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Executive Characteristics as Moderators: Accounting Conservatism and Tax Avoidance in Consumer Sectors

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The author(s) declares that the research was conducted in the absence of any commercial or financial relationships that could be construed as a potential conflict of interest.

Abstract

Purpose: Examining the influence of accounting conservatism, sales growth, audit committees, and executive characteristics on tax avoidance practices, particularly the moderating role of executive characteristics in supporting the formulation of more effective and equitable tax policies.
Research Design and Methodology: Sample data from 156 companies from 55 cyclical and non-cyclical consumer sector companies in Indonesia were analyzed using STATA for three years, from 2020 to 2022, with five years of monitoring data from 2018 to 2022.
Findings and Discussion: Accounting Conservatism, Sales Growth, and Audit Committees have a significant positive effect on tax avoidance, while Executive Characteristics have a significant positive effect. Executive characteristics also significantly weaken the effect of Accounting Conservatism and Sales Growth on tax avoidance, but do not moderate the effect of the Audit Committee.
Implications: Tax avoidance monitoring should consider executive characteristics because their leadership style can influence the effectiveness of tax policy and corporate governance.
Originality/value: The moderating role of executive characteristics in influencing the relationship between accounting conservatism, sales growth, and audit committees on tax avoidance practices, which is still rarely studied.

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Abstract: This study aims to determine the effect of accounting conservatism, sales growth, audit committees, and executive characteristics on tax avoidance practices, especially the moderating role of executive characteristics to support the formulation of more effective and fair tax policies. Sample data from the cyclical and non-cyclical consumer sectors in Indonesia, analyzed using STATA – Statistics and Data 17, found that accounting conservatism, sales growth, and audit committee significantly positively affect tax avoidance. In contrast, executive characteristics have a significant positive effect, while executive characteristics also significantly weaken the effect of accounting conservatism and sales growth on tax avoidance but do not moderate the effect of the audit committee. The moderating role of executive characteristics in influencing the relationship between accounting conservatism, sales growth, and audit committees on tax avoidance practices is rarely studied so that it can provide good implications for consumer sector companies.

Introduction

The primary concern of the government, especially Indonesia, to support national economic growth is increasing tax revenues (Kemenkeu RI, 2025). However, it is certainly not easy for the government to do this, where there is a tendency for companies to avoid taxes. The tax avoidance actions carried out by many companies not only impact reducing state revenues but also reflect the challenges of corporate governance in various sectors (Salehi *et al.*, 2024), inseparable from consumer cyclical and non-cyclical sector companies. The phenomenon of tax avoidance is increasingly complex, along with the dynamics of economic growth, tight business competition, and pressure to maintain the company's financial performance amid global uncertainty. Demand volatility in the consumer cyclical sector, such as retail and transportation, encourages management to seek efficiency strategies, including taxation. Meanwhile, income stability is often accompanied by pressure to maintain profitability through aggressive tax planning in the non-cyclical sector, such as food and beverages and necessities.

In 2023, PT Matahari Department Store Tbk (consumer cyclical) implemented stricter accounting conservatism, causing profits and tax burdens to decline; OJK highlights the potential for tax avoidance due to recognizing greater expenses. PT Unilever Indonesia Tbk (non-cyclical) experienced significant sales growth in 2023 but carried out aggressive tax planning. The effective tax ratio was lower, indicating tax avoidance due to sales growth. PT Indofood Sukses Makmur Tbk (non-cyclical) strengthened the audit committee in 2022, and after that, the practice of tax avoidance decreased, indicating the audit committee's effectiveness. In 2024, PT GoTo Gojek Tokopedia Tbk (consumer cyclical) appointed a new CEO who was aggressive or, in other words, had executive characteristics, so the tax avoidance strategy became more complex. At PT Matahari Department Store Tbk, although accounting conservatism was applied, the CEO's risk-taker character still encouraged tax avoidance, so the influence of conservatism on tax avoidance was weak. That reflects the many factors that encourage tax avoidance practices in various sectors, especially the consumer cyclical and non-cyclical sectors (Ananda & Siahaan, 2024), including accounting conservatism (Zahrani *et al.*, 2023), sales growth (Shubita, 2024), audit committee (Michaelsan & Yuniarwati, 2023), and executive characteristics (Prawati & Hutagalung, 2020).

In addition, what is increasingly interesting to study is where, in the above phenomenon, there is a strengthening or weakening of the executive characteristics factor when tax avoidance is carried out. As in PT Matahari Department Store Tbk, the application of accounting conservatism remains ineffective in suppressing tax avoidance because of the risk-taker character of the CEO (executive characteristics); at PT Unilever Indonesia Tbk, high sales growth in 2023 did not have a significant effect on tax avoidance due to the complex tax avoidance strategy of the aggressive CEO (executive characteristics). Meanwhile, at PT Indofood Sukses Makmur Tbk, although the audit committee has been strong since 2022, the dominance of the CEO (executive characteristics) causes audit recommendations not to be optimally implemented so that tax avoidance practices continue to occur. That raises a big question: executive characteristics can moderate the factors that influence whether or not tax avoidance is carried out in an organization (Pratiwi & Djajanti, 2022; Sahara, 2022; Sihombing & Mulyadi, 2024). Therefore, a deep understanding of the factors that influence and the indicators for measuring tax avoidance is key to formulating effective and fair tax policies.

There is a research gap in this study where previous findings were not always found to affect tax avoidance or have an inverse effect, such as sales growth being the reason for management to carry out tax avoidance such as the findings *(Ananda & Siahaan, 2024; Callista et al.*, 2024), as well as the absence of an audit committee's influence on tax avoidance (Herlina Sari, 2022; Utami & Siahaan, 2024), in addition to the absence of an influence of accounting conservatism on tax avoidance (Maharani & Setyawati, 2024), and also the existence of negative (Swandewi & Noviari, 2020) and positive (Ariyani & Arif, 2023) influences. This study raises novelty where the characteristics of executives are still rare in moderating the factors causing tax avoidance. However, a risk-taking section in an organization can strengthen and weaken tax avoidance. This study is even more interesting because it is studied in specific segments, namely the consumer and non-consumer cyclical sectors listed on the Indonesia Stock Exchange, which are rarely studied. The study was conducted over three years, but data was collected for five years to analyze corporate risk that represents executive characteristics by calculating earnings before income tax, depreciation, and amortization divided by total assets. This study systematically starts from the next section, namely the literature review, followed by methodology where data will be analyzed using STATA - Statistics and Data 17, as well as presentation of analysis results followed by discussion and conclusion at the end of this study.

Literature Review

Theoretical background. This study is based on the grand theory, namely: **Agency Theory** (Jensen & Meckling, 1976; Siahaan *et al.*, 2023) as the first theory in this study that explains the conflict of interest between principals (shareholders) and agents (management/executives). Executives, as agents, have incentives to engage in tax avoidance to maximize personal or corporate profits, which may differ from the interests of the principal. Executive characteristics such as risk-taking or risk-averse influence this decision. For example, executives who dare to take risks tend to be more aggressive in tax avoidance.

The second theory, namely the **Resource-Based View** (RBV) (Wernerfelt, 1984) focuses on the company's internal resources, including executive characteristics as unique and strategic resources that can affect the company's ability to carry out tax avoidance, and helps explain how executive characteristics moderate the influence of external factors (such as sales growth and audit committee) on tax avoidance;

Next, the third theory, namely **Stakeholder Theory** (Freeman, 1984; Siahaan, 2025) broadens the focus from only shareholders to various stakeholders, emphasizing the importance of good governance and accountability, including the role of the audit committee in overseeing tax practices. Executive characteristics can affect how companies balance stakeholder interests and tax avoidance practices.

Tax Avoidance. Tax avoidance is a legal practice of exploiting loopholes or imperfections in tax regulations to minimize tax liabilities without violating applicable laws. As emphasized by Justice Reddy, tax avoidance can be viewed as an art of avoiding taxes without violating the law. Although its legality is recognized, this practice is often viewed as controversial from an ethical perspective because it can potentially reduce state tax revenues and is in a grey area between tax compliance and tax evasion. In this context, James Kessler distinguishes tax avoidance into two categories, namely acceptable tax avoidance and unacceptable tax avoidance. Along with the development of regulations and business complexity, tax avoidance has become increasingly strategic and diverse in its implementation. Tax avoidance measurement generally uses several leading indicators, including the Effective Tax Rate (ETR), which represents the ratio of income tax burden to profit before tax (Kagan, 2024), and the Cash Effective Tax Rate which measures cash taxes paid relative to profit before tax (Christensen *et al.*, 2022; Khuong *et al.*, 2020). Both

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indicators reflect the level of tax avoidance, where a lower value indicates a higher level. In addition, the Book-Tax Difference (BTD) is often used to identify the difference between accounting profit and fiscal profit as an indication of tax avoidance (Kobbi-Fakhfakh & Bougacha, 2023). Recent studies have focused on using the Current Effective Tax Rate, the percentage of cash tax paid on profit before tax in the current period (Khuong *et al*., 2020; Siahaan & Susanti, 2025). Accurate measurement of tax avoidance is critical in the Indonesian economy, considering that this practice directly affects state tax revenues and fiscal sustainability.

Accounting Conservatisms and Tax Avoidance. Accounting conservatism is a prudent principle in financial reporting that requires earlier recognition of losses and later recognition of income, especially during times of uncertainty. This results in lower reported assets and profits and higher liabilities and expenses to avoid overestimating performance and protect against business risks. This principle increases the reliability and transparency of reports and reduces the risk of litigation due to optimistic reporting. Accounting conservatism significantly affects tax avoidance by reducing taxable income, allowing companies to take advantage of tax avoidance loopholes. Recent studies (Ariyani & Arif, 2023; Pratiwi & Djajanti, 2022) support the finding that the higher the conservatism, the greater the tax avoidance practice.

H1: Accounting conservatism effects tax avoidance

Sales Growth and Tax Avoidance. Sales growth is an increase in sales of products or services in a specific period, measured by comparing current sales with the previous period (YoY, QoQ, MoM). Sales growth is an indicator of sales team performance and the success of business strategies. Positive growth indicates increased demand and competitiveness, while negative growth indicates strategic problems that must be fixed. In addition to reflecting investment success, sales growth is also used to predict future business growth and is a key parameter in strategic decision-making. High sales growth usually opens up investment and expansion opportunities that can affect tax strategy. However, executive characteristics can moderate the effect of sales growth on tax avoidance, where prudent executives tend to choose conservative tax strategies even though the company is growing rapidly (Herlina Sari, 2022; Jesika Rahma & Fitriyana, 2023; Maharani & Setyawati, 2024).

H2: Sales growth affects tax avoidance

Audit Committee and Tax Avoidance. The corporate governance concept explains where the audit committee is an important part of the corporate governance concept mechanism (Gianchiara *et al.,* 2024; Siahaan *et al*., 2024) which plays a significant role in supervising and controlling the company's operational activities, including tax avoidance practices in the company. A strong, independent, effective audit committee increases transparency and internal supervision, reducing tax avoidance. In company activities, the audit committee is tasked with reviewing financial reports, monitoring the implementation of risk management and internal control, and identifying potential conflicts of interest that can trigger tax avoidance practices. Recent studies by Callista *et al*. (2024), Dang and Nguyen (2022) and Michaelsan and Yuniarwati (2023) show that the existence and quality of the audit committee have a significant negative effect on tax avoidance, meaning that the more effective and qualified the audit committee, the lower the tax avoidance practices that occur. Thus, the audit committee's role is to supervise the board of commissioners, maintain the integrity of financial reports, and ensure that the company complies with tax regulations, thereby reducing reputational risk and legal sanctions.

H3: Audit committee affects tax avoidance

Executive Characteristics and Tax Avoidance. Executive characteristics greatly influence tax avoidance practices in companies. Executives with a risk-taker type tend to dare to make aggressive business decisions and have a strong drive to increase their income, position, and authority. Therefore, they are more likely to encourage companies to carry out tax avoidance by exploiting various legal loopholes, such as aggressive tax planning strategies, transfer pricing schemes, or delaying revenue recognition, to maximize short-term profits. In contrast, executives with a risk-averse type are more conservative and careful in decision-making, prioritizing compliance with tax regulations and maintaining the company's reputation. They prefer safe and transparent tax strategies to avoid the risk of litigation and reputational damage, thereby limiting tax avoidance practices. Thus, executive characteristics affect the intensity of tax avoidance practices and impact the company's strategic decision-making, legal risk management, and overall corporate governance (Prawati & Hutagalung, 2020; Pratiwi & Djajanti, 2022).

H4: Executive characteristics affects tax avoidance

The moderating role of Executive Characteristics. Although more of an accounting principle, in the context of applied theory, accounting conservatism can be viewed as a control mechanism applied to limit management's room for profit manipulation and tax avoidance, whereas Executive Characteristics can weaken the effectiveness of this conservatism. The concept of Corporate Governance (which focuses on the Audit Committee) applies corporate governance principles to explain how oversight mechanisms such as the audit committee can control tax avoidance. In contrast, Executive Characteristics can affect the effectiveness of this oversight. In addition, conservative executives tend to limit tax avoidance even though sales are high for the sake of long-term compliance and reputation, while aggressive executives take advantage of sales growth to increase tax avoidance aggressively (Pratiwi & Djajanti, 2022; Sahara, 2022; Sihombing & Mulyadi, 2024).

H5: Executive characteristics moderate the effect of accounting conservatism on tax avoidance
H6: Executive characteristics moderate the effect of sales growth on tax avoidance
H7: Executive characteristics moderate the effect of audit committee *e* on tax avoidance

Based on the theories, concepts, phenomena, and research gaps explained above, this study develops seven hypotheses, as shown in **Figure 1**, for this research paradigm.

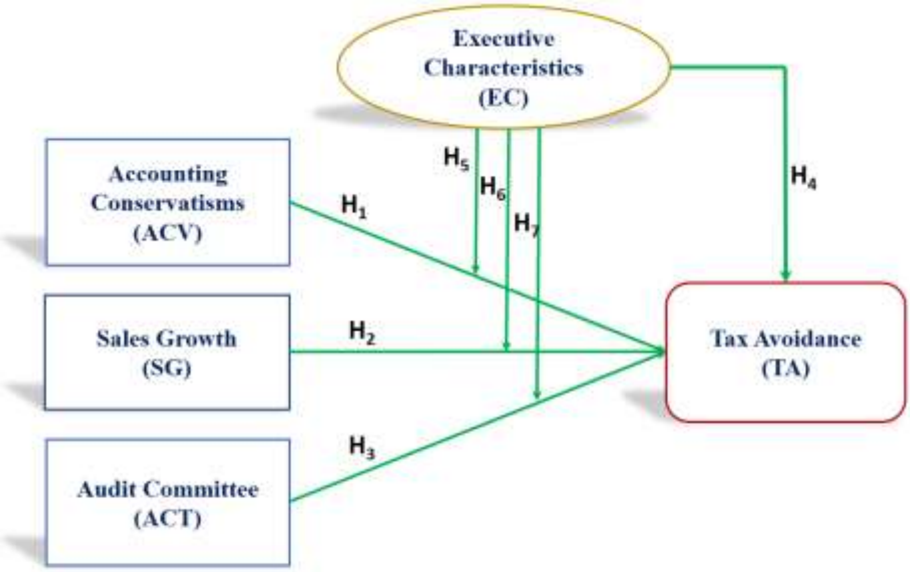

Figure 1. Conceptual Research
Source: Author's design

Research Design and Methodology

This causality study with a quantitative approach uses a sample of 52 consumer non-cyclical and consumer cyclical companies listed on the Indonesia Stock Exchange (www.idx.co.id) for three years from 2020 to 2022, with five-year data monitoring from 2018-2022. The total data is 156, after going through the stages of sample selection criteria that are

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consistently registered on the IDX, publish annual financial reports as of December 31, presented in rupiah currency, earn profits before and after tax, and have ETR values > 0 and < 1.

The **operational variables** of this study use Tax Avoidance measurements that can be measured by the Effective Tax Rate (ETR) ratio scale, namely Tax Burden / Profit Before Tax (Nurmaulidya & Hasanuh, 2025);

Executive Characteristics/corporate risk measurement can use the standard deviation equation of EBITDA (Earnings Before Income Tax, Depreciation and Amortization) / Total Assets of the company (Ibrahim *et al*., 2021).

Meanwhile, Accounting Conservatisms use the proxy ((Net Income – Operating Activity Flow – Depreciation) / Total Assets) x (–1) (Windaryani & Jati, 2020). Furthermore, Sales Growth is calculated by dividing (This year's sales – Last year's sales) / Last year's sales (Iwanty & Surjandari, 2022).

The Audit Committee is measured by dividing the Number of Audit Committee / Total Number of the Board of Commissioners (Werdaningrum & Laksito, 2021).

The STATA (Statistics and Data 17) **analysis method** is used to analyze data using the panel data regression method because the data used contains time dimensions (time series) and entities (cross-section). Hypothesis testing in panel data regression begins with selecting the appropriate regression model using three main tests: Chow Test to compare Common Effect Model (CEM) and Fixed Effect Model (FEM), Hausman Test to choose between FEM and Random Effect Model (REM), and Lagrange Multiplier Test (LM) to compare CEM and REM, to select the best panel regression model (Baltagi, 2005). Before regression, normality, multicollinearity (VIF), heteroscedasticity, and autocorrelation tests are performed to meet classical assumptions (Ghozali, 2018; Gujarati, 2012). The study used two models (Gujarati, 2012): a **direct model** to test the influence of independent variables on tax avoidance:

$$TAit = \alpha + \beta 1ACVit + \beta 2SGit + \beta 3ACTit + \beta 4ECit + \epsilon it \quad \text{.................................} \ (1)$$

Moreover, a **moderation model** to test the role of executive characteristics in strengthening or weakening the relationship between independent variables and tax avoidance

$$TAit = \alpha + \beta 1ACVit + \beta 2SGit + \beta 3ACTit + \beta 4ECit + \beta 5(ACVit \times ECit) + \beta 6(SGit \times ECit) + \beta 7 (ACTit \times ECit) + \epsilon it \quad \text{...} \ (2)$$

The presentation of the research results begins by showing descriptive statistics as seen in **Table 1**, where the average Tax Avoidance value of -0.237 with moderate variation indicates differences in the level of tax avoidance between companies from very low (even negative) to very high. Accounting Conservatism has an average of 0.030 with wide variation, indicating differences in accounting conservative attitudes between companies. Sales Growth averages 0.122, ranging from significant decline to very high growth, reflecting diverse sales dynamics. Audit Committee, with an average of 0.658, indicates that most companies have met the audit committee criteria, although some have not. Executive Characteristics averages 0.199, indicating variations in executive characteristics between companies but in a relatively small range.

Table 1. Descriptive Statistics

Variable	Obs.	Mean	Std. dev.	Min	Max
TA	156	-0.237	0.187	-1.503	0.483
ACV	156	0.030	0.136	-1.138	0.321
SG	156	0.122	0.313	-0.770	2.655
ACT	156	0.658	0.085	0	1
EC	156	0.199	0.146	-0.842	0.7695

Source: Data processed

Furthermore, based on the results of the panel data model analysis, the selection of this research model is as shown in **Table 2**, where the probability value in the Chow Test is 0.43, which exceeds the significance threshold of 0.05, indicating that the most appropriate model is

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the Common Effect Model (CEM). That indicates no significant difference in fixed effects between observation units. Furthermore, the Hausman Test produces a probability value above 0.05, although this test is only relevant if the Fixed Effect Model (FEM) is selected based on the Chow Test. In addition, the Lagrange Multiplier (LM) Test shows a probability of 0.43, which is also greater than 0.05, thus strengthening the conclusion that CEM is more appropriate than the Random Effect Model (REM). Thus, the Common Effect Model (CEM) is the best model for panel data analysis in this study.

Table 2. Model Selection

No	Test	Results	Selected Model
1	*Uji Chow*	**0.43 > 0.05**	**CEM**
		Prob < 0.05	FEM
2	*Uji Hausman*	Prob > 0.05	REM
		0.00 > 0.05	**FEM**
3	*Uji Lagrange Multiplier*	**0.43 > 0.05**	**CEM**
		Prob < 0.05	REM

Source: Data processed

The continuation of the model selection is the ***Classical Assumption Test***. It consists of four parts:

Normality Test. Based on the results of the residual normality test using the Jarque-Bera test, the probability values for skewness (0.5802), kurtosis (0.7990), and the combined test (0.8293) are all greater than 0.05, so there is insufficient evidence to reject the null hypothesis that the residuals are normally distributed. That is to the views of Baltagi (2005) dan Brooks (2019) who stated that a high p-value in the normality test indicates that the residual normality assumption is met. Thus, it can be concluded that the residuals in this regression model are normally distributed, and the normality assumption has been adequately met.

Multicollinearity Test. All independent variables show very low Variance Inflation Factor (VIF) values, ranging from 1.00 to 1.90 with an average VIF of 1.34, far below the critical threshold of 5 or 10, according to Gujarati (2012) and Hair *et al.* (2010). That confirms that there is no significant multicollinearity problem in the regression model, so the model is suitable for further analysis without worrying about a high linear correlation between independent variables.

Heteroscedasticity Test. Based on White's test, a probability value (Prob> chi2) of 0.3004 was obtained. This value is greater than the significance level of 0.05, so there is insufficient evidence to reject the null hypothesis (H0) that the regression model has a homogeneous residual variance (homoscedasticity). This is in line with the opinion of Gujarati and Porter (2009) who stated that if the probability value is greater than the significance level used, then the homoscedasticity assumption can be declared fulfilled.

Autocorrelation Test. shows a statistical value of 1.8987 with the number of independent variables of 5 and the number of observations of 156. Based on the Durbin-Watson Table at a significance level of 5% for a two-sided test, with k = 5 and n = 156, the lower limit (dL) value is around 1.51, and the upper limit (dU) is around 1.78. Because the Durbin-Watson value of 1.8987 is between dU < DW < 4 − dU (1.78 < 1.90 < 2.22), then based on the interpretation guidelines from Gujarati & Porter (2009) it can be concluded that there is no autocorrelation, either positive or negative, in the regression model.

The following section shows **Panel Data Regression Model 1** and **Panel Regression Model 2** (as seen in **Table 3**), where the relationship between Effective Tax Rate (ETR) and tax avoidance is negative, where lower ETR reflects higher tax avoidance, while the TA regression model using ETR proxy.

Panel Data Regression Model 1:

$$TA = 0.0087 - 0.456(ACV) - 0.416(SG) - 0.381(ACT) + 0.349(EC) \quad \text{............ (1)}$$

The constant of 0.0087 is not statistically significant (p=0.487), indicating no effect when the independent variable is zero. The Accounting Conservatism variable has a significant negative effect on the Effective Tax Rate (positive on Tax Avoidance) and Sales Growth and Audit Committee, which means that an increase in all three decreases the Effective Tax Rate (increases Tax Avoidance). Conversely, Executive Characteristics significantly negatively affect the Effective Tax Rate; in other words, they increase Tax Avoidance. All of these influences are statistically significant except for the constant.

Panel Data Regression Model 2:

$TA = -0.00005 - 0.462(ACV) - 0.450(SG) - 0.343(ACT) + 0.322(EC) - 0.062(ACVEC) - 0.042(SGEC) - 0.035(ACTEC)$ .... (2)

The results of the analysis show that the variables Accounting Conservatism, Sales Growth and Audit Committee have a negative effect on Effective Tax Rate (positive on Tax Avoidance), while Executive Characteristics have a significant positive effect on Effective Tax Rate; the interaction between Executive Characteristics with Sales Growth and Accounting Conservatism also has a significant negative effect on Effective Tax Rate, indicating that Executive Characteristics weakens the positive effect of Sales Growth and Accounting Conservatism on Tax Avoidance. In contrast, the interaction between Executive Characteristics and Audit Committee is insignificant. The constant is near zero and insignificant, indicating that the model depends on the independent variables and their interactions.

The **Coefficient of Determination test** for the **R-squared** Value (Within) in Model 1 is 0.9910, and in Model 2, it is 0.9922. This indicates that around 99.10% to 99.22% of the variation in Tax Avoidance can be explained by changes in independent variables within the same entity over time after eliminating the influence of differences between companies. According to Wooldridge (2016), this value reflects the ability of the fixed or random effect model to explain the internal dynamics of the company very well during the observation period.

Table 3. Hypothesis Test

Hypothesis Test Model 1

TA	Coefficient	Std. err.	z	p >|z|	[95% conf. interval]	
ACV	-0.456	0.084	-5.38	0.000	-0.622	-0.290
SG	-0.415	0.067	-6.14	0.000	-0.548	-0.282
ACT	-0.381	0.067	-5.61	0.000	-0.514	-0.248
EC	0.349	0.167	2.09	0.037	0.021	0.677
_cons	0.087	0.012	0.70	0.487	-0.015	0.033

Hypothesis Test Model 2

TA	Coefficient	Std. err.	z	p >|z|	[95% conf. interval]	
ACV	-0.461	0.082	-5.60	0.000	-0.622	-0.300
SG	-0.450	0.064	-6.94	0.000	-0.578	-0.323
ACT	-0.343	0.065	-5.26	0.000	-0.470	-0.215
EC	0.322	0.163	1.97	0.049	0.001	0.643
ACVEC	-0.062	0.039	-2.58	0.015	-0.139	0.015
SGEC	-0.042	0.010	-4.19	0.000	-0.062	-0.022
ACTEC	-0.053	0.077	-0.69	0.493	-0.205	0.099
_cons	-0.000	0.012	-0.00	0.996	-0.024	0.024

Source: Data processed

Hypothesis Test. The results of the panel data regression model show that the variables Accounting Conservatism, Sales Growth, and Audit Committee have a negative and significant effect on Effective Tax Rate (positive on Tax Avoidance) with a p-value of 0.000 each, so that hypotheses H1, H2, and H3 are accepted. On the other hand, Executive Characteristics has a significant positive effect on Effective Tax Rate (negative on Tax Avoidance) with a p-value of

0.037, so that hypothesis H4 is also accepted. All variables have a statistically significant direct effect at the 5% significance level. The results of the moderation test show that executive characteristics significantly weaken the positive effect of Accounting Conservatism on Tax Avoidance with an interaction coefficient of -0.062 ($p = 0.015$) and also weaken the positive effect of Sales Growth on Tax Avoidance with a coefficient of -0.043 ($p = 0.000$). However, the moderation of Executive Characteristics on the effect of Audit Committee on TA is not significant (coefficient -0.035, $p = 0.493$), so that H7 is not accepted.

Findings and Discussion

Accounting Conservatism refers to the principle of financial reporting that tends to recognize losses or expenses sooner than gains, resulting in more prudent and conservative financial statements. Theoretically, this conservatism can lower reported taxable income, effectively reducing recorded tax burdens and increasing tax avoidance. In the context of agency theory, conservative management seeks to reduce risk and uncertainty by reporting lower profits, indirectly facilitating tax liability reduction through legitimate tax avoidance strategies. In the consumer cyclical sector, where demand fluctuations and business risks are higher, accounting conservatism is often used to manage investor expectations and profit stability, thus encouraging more aggressive tax avoidance practices. While conservatism also functions as a risk mitigation tool in the non-consumer cyclical sector, its effect on tax avoidance can be more moderate due to higher business stability.

High **Sales Growth** often indicates opportunities for expansion and increased revenue but can also increase tax pressures due to higher profits. Companies with high sales growth tend to exploit tax avoidance opportunities to maintain liquidity and support further investment. Tax avoidance is a strategy to optimize cash flow and minimize tax burdens that can hinder expansion. In the consumer cyclical sector, which is highly influenced by economic cycles and consumer trends, fluctuating sales growth encourages companies to be more aggressive in tax management to maintain competitiveness and profitability. Although sales growth tends to be more stable in the non-consumer cyclical sector, companies also use tax avoidance as a fiscal efficiency strategy in the face of competition and strict tax regulations.

The **Audit Committee** acts as a corporate governance oversight mechanism that can reduce excessive tax avoidance practices by increasing transparency and accountability. However, the study's results showing that increasing the Audit Committee has a negative effect on the Effective Tax Rate (increasing tax avoidance) can be explained theoretically by the fact that an effective audit committee can help companies identify and exploit tax loopholes legally and ethically. In practice, competent audit committees in the consumer and non-consumer cyclical sectors can encourage optimal tax planning strategies, not just suppress illegal tax avoidance, thereby increasing legitimate tax avoidance. That shows the dual role of the audit committee as a supervisor and facilitator of the company's fiscal strategy.

Executive Characteristics such as educational background, experience, and risk orientation significantly positively affect the Effective Tax Rate (reducing tax avoidance). Theoretically, executives with conservative and ethically oriented characteristics tend to avoid aggressive tax avoidance practices to maintain reputation and legal compliance. They prefer transparent and sustainable tax management strategies. In the consumer cyclical sector, where corporate image is essential to consumers, executives tend to refrain from tax avoidance practices that risk damaging their reputations. Meanwhile, prudent executive characteristics encourage tax compliance to maintain good relations with regulators and stakeholders in the non-consumer cyclical sector.

Moderate Executive Characteristics weakens the negative effect of **Accounting Conservatism** on tax avoidance because executives with lower risk orientation or high ethics tend to limit the use of conservatism to reduce tax burdens aggressively. They prioritize transparency and compliance so that even though companies implement accounting conservatism, tax avoidance does not increase proportionally. In operational practice, this means that in firms with

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prudent executives, accounting conservatism serves more as a conservative reporting tool without encouraging aggressive tax avoidance.

Specific Executive Characteristics can weaken the positive effect of **Sales Growth** on Tax Avoidance by prioritizing sustainable growth strategies and fiscal compliance. They may focus more on long-term investment and corporate reputation than risky short-term tax reductions. That is important in the consumer cyclical sector because the market's sensitivity to reputation and legal compliance is higher. Prudent executives tend to control tax avoidance strategies despite high sales growth in the non-consumer cyclical sector.

The inability of Executive Characteristics to moderate the effect of **Audit Committee** on Tax Avoidance is explained by the fact that the audit committee's function is more institutional and structural, independent of the characteristics of individual executives. The audit committee plays a supervisory role based on strict regulations and governance standards, so its effect on tax avoidance is more stable and less influenced by differences in executive characteristics. In practice, both in the consumer and non-consumer cyclical sectors, the audit committee operates as a control mechanism that is relatively independent of the executive's leadership style.

Conclusion

Accounting conservatism encourages earlier recognition of losses and later recognition of profits, thus reducing taxable income and indirectly increasing tax avoidance, especially in the consumer cyclical sector vulnerable to business fluctuations. High sales growth triggers companies to utilize tax avoidance to maintain liquidity and support expansion, with greater pressure in the consumer cyclical sector that is highly influenced by the economic cycle. Although functioning as a supervisor, the audit committee can also facilitate legitimate tax avoidance through optimal tax planning. Conservative and ethical executive characteristics tend to increase tax compliance, reducing tax avoidance. In addition, moderate executive characteristics weaken the influence of accounting conservatism and sales growth on tax avoidance by emphasizing transparency and compliance. However, executive characteristics do not significantly moderate the audit committee's influence because the audit committee's function is institutional and independent of the executive's leadership style.

Implications and recommendations. To overcome tax avoidance practices that deviate from legal and ethical aspects, internal organizations must strengthen tax governance with clear policies and independent tax compliance units and empower the audit committee to monitor tax avoidance risks actively. Developing ethical and compliance-oriented executive characteristics through training is also important to reduce aggressive behaviour in tax management. In addition, digital technology for real-time monitoring of tax transactions and reporting can increase transparency. Collaboration with professional tax consultants and authorities helps ensure that regulations follow tax strategies. Companies must also implement strict anti-tax avoidance policies, including internal sanctions for violations, and conduct periodic evaluations and supervision to maintain sustainable and ethical tax compliance.

Future Research. Research can explore the impact of the latest tax regulations and digitalization, such as the influence of the global minimum tax and big data technology in detecting tax avoidance in the digital economy era. In addition, it is important to examine the role of corporate governance, executive characteristics, and corporate social responsibility in controlling increasingly complex tax avoidance practices, especially in the cyclical and non-cyclical consumer sectors. Research can also focus on the effects of globalization and profit-shifting practices on tax havens and the relationship between tax compliance, public trust and government transparency. A multidisciplinary approach with advanced analytical methods will enrich the understanding and solutions to the contemporary tax avoidance phenomenon.

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