



INVESTORS' REACTION: EXPLORING SUPERVISORY FUNCTION AND CORPORATE TAX POLICY

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ABSTRACT

Purpose: This study aims to analyze investor reactions to the supervisory function carried out by independent commissioners and audit committees, especially in supervising corporate tax policies taken by management.

Theoretical framework: Corporate tax policy has the risk of tax penalties in the future and risks reducing investment returns in the future, so the role of independent commissioners and audit committees should be able to supervising management so that the tax policies taken do not harm investors.

Method: 565 panel data from manufacturing companies on the Indonesia Stock Exchange 2015-2022 were analyzed with a quantitative approach and multiple linear methods using STATA.

Result: This study found that independent commissioners encourage management in tax burden minimization policies, while the audit committee is not optimal in carrying out its supervisory function over corporate tax management policies. In addition, investors react to the audit committee because it is considered capable of carrying out the supervisory function of management, while investors do not react to independent commissioners and corporate tax policies.

Research, Practical & Social implications: The results of this study encourage entities to increase the role of independent commissioners in carrying out supervisory functions such as the audit committee in order to get a positive response from investors which can increase company value for sustainability business.

Originality/value: In this study, corporate tax policy is measured by reducing the statutory tax rate with a tax compliance ratio that is rarely used in previous studies, resulting in how much corporate tax policy minimizes the tax expense.

Keywords: Independent Commissioners, Audit Committee, Corporate Tax Policy, Investor Reaction.

REAÇÃO DOS INVESTIDORES: EXPLORAR A FUNÇÃO DE SUPERVISÃO E A POLÍTICA FISCAL DAS EMPRESAS

RESUMO

Objetivo: O presente estudo tem por objetivo analisar as reações dos investidores à função de supervisão exercida pelos comissários independentes e pelos comitês de auditoria, em especial na supervisão das políticas de tributação das sociedades adotadas pela administração.

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Quadro teórico: A política fiscal das sociedades corre o risco de sanções fiscais no futuro e de reduzir os rendimentos dos investimentos no futuro, pelo que o papel dos comissários independentes e dos comitês de auditoria deve poder supervisionar a gestão, de modo a que as políticas fiscais adotadas não prejudiquem os investidores.

Método: 565 dados de painel de empresas de fabricação na Bolsa de Valores da Indonésia 2015-2022 foram analisados com uma abordagem quantitativa e múltiplos métodos lineares usando STATA.

Resultado: Este estudo concluiu que os comissários independentes incentivam a gestão das políticas de minimização da carga fiscal, ao passo que o comitê de auditoria não é ideal no exercício da sua função de supervisão sobre as políticas de gestão fiscal das empresas. Além disso, os investidores reagem ao comitê de auditoria porque este é considerado capaz de desempenhar a função de supervisão da gestão, enquanto os investidores não reagem aos comissários independentes e às políticas de tributação das sociedades.

Investigação, implicações práticas e sociais: os resultados deste estudo incentivam as entidades a aumentar o papel dos comissários independentes na realização de funções de supervisão, como o comitê de auditoria, a fim de obter uma resposta positiva dos investidores, o que pode aumentar o valor da empresa para negócios de sustentabilidade.

Originalidade/valor: Neste estudo, a política de imposto sobre as sociedades é medida pela redução da taxa de imposto legal com um rácio de conformidade fiscal que é raramente usado em estudos anteriores, resultando em quanta política de imposto sobre as sociedades minimiza a despesa fiscal.

Palavras-chave: Comissários Independentes, Comissão de Auditoria, Política Tributária das Empresas, Reação dos Investidores.

REACCIÓN DE LOS INVERSORES: EXPLORAR LA FUNCIÓN DE SUPERVISIÓN Y LA POLÍTICA DEL IMPUESTO DE SOCIEDADES

RESUMEN

Objetivo: El presente estudio tiene como objetivo analizar las reacciones de los inversores ante la función supervisora que desempeñan los comisarios independientes y los comités de auditoría, especialmente en la supervisión de las políticas de impuesto de sociedades adoptadas por la dirección.

Marco teórico: La política del impuesto de sociedades tiene el riesgo de sanciones fiscales en el futuro y de reducir los rendimientos de la inversión en el futuro, por lo que el papel de los comisarios independientes y los comités de auditoría debe ser capaz de supervisar la gestión para que las políticas fiscales adoptadas no perjudiquen a los inversores.

Método: Se analizaron 565 datos de panel de empresas manufactureras en la Bolsa de Valores de Indonesia 2015-2022 con un enfoque cuantitativo y múltiples métodos lineales utilizando STATA.

Resultado: Este estudio encontró que los comisionados independientes fomentan la gestión en las políticas de minimización de la carga tributaria, mientras que el comité de auditoría no es óptimo para llevar a cabo su función de supervisión sobre las políticas de gestión del impuesto corporativo. Además, los inversores reaccionan ante el comité de auditoría porque se considera que puede desempeñar la función de supervisión de la gestión, mientras que los inversores no reaccionan ante los comisarios independientes y las políticas de impuesto de sociedades.

Implicaciones de investigación, prácticas y sociales: Los resultados de este estudio alientan a las entidades a aumentar el papel de los comisionados independientes en el desempeño de funciones de supervisión, como el comité de auditoría, con el fin de obtener una respuesta positiva de los inversores que pueda aumentar el valor de la empresa para la sostenibilidad del negocio.

Originalidad/valor: En este estudio, la política del impuesto corporativo se mide reduciendo la tasa del impuesto legal con un ratio de cumplimiento tributario que rara vez se usa en estudios anteriores, lo que resulta en qué tanto la política del impuesto corporativo minimiza el gasto tributario.

Palabras clave: Comisionados Independientes, Comité de Auditoría, Política de Impuesto Corporativo, Reacción del Inversor.



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1 INTRODUCTION

Profit-oriented companies expect operating profits to continue to increase so that they can be used to achieve business continuity goals. Management as an internal party takes various policies to achieve these goals, one of which is tax policy. Tax policy is generally carried out by management to minimise the tax burden, not only the income tax burden but other tax burdens such as tax penalties that can be a burden on the company if the tax policy taken is wrong. Several cases of tax evasion occurred in Indonesia which had an impact on the company's financial performance due to additional tax penalties, namely Astra, Bentoel, Coca Cola and many tax cases decided in the Tax Court.

Meanwhile, investors, as in agency theory, expect optimal returns on entity performance which is the output of every business policy and practice determined by management, including corporate tax policies whose output can have an impact on operating profit and investment returns. How tax policy is taken, the policy implementation process and its impact on financial statements are of concern to investors and the supervisory function is important. Corporate tax policy in the form of tax planning is reacted differently by each investor, some investors give a positive reaction to corporate tax planning because management is considered capable of managing tax costs effectively (Suriawinata & Almurni, 2023) so that the feedback appears in high company value, even so other investors actually give a negative reaction due to tax risks that are feared to arise in the future so that the feedback appears in low company value (Kifli & Juliarto, 2022; Seifzadeh, 2022; Syura et al., 2020). Corporate tax policy in the form of tax aggressiveness is positively associated with falling stock prices in the future (Hamza & Zaatir, 2020) due to high investor concern over future tax penalties.

Within the company itself, there are parties that have a supervisory function within the company, namely independent commissioners and audit committees. The existence of independent commissioners and audit committees in carrying out their functions can help management as managers or agents and even investors as principals so that the tax policies taken do not harm the company and investors in the future. Investor trust in independent commissioners in carrying out their functions was found in several previous studies. Director independence gets a mixed reaction from investors which can be seen in the issuer's stock price



(Prabowo et al., 2020), the majority of investors give a positive reaction to director independence because it is considered capable of carrying out an optimal supervisory function on management (Alajmi & Worthington, 2023; Aloui & Jarboui, 2018; Doku et al., 2023; Fariha et al., 2022). The amount of independent commissioners in an entity can reduce the risk of falling share prices in the future (Gong et al., 2023), so that investors react positively, which is reflected in the high value of the company (Handriani & Robiyanto, 2018; Lamoreaux et al., 2019). However, some studies find other results where if it is related to greenwashing, the number of independent directors is in the same direction as greenwashing activities which are given a negative reaction and reflected in low firm value (Ghitti et al., 2023) and if analysed from the number of portions alone, the impact on excess investment is negative (Tran, 2019) and can reduce firm value (Khosa, 2017).

As a party that has a supervisory function over the management of the company, the literature shows different results of investor reactions to audit committees. Experienced audit committees are considered to have good performance and thus receive a positive reaction from the market (Kieback et al., 2022), which is reflected in firm value as a feedback (Agyemang-Mintah & Schadewitz, 2018; Alajmi & Worthington, 2023), in addition to their performance in relation to sustainability reporting (Kuzey et al., 2023) However, the opposite result is found in other studies where audit committees are also found to have a negative impact on firm value as an output of investor reaction (Fariha et al., 2022; Khosa, 2017), while in other studies no strong effect of audit committee oversight performance on firm value as a feedback output of investor reaction is found (Al-ahdal & Hashim, 2022; Alodat et al., 2022).

The literature explains the influence of independent commissioners and audit committees as a corporate supervisory function on corporate tax policy in the form of tax compliance, tax planning, and tax avoidance. As explained in agency theory (Jensen & Meckling, 1976) that information asymmetry can occur between principals and agents, independent commissioners and audit committees have a supervisory function to suppress this asymmetry. As an independent external party, independent commissioners have a function to oversee company management in implementing good corporate governance (Amin et al., 2017; Marlinah et al., 2022), including one of them in making corporate tax policies that have an impact on the quality of financial statements.

By carrying out a good supervisory function, independent commissioners can influence management to be wise in making tax policies so as not to harm the company and investors in the end, such as the risk of future tax fines due to tax avoidance by the company (Alhady et al., 2021; Santoso et al., 2022). Corporate tax policy in the form of tax avoidance decreases after



changing commissioners and increasing director independence (Gong et al., 2023), management tends to be careful in making tax policies after the existence of independent commissioners (Aburajab et al., 2019). Even so, sometimes management does not pay much attention to the direction and supervision of independent commissioners (Daniel NA et al., 2022; Dhamara & Violita, 2018; Pamungkas & Fachrurrozie, 2021; Sakdiyah & Setiyono, 2020; Setiawati et al., 2019) so that the number of independent commissioners is not in line with the company's tax policy (Nurjanah & Aligarh, 2022; Utaminingsih et al., 2022), this is because the number of independent commissioners is not in line with the company's tax policy, this is due to the lack of members or experience of the board of commissioners who carry out their functions (Wen et al., 2020) or due to the sophistication of management in hiding information on tax policies taken in the efficiency of the tax burden (Pamungkas & Fachrurrozie, 2021; Suriawinata & Almurni, 2023), or because of the busyness of the independent commissioners so that the supervisory function is not optimal (Oktavia, 2020).

Similar to independent commissioners, the audit committee also has a function in supervising management so that in its policies it applies good corporate governance and minimises agency costs and information asymmetry with investors. As an internal party of the company, an audit committee that has superior competence and carries out a good supervisory function can provide direction and input as well as competent supervision to management in making tax policies so that the tax policies taken do not harm the company in the future (Pamungkas & Fachrurrozie, 2021) due to the risk of future tax costs such as tax fines or tax consulting fees when there is a tax dispute in the future. Although there are management who act arbitrarily in making tax policies or hide their tax management to avoid audit committee supervision (Sakdiyah & Setiyono, 2020; Setiawati et al., 2019) which can actually increase tax avoidance (Dang & Nguyen, 2022). However, the literature finds that audit committees have an important role in limiting management tax aggressiveness (Deslandes et al., 2020), audit committee experience can limit corporate tax avoidance (Abdeljawad et al., 2023).

Analysis of investor reactions to the supervisory function of independent commissioners and audit committees on corporate tax policy is very rarely done by previous researchers, even though this information is important not only for investors but for issuers as parties who have responsibilities as principals to investors as agents. Phenomena and research gaps as well as novelty in the analysis of investor reactions to the supervisory function of corporate tax policy motivate this research.



2 LITERATURE REVIEW

2.1 SIGNALLING THEORY

Signals are clues given by one party to another. As a company that needs investment, entities try to signal to investors in various ways, one of which is through the entity's annual report that describes the entity's condition or prospects (Brigham et al., 2019). Companies that have good prospects are generally reflected in high stock prices because the public is interested in these prospects, and vice versa.

Because signals are given by company management through information, any information provided has an important meaning for investors regarding their decision to make funding or investment through buying and selling shares on the stock exchange. Information essentially presents information, records, or descriptions that have occurred in the past, are being done at this time, or prospects that will occur in the future in connection with the company's policy in running the company's business. Tax information is one of the things contained in the company's report, and since the expiration date of tax collection (in Indonesia) is 5 years, the company's future prospects depend on the company's policies up to 5 years earlier. Corporate tax policy, whether compliant, avoidance, or aggressive, can affect the company's profit and return earnings in the future, so it is one of the things that investors need to consider.

2.2 HYPOTHESIS DEVELOPMENT

As a party that has a supervisory function over management, independent commissioners can provide advice to admonish management if tax policy making can harm investors. Li et al. (2023) concluded that corporate tax avoidance decreased significantly after independent commissioners carried out their supervisory function properly. In line with these results, Aburajab et al. (2019) also found a negative relationship between independent commissioners and tax avoidance. Conversely, when independent commissioners are too busy in carrying out their duties, company policies in tax avoidance actually increase (Oktavia, 2020) and management tends to increase the efficiency of the company's tax burden (Pamungkas & Fachrurrozie, 2021).

H1 : Independent Commissioners have an effect on corporate tax policy.

As part of the company's board, the audit committee also has a function in overseeing management in making policies, including corporate tax policies. Similar to independent



commissioners, the audit committee also has a duty to ensure that company policies will not harm capital owners, one of which is tax policy which has the risk of additional tax in the future from tax penalties that can be detrimental in the future. Deslandes et al. (2020) in his research concluded that the expertise and tenure of the audit committee can play an important role in limiting corporate tax aggressiveness. In line with Abdeljawad et al. (2023) who found a negative effect of the audit committee on tax avoidance.

H2 : Audit Committee affects corporate tax policy.

Tax is a corporate burden that can reduce profits and investment return earnings, more or less corporate tax policy needs to be considered by investors in making investment policies. Corporate tax policy in good tax planning can increase company value compared to tax avoidance (Seifzadeh, 2022; Suriawinata & Almurni, 2023; Syura et al., 2020) which is a positive reaction from investors. Even so, not a few investors actually react more positively to corporate policies in avoiding taxes (Hamza & Zaatir, 2020; Kifli & Juliarto, 2022).

H3 : Investor reacts to corporate tax policy.

As the owner of capital, investors want the maximum earning return from the entity. The authority given to independent commissioners in carrying out the supervisory function of management policies holds the hope that the expected return on earnings will be achieved. Corporate tax policy is expected not to harm investors in the future. The performance of independent commissioners is in line with the positive reaction of investors as reflected in firm value and stock price (Alajmi & Worthington, 2023; Aloui & Jarboui, 2018; Doku et al., 2023; Fariha et al., 2022; Handriani, 2020; Lamoreaux et al., 2019; Prabowo et al., 2020).

H4 : Investor reacts to commissioners independent.

As part of the internal company, the audit committee has a function in overseeing company policies, one of which is tax policy. Because tax is a company burden that can reduce investment return earnings, good audit committee performance is also responded well by investors. In his research, Agyemang-Mintah & Schadewitz (2018) concluded that investors react positively to the audit committee as reflected in the increase in firm value. The results are in line with Alajmi & Worthington (2017) who also found a positive effect of the audit committee on firm value, because a skilled audit committee can help investors get the expected return earnings (Kieback et al., 2022).

H5 : Investor reacts to audit commitee.



3 METHOD

All manufacture company on the Indonesian stock exchange is the population of this study. The research period is 2015-2022 by purposive sampling and resulted 565 panel-data's.

This study have one dependent variable, namely investor reaction. Reaksi investor merupakan variabel dependen pada penelitian ini. Reaksi investor adalah perilaku investor dalam bereaksi atas informasi keuangan yang dipublikasikan emiten. Pada penelitian ini, reaksi investor diukur dengan Earning Response Coefficient (ERC) pada momen laporan keuangan dipublikasikan (Palupi, 2021; Shi et al., 2023).

There are two independent variables in this study, namely commissioner independent and audit committee. The proportion of independent commissioners compared to the total number of company commissioners is used to measure independent commissioners (Kawedar et al., 2021; Khosheghbal et al., 2017; Marlinah et al., 2022; Setiawan et al., 2020). While the audit committee is measured by the number of audit committees in the company (Kawedar et al., 2021; Marlinah et al., 2022; Siagian & Siregar, 2018).

Corporate tax policy is a intervening variable in this study, measured by the Tax Compliance Ratio (Tarmidi et al., 2022) which divides current income tax by fiscal income which has been multiplied by the statutory tax rate. Then the statutory tax rate (STR) is reduced by the TCR value so that the resulting difference is the output of the company's tax policy in minimizing the company's tax burden (Jamei, 2017).

As a control variable, company size is information on how much the company has resources used in business activities (Setiany et al., 2023). Assets are generally used as an indicator of company size, the larger the size of the company indicates the number of resources that support the company in business activities and this size is one of the things that management takes into account in policy making. Company size is measured by LN the total assets of the company (Tarmidi et al., 2022; Yasser et al., 2016).

The data analysis method in this study is multiple linear regression using STATA software with the selection of the best model (selected Common Effect Model), then classical assumption test (multicollinierity & heteroscedasticity), then F-test, coefficient of determination, and t-test to answer the hypothesis, then coupled with mediation test and expansion test between data before and after the COVID-19 pandemic.



4 RESULTS

Once all the data and information had been collected, data processing could begin. In accordance with the panel data that can be analyzed, the following are descriptive statistics:

Table 1

Statistics Descriptive

Variable	ERC	CTP	COMIN	COMAU	FSIZE
Min	-27.3800	-15.5321	0.1667	1.0000	0.0113
Max	188.6789	12.9066	0.8000	5.0000	12.9319
Mean	1.9888	-0.6476	0.3936	2.9929	3.9272
Std. Dev	12.4465	1.8022	0.0966	0.3026	1.7205

Note: ERC = Investor Reaction, CTP = Corporate Tax Policy, COMIN = Independent Commissioner, COMAU = Audit Committee, FSIZE = Company Size

Source: Prepared by Authors (2024)

Based on table 1, we can briefly explain the panel data analyzed in this study as follows:

- 1) On average, the ERC value as an indicator of investor reaction is 1.9888, explaining that investors have a positive reaction to the financial information although the gap is very high.
- 2) On average, corporate tax policy is -0.6476, explaining that the analysis unit on average complies with taxes by not minimizing the tax burden, although the gap is very high.
- 3) On average, independent commissioners in the analysis unit are 39.36% of the number of company commissioners, explaining that the analysis unit on average implements the applicable rules (at least 30% based on POJK 57/2017).
- 4) The average number of audit committees in the analysis unit is 2.99, explaining that the analysis unit on average implements the applicable rules (at least 3 based on POJK 57).
- 5) On average, the number of assets of the analysis unit is 3.9722 LN or the actual value is 17.476 billion Rupiah, explaining that the analysis unit on average has quite a lot of asset value, even so the gap between one analysis unit and another is quite high.

In the model suitability test, 3 stages are carried out, namely the chow test with the best choice being the common effect model, then the LM test with the best choice being the common effect model, and the Hausman test with the best choice being the random effect model, so that the best model selected in this panel data analysis is the common effect model (CEM). With the selection of the common effect model, this research continued with the ordinary least square (OLS) approach, where the classic assumption tests carried out were multicollinearity (passed, with a range of 1.00 to 1.05) and heteroscedasticity tests (carried out robustly).

After all testing procedures have been fulfilled, the hypothesis testing stage can be carried out. The testing stage consists of three stages, namely direct effect testing (t-test),



indirect effect testing (intervening test), and expansion test (before & after COVID-19).

Table 2

Hypothesis Results (Direct Effect)

N = 565	F	R Square	Coef.	t-stat	Sig.	Result
COMIN -> CTP	0.002***	3,50%	1,3280	1,71	0,088*	Accepted
COMAU -> CTP			0,0051	0,02	0,982	Rejected
FSIZE -> CTP			-0,1887	-4,32	0,000***	
CTP -> ERC	0.005***	2,56%	-0,1494	-0,51	0,611	Rejected
COMIN -> ERC			0,1186	0,02	0,983	Rejected
COMAU -> ERC			2,8903	1,78	0,075*	Accepted
FSIZE -> ERC			1,0146	3,29	0,001***	

Note: ERC = Investor Reaction, CTP = Corporate Tax Policy, COMIN = Independent Commissioner, COMAU = Audit Committee, FSIZE = Company Size

Source: Prepared by Authors (2024)

Based in table 2 that the result hypothesis are: 1) with amount of sig 0.088 and coefficient is 1,3280 state that commissioners independent has positive impact on corporate tax policy and first hypothesis is accepted, 2) with amount of sig 0.982 state that audit committee is not significant impact on corporate tax policy and second hypothesis is rejected, 3) with amount of sig 0.611 state that corporate tax policy is not significant impact on ERC as indicator of investor reaction and third hypothesis is rejected, 4) with amount of sig 0.983 state that commissioners independent is not significant impact on ERC as indicator of investor reaction and fourth hypothesis is rejected, 5) with amount of sig 0.075 and coefficient is 2.8903 state that audit committee has positive impact on ERC as indicator of investor reaction and fifth hypothesis is accepted.

Table 3

Intervening Result (Indirect Effect)

N = 565	Coef.	Sig	Result
COMIN -> CTP -> ERC	-0,1984	0,624	Rejected
COMAU -> CTP -> ERC	-0,0007	0,982	Rejected
FSIZE -> CTP -> ERC	0,0282	0,611	

Source: Prepared by Authors (2024)

In the indirect effect test in table 3, it can be seen that corporate tax policy cannot mediate the effect of independent commissioners and audit committees on ERC as an indicator of investor reaction. This result is in line with the results of hypothesis 3 where investors do not give a significant reaction to corporate tax policy, so even though the independent



commissioner or audit committee carries out the maximum supervisory function of corporate tax policy, investors do not also give a significant reaction.

Table 4

Expansion Results

	Before COVID-19 (N=365)				After COVID-19 (N = 200)				Result
	F	R Square	Coef.	Sig.	F	R Square	Coef.	Sig.	
COMIN -> CTP			0.1876	0.834			3.0822	0.035	Not Different
COMAU -> CTP	0.819	0,26%	-0.0629	0.783	0.000	9.96%	0.0233	0.974	Not Different
FSIZE -> CTP			0.1112	0,359			-0.2673	0.000***	
CTP -> ERC			0.1326	0,500			-0.4077	0.534	Not Different
COMIN -> ERC			2.2504	0,498			-4.2112	0.754	Not Different
COMAU -> ERC	0.697	0,61%	0.4339	0,610	0.005	7.26%	22.6448	0.001***	Different
FSIZE -> ERC			0.3791	0,401			0.9685	0.102	

Note: ERC = Investor Reaction, CTP = Corporate Tax Policy, COMIN = Independent Commissioner, COMAU = Audit Committee, FSIZE = Company Size

Source: Prepared by Authors (2024)

Based on the results of the panel data expansion test before and after COVID-19, the majority of there is no difference in the influence of the independent on the dependent, but it can be seen that there is a difference in the 5th regression results where investors give a positive reaction to the number of audit committees very significantly in the period after COVID-19 even though these results did not occur before COVID-19.

5 DISCUSSION

5.1 CORPORATE TAX POLICY AND INVESTOR REACTION

As the results of hypothesis 3 test show that investors do not give a significant reaction to the company's tax policy, as well as in the mediation test it is known that company policy does not mediate investor reactions to the composition of independent commissioners and the number of company audit committees. This result explains that the majority of investors in Indonesia do not make the tax burden or the probability of tax penalties in the future something to consider, it is also a presumption that the majority of investors in the analysis unit are more short-term return-oriented who generally assess the company's performance from the financial statements of the current year or the previous year, so that the good or bad impact of the tax policy taken by the entity's management does not become something that is detrimental or beneficial to investment. This result is also consistent both before the COVID-19 pandemic and



after the pandemic, where investors do not have a meaningful reaction to the tax policy of the company in which the shares are invested.

This result is not in line with some literature that finds that investors react in the form of rising and falling stock prices to corporate tax policies such as tax planning (Kifli & Juliarto, 2022; Suriawinata & Almurni, 2023) or corporate tax avoidance measures (Seifzadeh, 2022; Syura et al., 2020) to policy in tax aggressiveness (Hamza & Zaatir, 2020).

5.2 COMMISSIONERS INDEPENDENT, CORPORATE TAX POLICY, INVESTOR REACTION

The test results of hypothesis 1 found that independent commissioners have a positive effect on corporate tax policy. These results explain that the presence of independent commissioners in the analysis unit has a positive influence on management in making corporate tax policy. However, because the corporate tax policy in this study leads to policies in minimizing the tax burden, the supervisory function carried out by independent commissioners is more focused on the company's financial performance and in line with investment objectives in the form of returns expected by investors, without paying too much attention to tax regulations and their future impact.

This result is in line with the results of the expansion test at the moment after the COVID-19 pandemic where independent commissioners encourage management to take tax policies to minimize the tax burden. In fact, during the pandemic, there were many regulations issued regarding tax incentives that could be utilized by eligible companies, so independent commissioners encouraged management to take advantage of this policy for the benefit of the company.

These results explain that the presence of independent commissioners in the company encourages management to take policies to minimize the tax burden so that the company's performance is optimal (Oktavia, 2020), the policy is considered important in the efficiency of the company's expenses (Pamungkas & Fachrurrozie, 2021). This result is not in line with some literature which concludes that independent commissioners in their supervisory function also consider future tax penalties which are the impact of management policies in minimizing the tax burden (Aburajab et al., 2019; Li et al., 2023).

Although independent commissioners can encourage management to minimize the tax burden, because investors in the analysis unit do not really consider corporate tax policy as a result of hypothesis 3, investors also do not have a meaningful reaction to the composition of



independent commissioners as a result of hypothesis 4. Apart from not considering the company's tax policy by Investors, the function of independent commissioners is allegedly not carried out properly and the composition seems to only carry out the mandatory requirements as an issuer according to POJK 57/2017.

This result is not in line with some literature that produces findings on investor reactions reflected in the rise and fall of stock prices on independent commissioners in issuers (Aloui & Jarboui, 2018; Fariha et al., 2022; Gong et al., 2023; Prabowo et al., 2020; Tran, 2019).

5.3 AUDIT COMMITTEE, CORPORATE TAX POLICY, INVESTOR REACTION

The results of hypothesis 2 test did not find a significant effect of the audit committee on corporate tax policy. This result explains that the supervisory function carried out by the audit committee does not focus on corporate tax policy but on other things that can directly affect investors such as financial performance or other things. This result also suggests that the existence of an audit committee in public companies is only to carry out the requirements of issuers according to POJK 57/2017 where according to descriptive statistics it is known that on average the number of audit committees in the analysis unit is 3 according to the rules of POJK 57/2017. These results are consistent both before the COVID-19 pandemic and after the COVID-19 pandemic where the audit committee has no effect on corporate tax policy.

This result is not in line with some literature that finds the effect of audit committees on corporate tax policies such as tax avoidance actions, both in limiting tax avoidance actions (Abdeljawad et al., 2023; Deslandes et al., 2020) which means that the audit committee carries out its supervisory function so that the tax policies taken by management do not harm the company and investors in the future due to tax penalties, or other literature which results in the audit committee having a positive effect on tax avoidance (Dang & Nguyen, 2022) which means that the audit committee's supervisory function does not consider the risk of future tax penalties but the positive impact on improving the company's financial performance.

However, the number of audit committees is actually given a positive reaction by investors in the form of stock prices, as the results of hypothesis 5 and also the results of the expansion test after COVID-19. Investors have more confidence in the audit committee in carrying out its supervisory function over company management than independent commissioners in this unit of analysis, even though its supervisory function is not over corporate tax policy.



This result is in line with some literature which in its research also found a significant positive reaction of investors as reflected in the increase in stock price or company value on the audit committee (Agyemang-Mintah & Schadewitz, 2018; Alajmi & Worthington, 2023; Kieback et al., 2022).

6 CONCLUSION

Based on the results and discussion, it can be concluded that investors give a positive reaction to the number of audit committees, which indicates that investors believe in the performance of the audit committee in carrying out the supervisory function, while independent commissioners and tax policy do not get a significant reaction from investors.

Based on the description of the conclusions obtained, the researchers propose several suggestions, especially for issuers to consider sufficient audit committee personnel in connection with the supervisory function carried out, and the issuer's policy of having an independent commissioner who is appropriate in carrying out the supervisory function so as to get a positive response for the entity to sustainability business.

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