptions

IV.2.1. Normality Test

A normality test was carried out on the regression to ensure that the residual values in the regression model are normally distributed. The normality test in this study was conducted using the Normal P-P Plot of Regression Standardized Residual graph. The results of the graph show that the residual points are dispersed along the diagonal line, indicating that the residual data is normally distributed. The visual approach through the P-P Plot is considered valid and per the principles explained in the literature.

Table 4 Normality Test

	K-S	Cut Off	Stages	Information
Asymp. Sig. (2tailed)	0	0,05	Stage 1 test	Abnormal
Asymp. Sig. (2tailed)	0,200	0,05	Stage 2 test	Normal

Source: Data processed by authors, 2025.

From the data table above through the test one-sample kolmogorov smirnove above, then the results of Asymp are obtained. Sig. (2-tailed) is 0.200. The results concluded that the residual data in this regression model is normally distributed, because it has an Asymp value. Sig, (2-tailed) > 0.05. The results of this normality test were obtained through the rank cases which serves to normalize abnormal data by sorting the data so that the data we obtain can get normal values (Ghozali, 2021).

IV.2.2. Multicollinearity Test

The multicollinearity testing aims to examine whether there is a correlation among independent variables. This study uses Tolerance values (> 0.1) and VIF values (< 10). Based on the testing results, all variables have Tolerance values above 0.1 and VIF values below 10. It can be concluded that the regression model in this study meets the assumption of being free from multicollinearity; thus, no multicollinearity was found among the independent variables in the model.

Table 5 Multicollinearity Test

Model	Collinearity Statistics		Information
	Tolerance	VIF	
Prudence	0,988	1,012	No Multicollinearity Occurs
Financial distress	0,964	1,038	No Multicollinearity Occurs
Independent Commissioner	0,964	1,037	No Multicollinearity Occurs

Source: Data processed by authors, 2025.

Based on the results obtained from table 4.5 above, it can be seen that each variable has a tolerance value of > 0.10 and a VIF value of < 10. The prudence variable has a tolerance value of 0.988 and a VIF value of 1.012, while financial distress has a tolerance value of 0.964 and a VIF value of 1.038, and independent commissioners have a tolerance value of 0.964 and a VIF value of 1.037. From the test results of each of the above variables, it can be concluded that multicollinearity does not occur.

IV.2.3 Autocorrelation Test

The autocorrelation test is conducted using the Durbin-Watson (DW) method. Data is considered free from autocorrelation if the DW value is around ±2. In the Model Summary output, a Durbin-Watson value of 1.311 was obtained. This value lies between the lower bound (dL) and 4-dL, although it does not fully fall within the non-autocorrelation zone. However, overall, the DW value approaching 2 indicates no autocorrelation. Considering that the DW value of 1.311 is still quite close to 2 and does not show an extreme number (close to 0 or 4), it can be concluded that the regression model does not experience significant autocorrelation issues.

Table 6 Autocorrelation Test

Model	Cut Off	Durbin-Watson	Cut Off	Information
1	-2	1,321	2	No Autocorrelation

Source: Data processed by authors, 2025.

The autocorrelation test described in the table above obtained a Durbin-Watson value (WD) of 1.321 with the sum of N of 110 where the benchmark in this test is that if the DW value is between ±2 then it can be concluded that there is no multicollinearity in this study.

IV.2.4 Heteroscedasticity Test

The heteroscedasticity test was carried out to find out whether there is an inequality of variance in the residuals. In addition, the probability value of the Park test was used to determine whether or not heteroscedasticity.

Table 7 Heteroscedasticity Test

	Itself	Cut off	Information
Prudence	0,29	0,05	Heteroscedasticity does not occur
Financial Distress	0,51	0,05	Heteroscedasticity does not occur
Independent Commissioner	0,75	0,05	Heteroscedasticity does not occur

Source: Data processed by authors, 2025.

Based on the table above, it can be concluded that the significant value of the three variables > 0.05. Where the variable prudence has a GIS value of 0.694 > 0.05, financial distress It has a GIS value of 0.056 > 0.05, and the independent commissioner has a GIS value of 0.750 > 0.05, so it can be concluded that the three variables do not have heteroscedasticity in this study.

IV.3 Hypothesis Test

The hypothesis test in this study aims to analyze the impact of the variables CR, DAR, EPTI, and FAT on stock prices, with Coefficient Beta as a moderator. Based on the regression estimation, the significance values for each variable are shown in the table below.

Table 8 Summary of Hypothesis Testing Results

Model	Coefficient Regression	α	Sig	Information
(Constant)	0,559		0,001	
Prudence	-0,271	0,05	0,004	Accepted
Financial distress	0,164	0,05	0,077	Rejected
Prudence*Independent Commissioner	0,035	0,05	0,918	Rejected
Financial distress*Independent Commissioner	0,358	0,05	0,295	Rejected
Adjusted R^2 = 0,075				
F-count = 2.777				
F-Sig = 0.021				

Source: Data processed by authors, 2025.

From the table above, it can be seen that the value of Adjust R Square (R^2) of 0.075, then it can be concluded that the variable prudence, financial distress, and the independent commissioner can only influence the tax avoidance 7.5% while the remaining 92.5% were explained by other factors not explained in this study.

For simultaneous test testing (F test), it can be seen from the table that shows a significant value of 0.021 which means a significant value < 0.05 so that it can be interpreted that H0 is rejected and Ha is accepted. Then it can be concluded that the prudence, financial distress, and the independent commissioners jointly have influence over tax avoidance.

Discussion

IV.3.1 The Effect of Prudence on Tax Avoidance

Based on the results of the hypothesis test, prudence proven to have a significant effect on tax avoidance with a regression coefficient of -0.271 and a significance of 0.004. This principle encourages companies to prepare financial statements conservatively by accelerating expense recognition and deferring revenue, so that taxable profits decrease without violating tax rules.

These findings are in line with the research of Karlina & Utami (2023) and Sahertian & Arif (2024), which show that prudence can be a legal strategy to reduce the tax burden while maintaining the reputation of companies, especially multinationals. This confirms that prudence It not only serves as a principle of accounting prudence, but also as an efficient and sustainable tax management mechanism.

IV.3.2 The Effect of Financial Distress on Tax Avoidance

The results of the study show that financial distress has no significant effect on tax avoidance (coefficient 0.164; sig. 0.077), although the direction of the relationship is positive indicates a potential tendency that the higher the financial pressure, the greater the company's drive to evade taxes. These findings show that companies, particularly multinationals, are more focused on operational continuity and fulfillment of key obligations than tax avoidance, although in the global context external factors such as exchange rate fluctuations and regulatory differences can make it difficult for tax avoidance as a legal strategy to maintain financial stability.

These findings are consistent with the research of Tara and Effriyanti (2024) which states that strict supervision of creditors limits the practice tax avoidance, but in contrast to Restu and Mu'arif (2024) who found that the condition of financial distress Instead, it encourages tax aggressiveness to reduce the financial burden.

IV.3.3 The Influence of Independent Commissioner Moderates Prudence on Tax Avoidance

The results of the study show that independent commissioners are not able to moderate the relationship between prudence and tax avoidance (sig. 0.918 > 0.05; co. 0.035). This means that the role of independent commissioners in emphasizing influence prudence The control of tax avoidance practices has not been significant. This condition can be caused by the limited proportion of independent commissioners which is only at least 30% of the total board, lack of involvement in strategic decision-making, and the existence of adaptation constraints for foreign independent commissioners related to domestic business culture and regulations. Thus, although the direction of the coefficient indicates a potential contribution, the effectiveness of independent commissioners still needs to be strengthened in order to function optimally in supervising the application of the preprudenceary principle and suppressing practices tax avoidance. These findings are in line with previous research (Febriyanto & Laurensius, 2022; Widayu & Venusita, 2024) which also states that independent commissioners have not played a significant role as a moderation variable.

IV.3.4 The influence of independent commissioners

The results of the study show that independent commissioners are not able to moderate relationships financial distress against tax avoidance (cf. 0.358; sig. 0.295). This means that the supervisory role of independent commissioners is not optimal when the company faces financial pressure, because management's focus is more directed to liquidity and business continuity. Although the direction of the positive coefficient indicates a potential influence, the contribution of independent commissioners has not been empirically significant. These limitations can be caused by the low proportion of independent commissioners as well as limitations in adaptation, especially for foreign commissioners who face domestic cultural and regulatory barriers. These findings are in line with the research of Tangke et al. (2022) which also showed the ineffectiveness of independent commissioners as moderators in conditions financial distress.

V. Conclusions

This study aims to examine the influence of prudence and financial distress against tax avoidance with independent commissioners as a moderation variable in multinational companies listed on the IDX for the 2019–2023 period. The results of the study show that prudence has a significant effect on tax avoidance, where the application of the prudential principle encourages companies to recognize costs more quickly and delay revenue recognition thereby reducing the tax burden. Instead financial distress has no significant effect on tax avoidance Because companies in financial stress conditions tend to be closely monitored by creditors and investors, they are more careful in making decisions. In addition, independent commissioners have not been shown to be able to moderate the relationship between prudence and financial distress on tax avoidance, which indicates that the effectiveness of the independent commissioner's supervisory role in preventing tax avoidance practices is still limited.

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