

CORPORATE TAX AVOIDANCE AND ZOMBIE FIRMS IN BUMN COMPANIES LISTED ON THE INDONESIA STOCK EXCHANGE

Muh. Idris^{1*}, Mira², Indriana³

^{1,2,3}Muhammadiyah University of Makassar

idrismuh.0806@gmail.com, mira@unismuh.ac.id, indriana@unismuh.ac.id

Received: 14-07-2025

Revised: 15-08-2025

Approved: 10-09-2025

ABSTRACT

This study aims to analyze the effect of corporate tax avoidance on the zombie status of state-owned enterprises (SOEs) listed on the Indonesia Stock Exchange (IDX). The research method used is a quantitative approach with a causal-comparative approach, using secondary data from SOE annual reports for the 2018–2022 period, analyzed using a fixed-effects panel data regression model. The results show that tax avoidance has a significant negative effect on the zombie status of firms, meaning that the higher the level of tax avoidance, the less likely the company is to be classified as a zombie. However, firm size and leverage have no significant effect, while profitability (ROA) shows a nearly significant negative effect. The conclusion of this study is that tax avoidance can act as a short-term fiscal efficiency strategy to reduce the potential for zombification, but it is not statistically strong enough to be a primary determinant in the context of SOEs in Indonesia, which have their own structural and governance characteristics.

Keywords: Tax Avoidance, Zombie Firms, Soes, Fiscal Effectiveness, Panel Data

INTRODUCTION

Tax is a financial obligation that must be fulfilled by individuals and businesses to the state in order to finance public needs, such as health services, education, and infrastructure, as well as to support overall economic stability. The strategic role of taxes in economic development is emphasized by (Ankrah, 2014), which explains that taxes not only support physical and social development, but also become a means of resource distribution and protection of domestic industries through fiscal policy. In Indonesia, the taxation system is regulated through legislation with a mechanism adapted to the regional autonomy system, where the Ministry of Finance is authorized to set tax rates and management as a form of collective contribution of society to the state. One of the important elements in Indonesia's tax system is corporate income tax (CIT), which according to (OECD, 2023) accounts for more than 25% of total national tax revenue in 2020, thus becoming one of the main components of state revenue.

However, the tax contribution from the corporate sector does not always run optimally. The practice of *corporate tax avoidance* is a real challenge faced by the government. (Ngadiman C., 2014) explains that tax avoidance is a corporate strategy to reduce the tax burden in ways that are legally legal, but morally and substantially deviate from the principles of fiscal justice. In contrast to *tax evasion* which is illegal, tax avoidance is done through engineering tax planning, utilization of regulatory loopholes, and manipulation of financial statements so that the tax paid is minimal. Although it does not directly violate the law, this practice can reduce state revenue and create an unbalanced fiscal burden among businesses. In the context of the global economy, the phenomenon of tax avoidance has become the main focus of various international organizations such as the OECD, which initiated the Base Erosion and Profit Shifting (BEPS) project to suppress the practice of profit manipulation and tax avoidance across jurisdictions. However, in practice, this phenomenon is still prevalent in the country, including among State-Owned Enterprises (SOEs) that should ideally serve as role

models in compliance with tax regulations. SOEs, as state-owned business entities, hold a dual role: apart from being business actors, they are also a direct representation of the state's fiscal policy. Therefore, the practice of tax avoidance by SOEs becomes an irony as well as a crucial issue to be examined.

Parallel to the issue of tax avoidance, there is also the phenomenon of *zombie firms* in the business world. This term refers to companies that are still operating but are unable to generate sufficient operating income to cover financial costs, especially loan interest, without external support such as refinancing, government subsidies, or debt restructuring (Caballero et al., 2008; Upadhyay P. K., 2024). Zombie firms may survive in "suspended animation" due to relaxation of credit policies or fiscal support, but in reality are no longer productive and tend to cause economic distortions. Their existence reduces the efficiency of resource allocation, suppresses healthy firms, and risks adding to the country's fiscal burden.

The study (Wang G. and Cao, Y., 2024) found that there is a negative and significant association between tax avoidance and zombie firms status. That is, the higher the level of tax avoidance practiced, the possibility of companies becoming zombie firms decreases. This indicates that under certain conditions, tax avoidance serves as a corporate survival strategy by increasing after-tax cash flow. However, this aspect cannot be viewed in isolation as the study also shows that the presence of top management's political connections can strengthen or weaken the relationship between tax avoidance and zombie firms status. In other words, institutional and governance factors also influence these dynamics (Carroll, 2016; Wang G. and Cao, Y., 2024). In the Indonesian context, the existence of zombie firms is not just an academic phenomenon, but has become an empirical reality that has a wide impact. CELIOS notes that around 19-20% of companies listed on the Indonesia Stock Exchange (IDX) can be categorized as zombie firms (Indonesia Tax Revenue, 2024). Even in 2022, the President of the Republic of Indonesia decided to close five SOEs because they were considered unproductive and had negative equity, such as PT Merpati Nusantara Airlines, PT Istaka Karya, and PT Kraft Aceh Paper (Revo, 2023). The COVID-19 pandemic has only exacerbated the situation, putting additional pressure on the operational and financial sides of various industrial sectors (Yamada Y. and Nakajima, J. and Yagi, T., 2025).

Other literature also reinforces the importance of examining the relationship between tax avoidance and zombie firms. (McGowan D. and Millot, V., 2018) found that an increase in the number of zombie firms has a negative impact on labor productivity in related sectors. (Gouveia, 2018) emphasizes that zombie firms inhibit efficient resource reallocation and suppress investment growth. Meanwhile, research in Indonesia by (Banerjee B., 2020) and (Joachim, 2024) highlights the role of leverage and company size in encouraging tax avoidance practices. Research (Arniati & Situmorang, 2023) adds that political connections do not always have a significant effect on the relationship between tax avoidance and zombie firms, indicating that the relationship is complex and contextual. These conditions indicate that in the midst of economic pressures and global uncertainty, tax avoidance practices can be a double-edged sword. On the one hand, tax avoidance provides financial flexibility for firms to survive liquidity pressures. However, if this practice is carried out by companies that are basically not operationally sound, namely zombie firms, the results can be counter-productive and actually cause additional fiscal burdens and widespread market distortions. This becomes even more relevant when the entities involved are SOEs,

which are supposed to carry out the mandate of public service and fiscal exemplarity.

The need for an empirical understanding of the relationship between corporate tax avoidance and zombie firms status in the context of SOEs is urgent. Through a quantitative approach and secondary data processing from the annual financial statements of companies listed on the IDX, this study aims to answer important questions: *How does corporate tax avoidance affect the status of zombie firms in state-owned companies in Indonesia?* This research is expected to make a theoretical contribution to the taxation and corporate finance literature, as well as offer applicable policy insights for stakeholders such as the Ministry of SOEs, Directorate General of Taxes, and capital market authorities. Thus, this study not only intends to fill the literature gap, but also to provide an empirical basis for policy makers in designing appropriate supervision, incentive, or intervention strategies for SOEs that show symptoms of being zombie firms, especially when associated with their tax avoidance behavior. The data-driven approach applied in this study also enables a more objective assessment of the fiscal performance and business sustainability of state-owned corporations.

THEORY OVERVIEW

Taxes in economic theory and public policy function as instruments of distribution and management of national resources. Taxes are mandatory contributions from individuals or entities to the state that are levied based on law and do not provide direct rewards (Mardiasmo, 2016; Resmi, 2016) The main function of taxes is not only as a source of state revenue (budgeter function), but also as a regulatory tool (regulerend function) that is used to encourage or inhibit certain economic activities (Asri et al., 2024; Wang G. and Cao, Y., 2024) . In the context of companies, tax obligations are realized through various types of taxes such as Corporate Income Tax (PPH Badan), which contributes significantly to the state budget. However, the high tax burden encourages some companies to optimize taxes through legitimate and aggressive strategies. One of the practices developed in the tax literature is *tax avoidance*, which is an effort by taxpayers to reduce the tax burden by utilizing legal loopholes and imperfections in the tax system. (Asri et al., 2024) explains that tax avoidance is a legitimate managerial strategy, but reputational and compliance risks. This practice can be carried out through techniques such as *transfer pricing*, *thin capitalization*, and the use of *tax havens* (Beer et al., 2018) . Although legal, tax avoidance practices are often considered contrary to the spirit of fiscal justice, as they reduce the contribution of companies to public services.

Within the framework of agency theory, company management has an incentive to engage in tax avoidance to maximize firm value and after-tax cash flow. However, the higher the level of tax avoidance undertaken, the greater the audit risk, fines, and a decrease in reputation (Lanis G., 2012) . Some studies show that tax avoidance is also related to ownership structure, corporate governance, and board characteristics (Joachim, 2024; Wulandari Z., 2024) . In the context of SOEs, the pressure to achieve financial efficiency sometimes encourages tax avoidance practices as a survival strategy. Meanwhile, the phenomenon of zombie firms refers to firms that continue to operate despite being unable to generate sufficient profits to cover their financial burden, particularly debt interest. The main characteristics of zombie firms are dependence on external funding for survival, as well as low productivity and innovation capabilities (McGowan D. and Millot, V., 2018) . (Banerjee & Hofmann, 2020) shows that an increase

in the number of zombie firms is negatively correlated with economic growth, as it inhibits capital allocation to more productive firms. This condition is mostly found in debt-intensive sectors and state-owned companies that have political connections or fiscal protection. In market efficiency theory, zombie firms create distortions because they absorb resources inefficiently. A study by (Wang G. and Cao, Y., 2024) shows that tax avoidance has a negative association with the status of zombie firms, which means that firms that engage in strategic tax avoidance can reduce the likelihood of becoming zombies, due to the availability of additional liquidity post tax savings. However, this result also suggests a normative ambiguity: a legally legitimate but ethically questionable practice may be a savior for firms under financial stress.

The correlation between tax avoidance and zombie firms is also influenced by external factors such as political connections, firm size, and profitability. Companies with politically affiliated leaders tend to be more able to utilize tax regulations flexibly (Arniati & Situmorang, 2023). On the other hand, companies with large size have wider access to tax consultant services and legal protection, so they are more likely to carry out tax avoidance with lower risk. Profitability and leverage are also important variables in assessing the company's ability to withstand financial pressures. Thus, taxation theory, agency theory, and economic efficiency theory provide a comprehensive framework to understand the relationship between tax avoidance and zombie firms. In the context of SOEs in Indonesia, this study becomes increasingly relevant due to the strategic position of SOEs as business entities as well as state tools in economic development. Tax avoidance practices undertaken by SOEs not only have fiscal impacts, but also have the potential to reduce the legitimacy of state institutions in the eyes of the public. Therefore, this study aims to empirically examine how tax avoidance affects the probability of an SOE company being categorized as a zombie firm, as well as assess the role of control variables such as size, profitability, and leverage.

RESEARCH METHOD

This study uses a quantitative approach with a causal-comparative research type, aiming to obtain empirical evidence regarding the effect of *corporate tax avoidance* on the status of *zombie firms* in state-owned companies listed on the Indonesia Stock Exchange (IDX). The data used is secondary data sourced from *annual reports of state-owned* companies during the observation period 2018 to 2022. Data collection was carried out using the documentation method through official access to the Indonesia Stock Exchange website (www.idx.co.id), the official website of each company, and annual reports that have been published online. The scope of the study includes all state-owned companies that are actively listed on the IDX, with sample selection criteria determined by purposive sampling, namely companies that consistently publish annual reports and have complete data for the calculation of research variables. The independent variable in this study is *corporate tax avoidance* measured using the *effective tax rate* (ETR) method, which is the ratio between income tax expense and profit before tax, as formulated by (Wang G. and Cao, Y., 2024) ETR is calculated based on two approaches, namely based on general accounting principles (GAAP) and cash basis, in order to capture tax manipulation tendencies more accurately. The dependent variable is the status of *zombie firms*, which is defined based on the approach of (Caballero et al., 2008) namely companies that are unable to cover their debt interest costs from operating profits for two consecutive years. Control variables in this study include firm size (log total assets), leverage (ratio of

total debt to total assets), and profitability (ROA - *Return on Assets*), referring to the empirical framework (Joachim, 2024; McGowan D. and Millot, V., 2018).

The data analysis technique in this study uses multiple linear regression with the help of EViews 13 software. Before hypothesis testing, the model is tested with classical assumptions including normality, multicollinearity, heteroscedasticity, and autocorrelation tests to ensure the reliability of the statistical model. This study is designed to test whether there is a significant influence between tax avoidance practices and the possibility of companies becoming *zombie firms*, and how the role of control variables moderates the relationship. With this approach, the research is expected to make theoretical and practical contributions to the formulation of tax policy and governance of state-owned companies in Indonesia.

RESULTS AND DISCUSSION

This study aims to analyze the effect of *corporate tax avoidance* on the status of *zombie firms* in state-owned companies listed on the Indonesia Stock Exchange (IDX). Data analysis was conducted with a quantitative approach using a panel data regression model with fixed effects, as determined through model selection testing using the Chow and Hausman tests. The analysis process begins with descriptive statistics to describe the basic characteristics of the data, followed by classical assumption tests to ensure the validity of the model, and then regression testing and interpretation of the results are carried out systematically. Descriptive analysis shows the initial description of the data characteristics during the observation period. A total of 60 observations are used from state-owned companies selected with certain criteria. The dependent variable is *zombie firms* (ZF) with a minimum value of 0 and a maximum of 1, indicating whether the firm is classified as a zombie or not. The average ZF value is 0.317 with a standard deviation of 0.467, which means that around 31.7% of the SOEs in the sample fall into the *zombie firms* category. The main independent variable, *tax avoidance* (TA), has a minimum value of 0.094 and a maximum of 0.891, with an average of 0.284, indicating a moderate level of tax avoidance. Firm size (SIZE) has a logarithmic mean value of 30.31, while ROA (profitability) averages 0.042 and leverage averages 0.554.

Table 1.
Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Dev.
Zombie Firms (ZF)	60	0	1	0.317	0.467
Tax Avoidance (TA)	60	0.094	0.891	0.284	0.158
Company Size (SIZE)	60	28.04	33.74	30.31	1.36
ROA	60	-0.14	0.23	0.042	0.071
Leverage	60	0.11	0.89	0.554	0.212

After the descriptive test, the model is tested to fulfill the classical assumptions. The results of the normality test with Jarque-Bera show a p value > 0.05, which means that the residuals of the model are normally distributed. Multicollinearity test through VIF shows that all variables have values below 10, so there is no indication of multicollinearity. Furthermore, the heteroscedasticity test with the Glejser method shows that there is no problem of non-constant residual variance. Autocorrelation is also not found with a Durbin-Watson value of 1.823, close to 2 which indicates no autocorrelation. Stationarity test with Augmented Dickey-Fuller (ADF) method shows that all variables are stationary at the first level. Therefore, the model can proceed to

the panel regression stage. Chow and Hausman tests show that the *Fixed Effect Model (FEM)* is the best model compared to Common Effect and Random Effect. This strengthens the basis for using FEM as the main model in this study.

The panel data regression results using the Fixed Effect Model present important findings that answer the research hypothesis. The *tax avoidance* variable has a negative and significant effect on the status of *zombie firms* with a coefficient of -0.184 and a significance level of 5% ($p = 0.043$). This indicates that the higher the level of tax avoidance undertaken by the company, the lower the possibility of the company being categorized as zombie firms. This finding is consistent with research (Wang G. and Cao, Y., 2024) which explains that tax avoidance provides additional liquidity space for companies facing financial pressures, thus extending the life of the company. The main finding of this study shows that *tax avoidance* has a significant negative effect on the likelihood of companies being categorized as *zombie firms*. This strengthens the argument that tax avoidance practices, as long as they are done within the corridors of legality, can be utilized by companies as a form of fiscal efficiency strategy. In the context of a liquidity crisis or cash flow pressure, tax avoidance can increase the company's financial maneuvering space, avoid delays in payment of obligations, and maintain minimum operational stability. However, this benefit space is certainly short-term and must be balanced with the principles of transparency and strong internal control. If examined more deeply, tax avoidance behavior in SOEs can also be interpreted as a reflection of the imbalance between performance pressure and the rigidity of the bureaucratic system. SOEs are often burdened with high financial targets by the capital owner, namely the state, without being given adequate governance flexibility. Under such conditions, tax avoidance becomes a relatively safe and efficient route to maintain financial performance, especially if the company does not have enough room for operational efficiency. This is a public policy irony that needs to be addressed structurally.

Furthermore, the finding that the firm size variable is insignificant to the status of zombie firms emphasizes that the size of assets does not automatically determine the strength of the company. Large firms can be sluggish, unresponsive to market changes, and indebted without being able to convert them into productive performance. This means that managerial efficiency and the appropriateness of fiscal strategy determine firm survival more than the size or scale of the business. This is consistent with the findings of (Ishiguro, 2024) which states that zombie firms are not only found in small companies, but also in large companies that are poor in innovation and adaptation. Meanwhile, the result that ROA negatively affects the status of zombie firms corroborates the classic literature on the importance of profitability as an indicator of firm health. Firms with positive operating profit have a better ability to cover debt interest expenses and tax liabilities, making them less likely to fall into the zombie category. However, in the context of SOEs, profitability is not the only key indicator as many SOEs also have social mandates. Therefore, the evaluation of zombie firms in the SOE sector should consider the balance between profit orientation and public service. The positive but insignificant coefficient of leverage is also interesting to analyze further. Theoretically, the higher the leverage, the greater the interest burden the firm has to bear, and this increases the risk of *zombification*. However, in practice, highly leveraged firms may also have better access to cheap funds (e.g. through sovereign bonds or interest-subsidized loans). In the case of SOEs, leverage is often the result of

government policy or fiscal intervention, rather than purely managerial decisions. Therefore, although statistically insignificant, the positive direction of leverage should still be of concern to regulators.

Table 2.
Summary of the Effect of Each Variable on Zombie Firms Status

Variable	Coefficient	Significance	Direction of Relationship	Conformity to Theory/Previous Research
Tax Avoidance (TA)	-0.184	Significant	Negative	Wang et al. (2024); Lanis & Richardson (2015)
Company Size	-0.021	Not significant	Negative	Inconsistent with Turyatini (2017)
ROA	-0.348	Almost significant	Negative	In accordance with Caballero et al. (2008); McGowan et al. (2018)
Leverage	0.147	Not significant	Positive	Partially in accordance with Arniati & Situmorang (2023)

The ROA variable shows a negative influence on the status of *zombie firms* with a p-value of 0.052, which is at the 10% significance threshold. This means that the higher the profitability of the company, the less likely the company becomes a zombie. This finding is in line with the study (Caballero et al., 2008; McGowan D. and Millot, V., 2018) which states that companies that are not productive or have low ROA tend to become zombie firms. The company size and leverage do not show a significant effect. Company size has a negative coefficient, while leverage has a positive relationship direction, but both are not statistically significant.

Table 3.
Regression Estimation Results with Fixed Effect Model (FEM)

Independent Variable	Coefficient	Std. Error	t-Statistic	Prob.
Tax Avoidance (TA)	-0.184	0.089	-2.067	0.043**
Company Size (SIZE)	-0.021	0.019	-1.106	0.273
ROA	-0.348	0.176	-1.977	0.052*
Leverage	0.147	0.123	1.195	0.238
Adjusted R ²	0.297			
F-statistic	6.132			0.000***
Durbin-Watson stat	1.823			

The regression model shows an Adjusted R² value of 0.297, which indicates that 29.7% of the variation in zombie firms status can be explained by the independent variables in this model. The F-statistic value of 6,132 and p-value of 0.000 indicate that the model is simultaneously significant in explaining the phenomenon of zombie firms. Thus, the model is feasible to use for inference on the population of SOEs that are the focus of the study. Interpretatively, the results of this study suggest that *tax avoidance* does not always have to be placed in a black-and-white moral framework. In the context of SOEs facing operational and financial pressures, tax avoidance can serve as a financial management instrument that allows firms to maintain their viability, especially in volatile market conditions or when facing internal fiscal pressures. In the logic of

liquidity management, tax avoidance can provide breathing space in the short term, although it still leaves ethical and normative debates in the public sphere.

Much literature constructs tax avoidance as a practice that is opportunistic and destructive to the country's tax system (Lanis G., 2015; Upadhyay P. K., 2024) However, in certain situations, especially in state-owned companies that operate within complex and sometimes inflexible bureaucratic structures, tax avoidance can be considered as a form of *strategic compliance*, which is a form of minimum compliance within a legal framework but still provides room for financial efficiency. This shows that the ethical and legal dimensions of tax avoidance are contextual and cannot be generalized absolutely. Furthermore, this finding provides a new nuance in understanding the role of tax avoidance on firm *zombification*. If zombie firms have been understood solely as a consequence of structural inefficiency, the results of this study add the dimension that the management of corporate fiscal liabilities is also an important determining factor. In other words, firms that are able to strategically manage their tax burden have a greater chance of avoiding zombie status, as long as the practice is not accompanied by manipulation of financial statements or violations of accounting principles.

However, tax avoidance practices cannot be separated from the institutional context and governance that oversees the company. In SOEs, the relationship between management and owners (government) is often more complex than in ordinary private companies, as there is a high political dimension and public pressure. Therefore, tax avoidance within SOEs carries greater reputational risk, as well as the potential for moral hazard if not closely monitored. This explains why SOEs' fiscal strategies need to be monitored not only in terms of legality, but also in terms of public accountability and fiscal transparency. In terms of *agency* theory, this result can be interpreted as an indication that managers have a preference for tax reduction strategies as a tool to maintain the company's financial performance, especially when the owner's (government) expectations are not aligned with the company's operational capacity. This is in line with (Joachim, 2024) which states that personal incentives and performance pressures often encourage managers to take fiscal efficiency measures, including through aggressive tax planning. In SOEs, the potential conflict of interest between fiscal compliance and efficiency targets becomes sharper.

This study also emphasizes that not all financial indicators automatically determine the zombie status of a company. Leverage, for example, theoretically increases financial risk, but in the empirical findings it does not significantly affect the zombie status of firms. This indicates that the debt burden does not necessarily make the company unproductive, as long as debt management is carried out strategically and supported by adequate cash flow. In other words, the quality of financial management and the right capital structure are more important than just the quantity of debt. The fact that firm size is also insignificant for zombie firms signals that economies of scale are no guarantee of business sustainability. Even large firms can stagnate if they are unable to adapt their fiscal and operational strategies to market dynamics. This confirms that managerial efficiency, strategic adaptation and risk mitigation capabilities are more important than the size of assets owned. In this case, SOEs should not rely on their institutional status as a guarantee of business continuity.

The main strength of this study lies in its specific focus on the Indonesian SOE context. Most previous studies, such as (Gouveia, 2018; McGowan D. and Millot, V., 2018; Wang G. and Cao, Y., 2024) have focused on private firms in developed countries

with relatively transparent and efficient governance structures. This study fills a gap in the literature by providing empirical evidence from developing countries with different structural characteristics, such as the dominant role of the state, political interference, and varying levels of supervision. By using the Fixed Effect Model, this study is able to control for individual heterogeneity in the panel data so that the results are more precise and relevant. From a policy perspective, the findings justify the need for more progressive and risk-based fiscal reforms for SOEs. One policy that could be considered is the implementation of a *compliance risk management* (CRM) framework that allows the government to categorize SOEs based on tax avoidance risk and *zombification* risk simultaneously. Thus, fiscal oversight is not conducted uniformly, but based on potential impact and measurable financial characteristics. This also accelerates early detection and response to financial failure of state corporations.

From a theoretical point of view, this research expands the application of *agency theory* and *tax planning theory* in the context of the public sector. While agency theory generally addresses the relationship between shareholders and managers in private companies, in the context of SOEs, there is additional complexity because the owner is the state, which also has a social and political agenda. SOE managers face dual pressures to meet profit targets while maintaining the social legitimacy of the company. Therefore, strategies such as tax avoidance are not only part of efficiency, but also adaptation to the complex ownership structure. The implications of these findings are strategic for the government and fiscal authorities. The government, particularly the Ministry of SOEs and the Directorate General of Taxes, needs to develop a more integrated fiscal evaluation system of SOE performance. It is not enough to evaluate profit and loss, but it is also necessary to analyze the tax structure, the effectiveness of tax planning, and its impact on business sustainability. Fiscal monitoring strategies should be risk-based and dynamic financial indicators, so as to detect the potential for zombie companies early. At the same time, clear regulations on the limits and transparency of tax avoidance practices in the SOE sector are needed.

Finally, the results of this study make an important contribution to the discourse on fiscal policy design and SOE governance reform. There needs to be a balanced oversight mechanism between managerial flexibility and fiscal compliance. Fiscal reform in SOEs should not only focus on increasing state revenues, but also consider operational sustainability and corporate efficiency. Thus, SOE fiscal strategies can be geared towards achieving a balance between financial sustainability and institutional compliance that will ultimately strengthen the overall resilience of the national economy. This finding also has important relevance for investors, both public and private financial institutions participating in the capital market. The status of zombie firms indicates the potential for long-term losses, stagnation of firm value, and volatility of financial performance. By understanding that tax avoidance has a negative correlation with zombie status, investors can use indicators such as ETR (Effective Tax Rate) as an early signal in conducting risk analysis. But of course, the signal must be interpreted together with other variables such as ROA, leverage, and audit quality.

On a practical level, these results are also relevant for auditors and tax authorities. Auditors should note that companies that exhibit high levels of tax avoidance may not necessarily have manipulative or destructive intentions towards the tax system. It could be that the strategy arises from the need to survive under severe operational pressure. Therefore, a risk-based and proportionality-based audit approach

will be much more effective than a uniform repressive approach. The Directorate General of Taxes can utilize these findings to develop *cooperative compliance* policies with SOEs that have special characteristics. Finally, it is important to note that the main contribution of this study is not only in testing the relationships between variables, but in providing a contextual understanding of the fiscal and managerial dynamics in the Indonesian SOE sector. By demonstrating that tax avoidance can act as an efficiency tool in certain contexts, this study does not intend to glorify the practice, but rather invites policymakers, researchers and businesses to understand the nuances of fiscal strategies in a more critical and balanced manner. Thus, future fiscal strategies will not only target compliance, but also sustainability and resilience of public sector businesses.

CONCLUSIONS

Based on the results of research conducted on state-owned companies listed on the Indonesia Stock Exchange (IDX) using a quantitative approach through panel data regression models, it can be concluded that corporate tax avoidance has no significant effect on the status of zombie firms. Although the direction of the relationship found is negative, statistically there is no strong evidence that tax avoidance practices play a role in reducing the probability of a company being classified as a zombie. This result indicates that in the context of SOEs that have fiscal support from the state and their own governance characteristics, tax avoidance practices are not necessarily the main differentiating factor in the survival of the company. Similarly, the variables of firm size, profitability (ROA), and leverage show theoretically consistent relationships but are not statistically significant, indicating that these conventional financial indicators are not able to accurately explain the zombie status of firms in the typical organizational and financing structure of SOEs. Thus, it can be concluded that in the context of state-owned enterprises, the relationship between fiscal efficiency and operational sustainability status is not sufficiently explained by financial variables alone, but must also consider broader structural, institutional and governance dimensions. This study succeeds in answering its main objective, namely to analyze and empirically test the effect of corporate tax avoidance on the status of zombie firms in SOEs, by providing a finding that the effect is statistically insignificant in the Indonesian context.

REFERENSI

- Ankrah, E. (2014). Principles of taxation and the role of tax in national development. *African Journal of Economic Review*, 2(2), 1–17.
- Arniati, A., & Situmorang, E. (2023). The effect of political connection on tax avoidance with zombie firms as a moderating variable. *Proceedings of the 5th International Conference on Applied Economics and Social Science (ICAESS 2023)*. <https://doi.org/10.4108/eai.7-11-2023.2342275>
- Asri, L., Hasibuan, U. H. B., & Lestari, W. I. (2024). Analysis of the effect of sales tax on luxury goods (PPnBM) on the purchasing power of motorized vehicle consumers. *Journal of Tax and Sharia Economic Analysis*, 1 (3), 197-205. <https://doi.org/10.61132/jpaes.v1i3.296>
- Banerjee B., R. N. and H. (2020). *Corporate zombies: Anatomy and life cycle* (Issue 882). Bank for International Settlements.
- Banerjee, R. N., & Hofmann, B. (2020). *Corporate zombies: Anatomy and life cycle* (Vol. 882). Bank for International Settlements.
- Beer, S., de Mooij, R. A., & Liu, L. (2018). International corporate tax avoidance: A review

- of the channels, magnitudes, and blind spots. *IMF Working Paper*.
- Caballero, R. J., Hoshi, T., & Kashyap, A. K. (2008). Zombie lending and depressed restructuring in Japan. *The American Economic Review*, 95(5), 1943–1977.
- Carroll, A. B. (2016). Carroll's pyramid of CSR: Taking another look. *International Journal of Corporate Social Responsibility*, 1 (1), 3. <https://doi.org/10.1186/s40991-016-0004-6>
- Gouveia, A. F. (2018). Fear the walking dead: Zombie firms, spillovers and exit barriers. *Journal of Corporate Finance*, 55, 18–33.
- Indonesia tax revenue. (2024). CEICDATA. <https://www.ceicdata.com>
- Ishiguro, T. (2024). Tax avoidance by non-zombie firms: Evidence from Japan following the Lehman shock. In SSRN. <https://doi.org/10.2139/ssrn.5002535>
- Joachim, H. (2024). Tax avoidance firm level characteristics: Evidence from Indonesia. *JAJA: Journal of Accounting and Financial Analysis*, 11(1), 47–57.
- Lanis G., R. and R. (2012). Corporate social responsibility and tax aggressiveness: An empirical analysis. *Journal of Accounting and Public Policy*, 31(1), 86–108.
- Lanis G., R. and R. (2015). Is corporate social responsibility associated with tax avoidance? *Journal of Business Ethics*, 127(2), 439–457.
- Mardiasmo, M. (2016). *Taxation (Revised Edition)*. Andi Offset.
- McGowan D. and Millot, V., A. and A. (2018). The walking dead? Zombie firms and productivity performance in OECD countries. *Economic Policy*, 33 (96), 685–736. <https://doi.org/10.1093/epolic/eiy012>
- Ngadiman C., N. and P. (2014). The effect of leverage, institutional ownership, and company size on tax avoidance in manufacturing sector companies listed on the Indonesia Stock Exchange 2010-2012. *Journal of Accounting*, 18 (3). <https://doi.org/10.24912/ja.v18i3.273>
- OECD. (2023). *Corporate income tax statistics*. <https://www.oecd.org/tax/>
- Resmi, S. (2016). *Taxation: Theory and cases (9th ed., Vol. 1)*. Salemba Empat.
- Revo, M. (2023). Beware! Zombie companies are a burden on the state. In *CNBC Indonesia*. <https://www.cnbcindonesia.com/news/20231010124026-4-483625>
- Upadhyay P. K., A. P. and B. (2024). Surviving beyond expiry: A systematic literature review of zombie firms. *China Accounting and Finance Review*, 26 (1), 31-54. <https://doi.org/10.1108/CAFR-05-2023-0054>
- Wang G. and Cao, Y., C. and R. (2024). Long live the walking dead? Corporate tax avoidance and zombie firms in China. *The British Accounting Review*, 56 (3). <https://doi.org/10.1016/j.bar.2024.101319>
- Wulandari Z., A. and F. (2024). Corporate social responsibility (CSR) and tax avoidance (TA) in Indonesia: Moderated audit committee characteristics. *Accounting Analysis Journal*, 13(2), 106–117.
- Yamada Y. and Nakajima, J. and Yagi, T., K. and M. (2025). Zombie firms and resource allocation: Research trends and developments during the spread of COVID-19. *Journal of Applied Economics*, 28 (1). <https://doi.org/10.1080/15140326.2024.2410625>