ABSTRACT

This study aims to examine the effect of economic political uncertainty on tax avoidance practices, as well as the role of corporate governance as a moderating variable. High global uncertainty triggers companies to secure their liquidity through aggressive tax burden efficiencies. This research focuses on manufacturing companies in the ASEAN-5 region, which possess a high level of vulnerability to global economic shocks.

This quantitative research utilizes a sample of companies and the World Uncertainty Index (WUI) during the 2021-2024 period in the ASEAN-5 region, specifically those listed on their respective national stock exchanges. Through a purposive sampling technique, a final sample of 41 companies was obtained, yielding a total of 164 observations. Tax avoidance is measured using the Effective Tax Rate (ETR), Economic political uncertainty is measured using through the WUI Index, the percentage of the independent board is used as proxy for corporate governance, and the control variables are measured by Return on Assets (ROA) and Firm Size. Data analysis was conducted using Random Effect Model (REM) regression with a Panel Corrected Standard Errors (PCSE) approach.

The results prove that economic political uncertainty has a positive and significant effect on tax avoidance. This implies that increased uncertainty motivates companies to become more aggressive in conducting tax avoidance to maintain operational stability. On the other hand, corporate governance is proven capable of weakening this positive effect. Board independence is proven effective in restricting excessively risky tax maneuvers by management amidst crisis.

Keywords: *Tax Avoidance, Economic Political Uncertainty, Corporate Governance, Return on Assets, Firm Size*