



Determination of Others Comprehensive Income Tax Avoidance in Southeast Asia

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ABSTRACT

This paper investigate effect target ROA comprehensive (stimulus), determining assets by fair value (opportunity), effectiveness commissioners (opportunity), fluctuations in macroeconomic fundamentals (rationalization), CEO educational background (capability), subjectivity OCI hierarchy level 3 (collusion), and OCI reclassification (arrogance) on avoid OCI tax. Data 11,616 firm-years from annual reports of companies in six countries in Southeast Asia in 2021-2023, this study has succeeded in proving that the factors effect on OCI tax avoidance are the stimulus of target ROA comprehensive, opportunity of assets by fair value, rationalization of macroeconomic fundamental fluctuations, CEO educational background capabilities, and management collusion with external parties through OCI category level 3 fair value hierarchy, while the factors that have a negative effect are the existence of commissioners and their functions and the OCI presentation policy in reclassification.

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1. Introduction

Tax avoidance behavior is still widely practiced by companies, both local and multinational. They argue that rather than spending cash to pay taxes, it is better to divert it to other items, such as paying dividends, business expansion, internal financing for investment (Xiang et al., 2025), even though tax avoidance is actually costly and risky (Amin et al., 2023). Tax avoidance actions minimize state revenues, therefore government through its policies and bureaucracy has the intention of minimizing tax avoidance by corporations., including through a simple taxation system, optimizing the role of audits and imposing fines (Degl'Innocenti et al., 2022). Study by (Lv et al., 2025) in China shows evidence that in the long term, management behavior in carrying out tax avoidance actions will reduce the company's value and even according to (Dhawan et al., 2020) tax avoidance can increase the risk of bankruptcy.

Factors that have a positive influence are high leverage, weak implementation of governance, and large share ownership by the CEO on tax avoidance (Song & Holland, 2023), high concentration of family-owned shares (Kerr et al., 2024), declining financial performance, increasing business risks, dissatisfaction with tax regulations (Gao et al., 2025), political connection (Tang, 2020), gender diversity and executive compensation (Pramiana et al., 2021), sales growth (Utami & Pramiana, 2024) and capital intensity (Ayuningtia & Pramiana, 2024). Media coverage of companies also has an effect on tax avoidance. Companies that are often reported negatively by the media tend to have lower tax avoidance actions than those reported positively and neutrally (Qi et al., 2023). Likewise, government-owned social media has one goal, which is to reduce corporate interest in reducing payments and avoiding tax burdens. The higher the activity of social media operations managed by local tax authorities, the lower the tax avoidance of local companies in the operational area of the tax authority (Jiang et al., 2023).

Corporate with optimalize ESG scores tend to pay more taxes than lowers ESG scores (Nerantzidis et al., 2024). However, CSR disclosure (Abdelfattah & Aboud, 2020), environmental tax policy (Jing et al., 2025) and disclosure of environmental information (Gu & Wang, 2023), actually increases tax avoidance especially in companies with poor social and environmental performance. More specifically (Nerantzidis et al., 2024) adding, if in developed countries the ESG score has a negative effect on tax avoidance, however in developing countries the ESG score has a positive effect on tax avoidance.

The implementation of IFRS has a negative effect on tax avoidance, because IFRS-based financial reports are more transparent and representative, so they can reduce opportunistic management behavior through tax avoidance (Athira & Ramesh, 2023). IFRS also reduces management behavior in carrying out earnings management actions through accrual treatment, which has an impact on reducing opportunities for tax avoidance (Karampinis & Hevas, 2013). IFRS also values the existence of non-controlling interests more because it is based on entity theory, which is manifested in the presentation of equity and income attributed to non-controlling shareholders. Study by (Vito, 2024) shows the existence of non-controlling interests or minority shareholders has a negative effect on tax avoidance, because it also plays a role in supervising and controlling the board of directors. The application of IFRS has also been shown to improve the quality of tax accounting, namely the annual tax burden with future tax cash flows, thereby increasing predictive power and assisting users in decision making (Song & Holland, 2023).

Talking about IFRS, it is inseparable from Others Comprehensive Income (OCI). IFRS is based on fair value in assessing assets and liabilities. The difference or result of adjusting the acquisition value of liabilities or assets to fair value is called OCI. OCI in the financial statement is presented under net income in profit loss statement, detailed per item, grouped in a reclassification group and becomes a tax object (final OCI tax). Aggregate OCI is then presented net after deducting final OCI tax. The nature and characteristics of OCI can be used as a loophole for tax avoidance, both tax avoidance of tax expenses periodic and OCI tax avoidance itself. Study in the Israeli capital market by (Chen & Gaviols, 2016) proves that OCI effect on tax avoidance, and the reason corporate in market Israel do tax avoidance through OCI is the pressure to pay dividends. Profit from realized income and unrealized income, including cash inflow from OCI realization, is better used to pay dividends, rather than to pay taxes. Different findings are given by (Kusuma & Rahayu, 2022) in the Indonesian capital market no effect of OCI on tax avoidance. Its unrealized nature and is not related to cash in the reporting period, makes it not contribute to profitability for the current time, so it does not affect tax avoidance. Further studies by disaggregating OCI in reclassified items and not be reclassified items. However, when additional testing is carried out by separating the sample of companies by ownership of OCI items of financial investment assets category for sale available, this type of OCI effect on tax avoidance. Its liquid nature and easy to realize in the short term, can be used by management for tax avoidance. The selection of the time of realization and the amount of realization becomes a tax avoidance strategy through OCI items of financial assets investment held for sale.

So far, studies have only examined effect tax avoidance of corporate income tax, including the OCI's effect on tax avoidance of corporate income tax, both aggregate OCI by (Chen & Gaviols, 2016), or disaggregation of OCI based on the likelihood of being realized (reclassified to net profit) by (Kusuma & Rahayu, 2022) in Indonesia. To our knowledge, there are still not many studies that specifically test the factors that influence tax avoidance on OCI tax itself. The originality of this study is to test the factors that influence tax avoidance on OCI tax. Based on agency theory (Jensen Meckling) and fraud theory (Cressey) which is the factor that causes fraud, this study tries to explore and test the factors that influence tax avoidance on OCI tax, by expanding the study not only in one country but in five Southeast Asian countries that have regulations and practice accounting by fair value as the basis for the emergence of OCI in financial reporting. Reason for researching in Southeast Asia is because, as a geographical region, the majority of countries are economically developing countries. However, many countries in this region have implemented fair value accounting as the basis for the emergence of OCI in financial reporting. Therefore, the study of OCI tax avoidance as a product of the application of fair value accounting is becoming increasingly interesting to study. Thus, the formulation of the research problem is what are the factors that influence tax avoidance on OCI. In determining the variables tested, we use the hexagon fraud theory foundation, namely the target achievement of comprehensive profit (stimulus), fixed asset revaluation (opportunity), supervision of the board of commissioners (opportunity), fluctuations in macroeconomic fundamentals (rationalization), CEO educational background (capability), OCI reclassification policy (arrogance), and the relationship between management and external appraisers (collusion).

The urgency of this research is, first, OCI itself is also an object of final tax, outside of corporate income tax calculated from operating profit. Second, the area OCI tax is also

available, due to the subjectivity of management in determining the fair value of OCI, especially on OCI items whose fair value determination is in the hierarchy level 3 category. Third, the proportion of OCI final tax on total corporate tax is also large, especially in financial sector companies that are sensitive to changes financial assets and large tangible asset ownership and carry out revaluations. Based on these three reasons, testing the factors that influence tax avoidance on OCI tax is important to do.

This research provides benefits to the academic world by filling the gap in the literature on determining OCI final tax, adding to the series of empirical evidence from studies on OCI and tax avoidance. For the world of practice, especially the government or tax authorities as input in maximizing tax revenue from companies so that they do not only focus on income tax tax avoidance, but also OCI final tax avoidance. For accounting standard-setting authorities, the results of this study serve as input in developing accounting standard products for the presentation of OCI taxes which can increase the relevance of financial reporting values.

2. Literature Review

Hexagon Fraud Theory dan Agency Theory

This study in develop research framework uses agency theory (Jensen & Meckling, 1976), fraud theory (Cressey, 1953) and *fair value accounting* Conceptual Framework of Financial Reporting in Financial Accounting Standards (SAK) as a grand theory in building a conceptual framework for research and hypothesis justification. Referring to agency theory, tax avoidance can occur due to information asymmetry and conflict of interest, where in this context the management has more access to information than the government, so it is more flexible in fulfilling its interests (saving tax burden through tax avoidance). The application of fair value accounting in the preparation of financial statements does have many advantages over the application of historical value accounting, namely the asset and debt items presented in the financial statements are more representative of the current fair conditions, thus improving the quality of information, predictive power and relevance of value for stakeholders, rather than historical values that may be outdated and no longer relevant.

However, on the other hand, the application of fair value accounting opens up opportunities for tax avoidance due to external fluctuations (macroeconomics and markets) and high management subjectivity (fair value hierarchy level 3). The application of fair value accounting creates a new item in the financial statements, namely other comprehensive income, and hereinafter in this study is called OCI, an abbreviation of Others Comprehensive Income, following the term used in IFRS No. 1 and SFAC No. 5. Information asymmetry between management (as company managers) with shareholders (as fund owners) and the government (as state treasury managers who are interested in taxes. Management has more information on OCI, how to determine the value of OCI, when OCI is realized, how to adjust the presentation value of OCI and the potential for tax avoidance on OCI, than shareholders and the government, thus opening up opportunities for management to avoid taxes, including taxes on OCI.

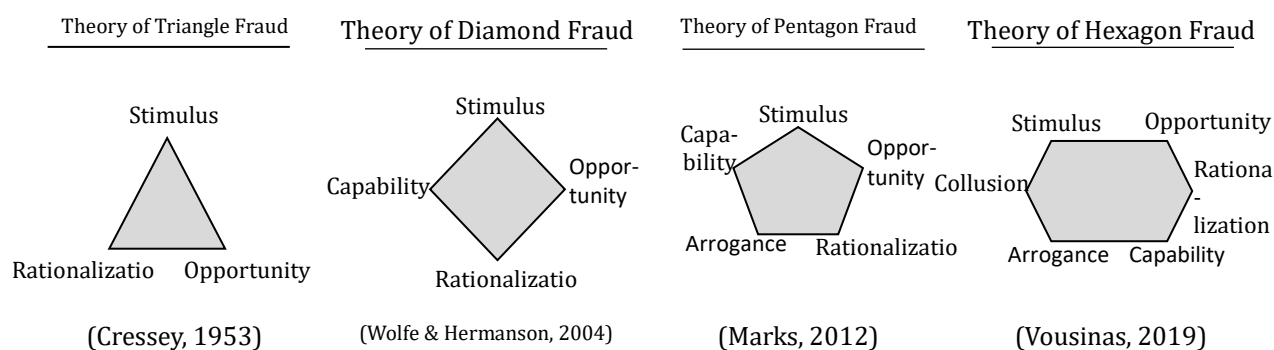


Figure 1. Development of Fraud Theory

Tax Avoidance

Tax avoidance is the act of avoiding paying taxes by exploiting policy loopholes and through accounting techniques without violating regulations but contrary to the purpose of implementing tax regulations (García-Meca et al., 2022). Tax avoidance harms the philosophy of tax objectives in national and state life, where the company is established, operates, obtains raw materials, labor, and markets in the country. However, for one reason or another, the company tries to do tax avoidance to the country that has provided facilities to the company. Tax avoidance is an action that is still pro-contra related to the meaning of this action, right or wrong, allowed or not allowed. In the philosophy of the state, this action is not justified, because in addition to reducing the right to state revenue, there may also be more or less attempts to violate tax regulations or accounting standards in carrying out tax avoidance. On the other hand, as long as it does not violate tax regulations and accounting standards, is a justified action, because in an effort to make cash expenditures efficient, how management manages cash management by selecting items that are more priority and provide more added value to the company. In addition, the company's stakeholders are not only the government, but also many other stakeholders. Limited resources encourage companies to find ways to continue to be able to meet the interests of other stakeholders (dividends, salary increases, expansion), one of which is through tax avoidance. (Song & Holland, 2023).

Others Comprehensive Income (OCI)

OCI is mortal income from changes in the historical or acquisition value of liability and asset to fair value (Andriana et al., 2025). Liabilities and assets shown at fair value is highly dependent on macroeconomic conditions (Kusuma & Saputra, 2022), so that it has an impact on inherent properties of OCI which is vulnerable to external and fluctuates. There are 3 hierarchies of fair value levels (PSAK No. 68), where the hierarchy with the lowest objectivity in assessment is hierarchy level 3 because quoted market prices or similar replacement prices are not available in active markets, so management subjectivity is very high in assessing it (Kusuma et al., 2025), This is where space is available for tax avoidance on OCI tax, in addition to selecting the OCI realization regarding the time and amount of realization (Kusuma & Rahayu, 2022).

OCI characteristics also provide opportunities to take action as a result of agency problems (Kusuma, 2017) (Kusuma & Athori, 2023) (Kusuma & Hilda Agustin, 2024), like earnings management (Kusuma et al., 2022a), income smoothing (Kusuma, 2021b), fraudulent annual report statement (Kusumaningarti et al., 2025), and to minimize agency problem (Athori & Kusuma, 2023), ultimately requiring additional audit costs (Kusuma & Luayyi, 2024) and audit completion time (Agustin & Kusuma, 2024) and profitability (Ratih et al., 2025); (Wahyudi et al., 2025). But apart from all that, OCI was reacted to by capital market players, especially retail investors (Kusuma & Kusumaningarti, 2023), stock return (Kusuma, 2023a), predicted income

operation (Rahayu & Kusuma, 2020), net income and comprehensive income (Kusuma, Zuhroh, et al., 2021), cash holding and flows (Kusuma, 2020), dividend payout and growth (Kusuma & Agustin, 2023), financial distress prediction (Kusuma, 2024), asset returned (Kusuma, 2021a), equity returned (Kusuma, Assih, et al., 2021), retained earnings (Kusuma, 2023b), and profit margin (Murdiyanto & Kusuma, 2022). The existence of asymmetry and conflict of interest, combined with factors in the six dimensions of the fraud hexagon, and the space provided by the implementation fair value are suspected to be the determinants of tax avoidance actions on OCI taxes, where OCI itself is a product of the implementation of fair value accounting. Based on this explanation, the conceptual framework of this study is presented in Figure 2.

The existence of asymmetry and conflict of interest, combined with factors in the six dimensions of the fraud hexagon, and the space provided by the implementation of fair value accounting are suspected to be the determinants of the occurrence of tax avoidance actions on OCI taxes, supported by previous research findings that OCI can be engineering profit value through accrual transactions and determining the timing of transaction recording (Bertoni et al., 2024), thus strengthening our suspicion that OCI can be reduce tax payments, where OCI itself is a product of the implementation of fair value which is full of fair value subjectivity and expands opportunities for earnings management (Mohamed Amer et al., 2024) and tax avoidance. Based on this explanation, the conceptual framework of this study is presented in Figure 2.

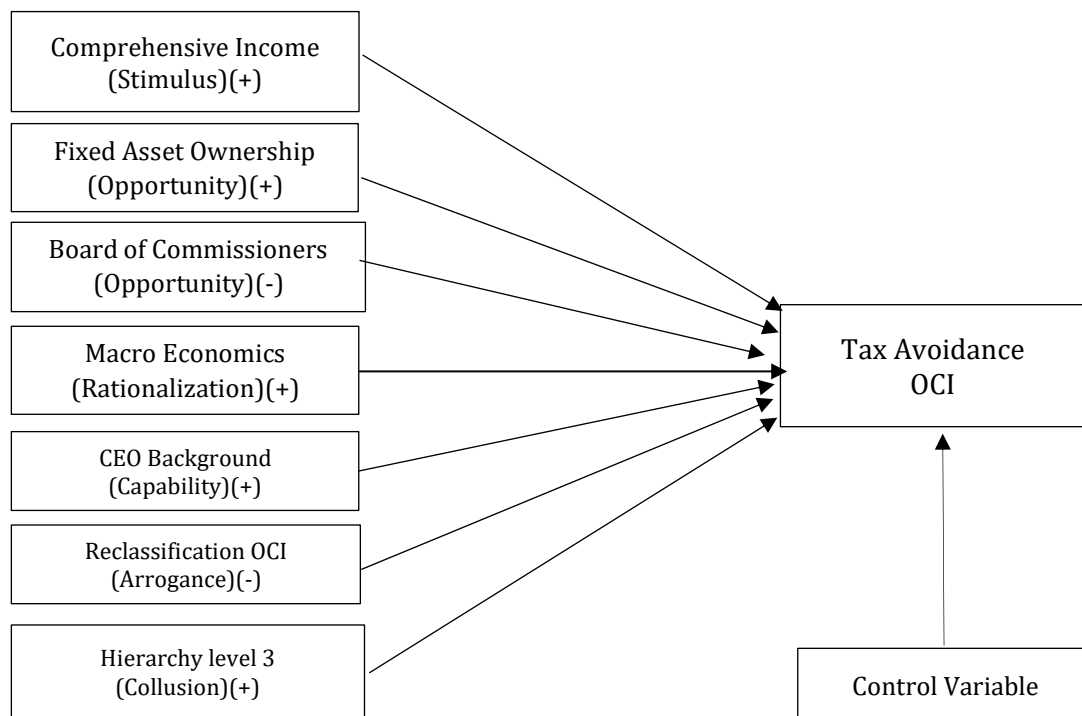


Figure 2. Conceptual Framework of Research

We built this framework based on grand theories agency (Jensen & Meckling, 1976) and triangle fraud (Cressey, 1958). According to agency theory, the existence of gap motivation, asymmetry and conflicts of interest encourage agent to engage in tax avoidance, including tax avoidance of OCI taxes, where the principal's information on OCI is very limited, opening up opportunities for agents to exploit this to evade taxes. Fraud theory is used to determine its determinants. Specifically, triangle fraud, which states that tax avoidance of OCI taxes arises

due to pressure, opportunity, and rationalization, is further expanded to hexagon fraud theory to justify the following variables.

Hypothesis Development

Hexagon fraud theory and agency theory are used to formulate hypotheses of factors that influence tax avoidance on OCI tax. Companies carry out tax avoidance because they are driven by financial performance targets (Mkadmi & Ali, 2024). Companies do tax avoidance on OCI tax because they are driven by pressure on large comprehensive profit (stimulus factors). The smaller the OCI tax, the greater the comprehensive profit attributable to the owners of the parent entity and non-controlling interests. The target of achieving comprehensive profit is thought to stimulate management to do tax avoidance on OCI tax. Comprehensive income contains net income as income that has actually occurred and realized, as well as OCI as income that is still unrealized. OCI has an impact on future profits, especially if an entity owns financial assets categorized as held for sale whose motivation is to sell them again when market prices rise (Kusuma et al., 2022b). Pressure from stakeholders on achieving comprehensive income makes management try to modify the recognition of accruals of income and expense transactions to obtain optimal comprehensive income (Barhamzaid, 2019). We use the same logic in suspecting OCI tax avoidance actions due to pressure on achieving comprehensive income, because profit management and tax avoidance have the same goal, namely creative accounting, presenting the value of profit and corporate tax through the creation of accounting techniques to achieve certain interests (Ratih et al., 2025), thus we suspect that the greater the pressure on achieving comprehensive income, the greater the desire of management to carry out tax avoidance. High pressure from fund providers on achieving comprehensive income motivates management to carry out tax avoidance actions. Rather than using cash to pay taxes, it is better to allocate it to fund activities that drive an increase in net profit and comprehensive profit, for example optimizing product quality, marketing activities, and investing in assets valued at fair value and driving an increase in comprehensive profit.

H₁ The higher the pressure to achieve comprehensive income, the more it encourages management to avoid OCI tax.

The company's commitment to implementing an anti-corruption system is a form of prevention against fraud and tax avoidance practices. Study by (Sarhan et al., 2024) in the UK provides evidence that the implementation of an anti-corruption system closes the opportunity for management to do tax avoidance in order to fulfill its interests. The company does tax avoidance on OCI tax because the subjectivity of the OCI value is very high (opportunity factor), especially the OCI item of fixed asset revaluation, where the fair value and replacement value are not clearly available in the market. Management's subjectivity is very high in determining the revaluation value of fixed assets. Management has the opportunity to determine the revaluation value of fixed assets as a basis for determining the final OCI tax burden.

H₂ The greater the amount of fixed asset ownership, the greater the opportunity for management to avoid OCI tax.

Apart from the subjectivity of management, the opportunity to carry out tax avoidance on OCI tax is also due to agency problems, namely conflicts of interest, gap motivation and information asymmetry between agents and principals (Kovermann & Velte, n.d.). The conflict of interest is that management is interested in minimizing the OCI tax burden so that cash can be diverted to other things including salary and incentive expenses, thus encouraging

management to carry out tax avoidance on OCI tax, while the principal is interested in the sustainability of the company, a positive image, avoidance of fines and social sanctions, so they choose not to carry out tax avoidance on OCI tax. This is also driven by the asymmetry of information between agents and principals, where the principal's access to information on the company is limited, not as broad as management. To minimize this agency problem, a board of commissioners is formed that represents the principal to supervise management actions. Thus, it is suspected that the existence of a board of commissioners minimizes the opportunity for management to carry out tax avoidance on OCI tax.

H₃ The more effective the performance of the board of commissioners, the more it narrows the opportunities for management to avoid OCI tax.

The low quality of the corporate governance system rationalizes management to be more eager to carry out tax avoidance (Guo & Hou, 2020). The company does tax avoidance on OCI tax because OCI is unrealized income that arises due to adjustments alone, does not increase net income and also does not impact cash receipts. The emergence of OCI is more due to fluctuations in macroeconomic fundamentals that cause the rise and fall of the fair value liabilities or assets as the basis for OCI assessment. Because the fair value of assets is more due to external factors, namely fluctuations in macroeconomic fundamentals and it is beyond management's control, it also rationalizes management's thinking to do tax avoidance on OCI tax (rationalization factor).

H₄ Macroeconomic fundamentals have a positive effect on avoid OCI tax.

Companies with CEOs who are overconfident and have high capabilities tend to engage in more tax avoidance (Lartey et al., 2022). (Hasan et al., 2024) adding companies with creative culture and high capability. Companies do tax avoidance on OCI tax because management has the expertise and power to play in accounting policies that affect the OCI tax burden (capability factor). With its capabilities in accounting and taxation, management can take advantage of policy loopholes in tax and accounting Regulations to do tax avoidance on OCI tax.

H₅ CEOs with an educational background in economics have a positive influence on avoid OCI tax.

Arrogance is proxied by CEO dualism (Yovita & Suryani, 2024). Study by (Nerantzidis et al., 2024) shows that in developing countries, CEO duality and tax avoidance have a nexus. Companies led by CEOs who are also members of the board of commissioners tend to do more tax avoidance than companies that do not have CEO dualism. Companies do tax avoidance on OCI tax because of management arrogance in choosing the amount and time of asset realization that will affect the OCI tax burden (arrogance factor). Management can delay the time of OCI recognition, or even recognize it earlier. Management can also increase the amount of assets adjusted to fair value, or even reduce it, where this game can affect the OCI tax burden. This game of time and amount of OCI realization can be read in the OCI reclassification. The SAK policy on the obligation to present OCI reclassification is a form of transparency that can minimize management arrogance in doing tax avoidance on OCI tax, because it opens up information on the realization plan. OCI in the previous period is presented as a group that will be reclassified to net income, meaning that in the current period it has become realized income, for example, profit from the sale of assets, and is no longer presented as OCI. If there is no realization, while in the previous years it was planned to be realized then there is a suspected indication of tax avoidance.

The company committed tax avoidance on OCI tax due to management arrogance in selecting the regulation of amount and timing implementation of asset realization that would affect the OCI tax burden (arrogance factor), meaning that management arrogance violated its commitment in the previous period. When OCI in the next period is presented in the "OCI to be reclassified to net income" group, it means that the OCI item will be realized in the next period, so that the gain from the sale of assets has been realized and increases net income. However, because of management arrogance, they do not realize the assets in the next period, or realize them but delay the time or reduce the amount of assets sold, so that the gain from the sale of assets is not recognized and net income becomes smaller, so that the tax burden is also smaller. Management can delay the timing of OCI recognition, or even recognize it earlier. Management can also increase the amount of assets adjusted to fair value, or even reduce it, where this game can affect the OCI tax burden. This game of timing and the amount of OCI realization can be read in the OCI reclassification. Presenting OCI reclassification is a form of transparency that can minimize management's arrogance in tax avoidance by disclosing information on the realization plan. OCI in the previous years is presented as a group to be reclassified, meaning that in the current years it has become realized income, for example, a gain on the sale of an asset, and is no longer presented as OCI. If such realization does not occur, while in the previous period it was planned to be realized (presented as a group to be reclassified), there is a suspicion of tax avoidance.

H₆ : OCI reclassification has a negative impact on avoid OCI tax.

Study by (Ma et al., 2025) in China provides evidence that corruption and collusion have a positive effect on tax avoidance. Companies avoid tax on OCI taxes because they can cooperate with appraisers to assess OCI as needed, especially at OCI hierarchy level 3 (collusion factor). Ownership of OCI in the fair value hierarchy level 3 category opens up opportunities for management and appraisers to collude in tax avoidance on OCI taxes (Kusuma et al., 2025). The fair value of revalued assets and actuarial differences in defined benefit plan liabilities can be modified in accordance with the interests of OCI tax, because the quoted fair value of revalued assets and actuarial differences in defined benefit plan liabilities are not available in the market, as are similar replacement values. Determination of the fair value of revalued assets and actuarial liabilities is purely subjective to management through appraisal services, and collusion between the two opens up a loophole for tax avoidance of OCI tax.

The OCI level 3 hierarchy works to avoid tax as follows: For OCI items in the fair value hierarchy level 3, the fair value and similar substitute values are not available in an active market. Unlike level 1, where fair value is available in the capital market, and level 2, where substitute values are available from macroeconomic fundamentals such as interest rates and inflation rates. For OCI level 3 items, such as fixed asset revaluations and defined benefit plan liabilities, companies use professional appraisers to determine fair value. Management subjectivity is high here, as there are no standardized values. Management has the opportunity to collaborate or collude with appraisers to value OCI level 3 items at a favorable value, namely a low tax burden. OCI level 3 opens up wide opportunities for tax avoidance. The fair value of asset revaluations and actuarial liabilities can be modified to suit OCI tax interests, as quoted fair values of asset revaluations and actuarial liabilities are not available in the market, nor are similar substitute values. The determination of the fair value of asset revaluation and actuarial differences in defined benefit plan liabilities is purely management subjectivity through appraisal services, and collusion between the two opens up loopholes for tax avoidance of OCI tax.

H₇ : Ownership of OCI level 3 has a positive effect on avoid OCI tax.

3. Research Method

This type of research uses a quantitative paradigm approach, namely testing the OCI tax determination hypothesis which is built on the basis of agency theory and the fraud triangle theory. The research data consists of 11,616 observation data originating from 3,872 financial reports of companies listed on the Stock Exchanges of six Southeast Asian countries, namely Indonesia (IDX), Malaysia (BM), Thailand (SET), Singapore (SGX), Philippines (PSE), and Vietnam (HOSE) during the observation period 2021 - 2023 as stated in table 1 below:

Table 1. Research Samples

	Indones ia (IDX)	Malaysi a (BM)	Thaila nd (SET)	Singapo re (SGX)	Philippines (PSE)	Vietnam (HOSE)	Amou nt
Registered population 2023	903	995	810	651	285	405	4.049
Reduced:							0
Registered after 2021	(78)	(23)	(34)	(6)	(12)	(10)	(163)
Incomplete OCI & OCI tax	-	(2)	(4)	(2)	(3)	(3)	(14)
Sample size	825	970	772	643	270	392	3.872
	Period (2021 - 2023)		3 years				
	Firm-Years		11.616				

Sources : Data Processed, 2025.

Tax avoidance of OCI tax is measured by ETR of OCI, which is OCI tax period t divided by the total aggregate OCI before tax period t . This formula is developed from the general ETR, which is the ratio of tax burden divided by profit before tax. The logic used is the tax burden paid (OCI tax), divided by the basis for calculating the tax burden (Total OCI before tax). Similar to the ETR of corporate income tax, the lower the ETR of OCI, the greater the tax avoidance of OCI tax. The independent variables in this study are the target achievement of ROA comprehensive income (stimulus) (X1), fixed asset ownership (opportunity) (X2), supervision of the board of commissioners (opportunity) (X3), macroeconomic fundamentals (rationalization) (X4), CEO educational background (capability) (X5), OCI reclassification policy (arrogance) (X6), level 3 fair value hierarchy (collusion) (X7) and control variables of industry type (X8) and research year period (X9). The measurement of each variable is as follows:

Table 2. Variable Measurement

Dimension	Variable	Measurement
Dependent		
Tax Avoidance of OCI's tax	Effective Tax Rate (ETR) of OCI tax	$ETR_{OCI_{i,t}} = \frac{\text{Tax of } OCI_{i,t}}{OCI \text{ before tax}_{i,t}}$
Independent		
Stimulus	The achievement of the comprehensive profit ROA target stimulates management to carry out OCI tax avoidance. (Wahyudi et al., 2025)	$ROA_{CI_{i,t}} = \frac{\text{Comprehensive Income}_{i,t}}{\text{Total Assets}_{i,t}}$

Opportunity	The subjectivity of determining the fair value of fixed assets opens up opportunities for management to carry out OCI tax avoidance. (Wahyudi et al., 2025) The existence of a board of commissioners minimizes the opportunity for management to carry out OCI tax avoidance. (Wahyudi et al., 2025)	$FA_{i,t} = \frac{\text{Fixed Assets}_{i,t}}{\text{Total Assets}_{i,t}}$ $DEKOM_{i,t} = \text{personnel from the board of commissioners in a corporation}$
Rationalization	Fluctuations in macroeconomic fundamentals beyond management control rationalize management's thinking to carry out OCI tax avoidance. (Wahyudi et al., 2025)	$FEM = \text{Average interest rate } t$
Capability	CEOs with an educational background in economics have the capability to carry out OCI tax avoidance. (Wahyudi et al., 2025)	$CAP_{i,t} = \text{Dummies variable,}$ 1 : CEO from economics background, 0 : otherwise
Arrogance	The delay or reduction in the amount of OCI reclassification realization is a form of management arrogance in carrying out OCI tax avoidance. (Wahyudi et al., 2025)	$ARO_{i,t} = \frac{\text{Reclassification OCI}_{i,t-1}}{\text{Realization OCI}_{i,t}}$
Collusion	The absence of market prices and substitutes for OCI in the level 3 fair value hierarchy category becomes a medium for management collusion and appraisal in carrying out OCI tax avoidance. (Wahyudi et al., 2025)	$COL_{i,t} = \frac{OCILevel3_{i,t}}{\text{Total Assets}_{i,t}}$
Type of industry	Multiple dummies variable 9 industry sector	
Time period	Multiple dummies variable research period	

The model built to test the hypothesis is as follows:

$$ETR\ OCI_{i,t} = \alpha_0 + \beta_1 ROA\ CI_{i,t} + \beta_2 FA_{i,t} + \beta_3 DEKOM_{i,t} + \beta_4 FEM_t + \beta_5 CAP_{i,t} + \beta_6 ARO_{i,t} + \beta_7 COL_{i,t} + \gamma INDUSTRY + \gamma YEAR + \varepsilon_{i,t} \quad \dots\dots\dots(1)$$

4. Results and Discussion

Results

Data testing was conducted in several stages. The first stage was a classical assumption test, ensuring all data passed the prerequisite analysis stage. The second stage involved descriptive statistics and a Pearson correlation analysis. Hypothesis testing and model robustness were conducted using multiple linear regression analysis. Table 3 below shows the results of descriptive statistics and Pearson correlation tests. The average ETR OCI during the observation period is 0.220 and the average ROA is 0.084. ETR OCI is positively correlated with ROA CI with a coefficient of 0.051**, correlated with FA 0.048**, negatively correlated with the board of commissioners with a coefficient of -0.042**, with macroeconomic fundamentals

0.054***, with CAP 0.028*, negatively correlated with ARO -0.054** and positively correlated with collusion with a coefficient of 0.043*.

Table 3. Result of Descriptive Statistics and Pearson Correlation

	Mean	Min	Max	SD				
Panel A. Statistics Descriptive								
ETR OCI	0,220	0,014	0,458	4,158				
ROA CI	0,084	-0,016	0,098	6,952				
FA	0,552	0,028	0,746	11,307				
DEKOM	5,332	3	11	5,742				
FEM	5,006	3,045	7,814	8,417				
CAP	0,455	0	1	7,258				
ARO	0,811	-0,114	0,987	10,639				
COL	0,008	-0,034	0,014	5,704				
Panel B. Pearson Correlation								
	ETR OCI	ROA CI	FA	DEKOM	FEM	CAP	ARO	COL
ETR OCI	1	0,051**	0,048**	-0,042**	0,054***	0,028*	-	0,043*
ROA OCI	-	1	0,034*	0,001	-0,014	0,011	0,013	0,028*
FA	-	-	1	0,017	0,028*	0,022	0,011	0,035
DEKOM	-	-	-	1	-0,013	0,032	0,035	0,025
FEM	-	-	-	-	1	0,014	0,041**	0,039*
CAP	-	-	-	-	-	1	0,001	0,040
ARO	-	-	-	-	-	-	1	0,017
COL	-	-	-	-	-	-	-	1

Note :

Coeffisien sig. level 1% (***), 5% (**), 10% (*).

Sources : Data processed, 2025.

Table 4 below presents the results of hypothesis testing. H1, which states that comprehensive income has a positive effect on OCI's tax avoidance, is accepted because the coefficient $\beta_{1ROA\,CI,t}$ is positive 0.058 (8.284)*** and significant at the 1% level. H2, which states that fixed assets have a positive effect on OCI's tax avoidance, is accepted because the coefficient $\beta_{2FAi,t}$ is positive 0.051 (7.359)** and significant at the 5% level. H3, which states that the board of commissioners has a negative effect on OCI's tax avoidance, is accepted because the coefficient $\beta_{3DEKOMi,t}$ is negative -0.048 (7.0268)*** and significant at the 1% level. H4, which states that macroeconomic fundamentals have a positive effect on OCI's tax avoidance, is accepted because the coefficient $\beta_{4FEMi,t}$ is positive 0.022 (6.407)** and significant at the 5% level. H5, which states that CEOs with an educational background in economics have a positive effect on OCI's tax avoidance, is accepted because the coefficient $\beta_{5CAPi,t}$ is positive at 0.017 (5.618)** and is significant at the 5% level. H6, which states that OCI reclassification has a negative effect on OCI's tax avoidance, is accepted because the coefficient $\beta_{6AROi,t}$ is negative at -0.052 (7.145)** and is significant at the 5% level. H7, which states that OCI ownership in the fair value hierarchy category level 3 has a positive effect on OCI's tax avoidance, is accepted because the coefficient $\beta_{7COLi,t}$ is positive at 0.034 (6.692)** and is significant at the 5% level.

Table 4. Result of Hypothesis Test

Variable	(Model 1)
Constant	0,064 (4,173)*
ROA CI	0,058 (8,284)***
FA	0,051 (7,359)**
DEKOM	-0,048 (7,0268)***

FEM	0,022 (6,407)**
CAP	0,017 (5,618)**
ARO	-0,052 (7,145)**
COL	0,034 (6,692)**
INDUSTRY	YES
YEAR	YES
F – Statistics	12,015***
Adjusted R ²	44,761
Note :	
Coeffisien sig. level 1% (***), 5% (**), 10% (*).	

Sources : Data processed, 2025.

Robustness Test

The model's robustness test is conducted by changing the ROA measurement from comprehensive income to net income (NI), to find out whether the conventional ROA achievement target (NI ROA) also stimulates management to carry out OCI tax avoidance, and changing the macroeconomic fundamental measurement from the average interest rate of period t (FEM) to the average inflation of period t (INF), to find out whether inflation that impacts fair value also affects OCI tax avoidance. The model built is the same, only different in the ROA and macroeconomic measurements:

$$ETR\ OCI_{i,t} = \alpha_0 + \beta_1 ROA\ NI_{i,t} + \beta_2 FA_{i,t} + \beta_3 DEKOM_{i,t} + \beta_4 INF_t + \beta_5 CAP_{i,t} + \beta_6 ARO_{i,t} + \beta_7 COL_{i,t} + \gamma INDUSTRY + \gamma YEAR + \varepsilon_{i,t} \quad \dots\dots\dots(2)$$

The results of the model robustness test are presented in the following table:

Table 5. Robustness Test's Results

Variable	(Model 2)
Constant	0,061 (4,174)*
ROA NI	0,064 (8,914)***
FA	0,053 (7,449)**
DEKOM	-0,051 (7,118)**
INF	0,045 (11,662)***
CAP	0,023 (5,704)**
ARO	-0,052 (7,1145)**
COL	0,035 (6,731)**
INDUSTRY	YES
YEAR	YES
F – Statistics	12,015***
Adjusted R ²	34,76
Note :	
Coeffisien sig. level 1% (***), 5% (**), 10% (*).	

Sources : Data processed, 2025.

Based on the table above, it can be concluded that the model is able to survive or consistently provide the same results even though there is a change in the measurement of ROA and macroeconomic variables in model 2, providing the same results as model 1. The target of achieving conventional ROA (ROA NI) also stimulates management to carry out OCI tax avoidance, and inflation which has an impact on fair value also significantly affects OCI tax avoidance.

Additional Test

Additional testing is conducted to determine whether OCI tax avoidance. The model built is as follows:

$$ETR_{i,t} = \alpha_0 + \beta_1 ETR\ OCI_{i,t} + \varepsilon_{i,t} \quad \dots\dots\dots (3)$$

Where, $ETR_{i,t}$: income tax expense divided by net income before tax of company i in period t, and $ETR\ OCI_t$: OCI tax expense divided by total aggregate OCI before tax of company i in period t.

The results of additional tests are presented in the following table:

Table 5. Additional Test Results

Variable	(Model 3)
Constant	0,042 (15,451)**
ETR OCI	0,067 (8,214)**
F – Statistics	15,706***
Adjusted R ²	48,11
Note :	
Coeffisien sig. level 1% (***), 5% (**), 10% (*).	

Sources : Data processed, 2025

Based on the table above, it can be concluded that ETR OCI has a significant positive effect on ETR income tax. This means that companies in an effort to minimize tax burdens, the method used is not only by avoiding income tax alone, but also avoiding OCI tax. Although the value is relatively small when compared to income tax, OCI tax avoidance will be able to reduce cash expenditures and maximize comprehensive profit ROA.

Discussion

Effect of Comprehensive Income on Avoid OCI Tax

This study successfully proves hypothesis 1, that target comprehensive profit positive effect on OCI tax. This means that the achievement of the comprehensive profit stimulates avoid OCI tax. The lower the OCI tax burden, the greater the net OCI value after tax. The greater the net OCI value after tax, the greater the total comprehensive profit. Comprehensive profit is the sum of net profit after tax (corporate income tax burden) and net OCI after tax (OCI tax burden). Comprehensive profit reflects a broader financial performance achievement than profitability based on net profit alone, because it does not only include net profit as a performance achievement based on income and expenses that have been realized, cash income and expenses and accruals, but also combines it with income and expenses that have not been realized arising from the adjustment.

OCI in the current period has not been realized, but for certain items reclassified, this OCI item in the next period will be transformed into realized profits that will affect cash flow and profitability, results from asset sales or debt repayment. The higher the achievement of ROA based on comprehensive income, indicates the better the company's profitability both from realized earnings and unrealized earnings, which will have an impact on the company's ability to realize investment return expectations to stakeholders. Management seeks to reduce the OCI tax burden, because it can maximize comprehensive profit total and cash outflows minimize for OCI tax. Efforts to reduce OCI tax, maximizing comprehensive income can be done with OCI tax, where maximizing comprehensive income has an impact on comprehensive profitability that can convince potential investors about performance

achievements, cash flow prospects, and investment return expectations, this is what drives management to carry out OCI tax.

Effect of Fixed Assets on Avoid OCI Tax

This study successfully proves hypothesis 2, fixed asset positive effect to OCI tax. Management has the opportunity to determine the revaluation value of fixed assets as the basis for determining the final OCI tax burden. Management subjectivity is very high in determining revaluation fixed assets. The company carries out tax avoidance on OCI tax because the subjectivity of the OCI value is very high (opportunity factor), especially the OCI item of fixed asset revaluation, where the fair value and replacement value are not clearly available in the market. The difference between the fair value of fixed assets resulting from the revaluation and its acquisition value is the basis for determining the final tax on fixed asset revaluation (OCI). This means that the subjectivity of determining the fair value of fixed assets opens up the opportunity for OCI tax. This means that the subjectivity of determining the fair value of fixed assets opens up the opportunity for management to carry out tax avoidance of OCI tax. These findings support evidence from (Aviantara, 2021) and (Wahyudi et al., 2024) that opportunity significantly influences tax avoidance.

Effect Commissioners on Avoid OCI Tax

This study successfully proves hypothesis 3, commissioners negative effect to OCI tax. This means that the existence of a board of commissioners minimizes the opportunity for management to carry out tax avoidance of OCI tax. In addition to the subjectivity of management, the opportunity to carry out tax avoidance on OCI tax is also due to agency problems, namely conflicts of interest and information asymmetry between agents and principals. The conflict of interest is that management is interested in minimizing the OCI tax burden so that cash to pay taxes can be used for operating expenses, bonuses, dividends, interest and principal, and investment, thus encouraging management to carry out tax avoidance on OCI tax, while the principal is interested in the sustainability of the company, a positive image, avoidance of fines and social sanctions so that they choose not to carry out tax avoidance on OCI tax. The board of commissioners plays a role in minimizing agency problems with its task of representing the principal in supervising management actions. Thus, the existence of a commissioners minimizes or reduce opportunity for management to avoid OCI tax. These findings support evidence from (Sari & Khoiriah, 2021) and (Wahyudi et al., 2024) that commissioners has a negative influence.

Effect Macroeconomic Fundamentals on Avoid OCI Tax

This study successfully proves hypothesis 4, macroeconomic fundamentals positive effect to OCI tax. This means that macroeconomic fundamental fluctuations beyond management control rationalize management's thinking to conduct OCI tax tax avoidance. The company conducts tax avoidance on OCI tax because OCI is unrealized income that arises due to adjustments alone, does not increase net profit and also does not impact cash receipts. The emergence of OCI is more due to macroeconomic fundamental fluctuations that cause the rise and fall of the fair value of assets and debts as the basis for OCI assessment. Because the fair value of assets is more due to external factors, namely macroeconomic fundamental fluctuations and that is beyond management control, it also rationalizes management's thinking to conduct tax avoidance on OCI tax (rationalization factor). These findings support evidence from (Aviantara, 2021) and (Wahyudi et al., 2024) that rationalization has a negative effect on tax avoidance.

Effect of CEO Educational Background on Avoid OCI Tax

This study successfully proves hypothesis 5, CEO background positive effect to avoid OCI tax. This means that CEOs with an educational background in economics have the capability to carry out OCI tax avoidance. Companies carry out tax avoidance on OCI taxes because management has the expertise and power to play in accounting policies that affect the OCI tax burden (capability factor). With its capabilities in accounting and taxation, management can take advantage of policy loopholes in Financial Accounting Standards and Tax Regulations to carry out tax avoidance on OCI taxes. These findings support evidence from (Sari & Khoiriah, 2021) and (Wahyudi et al., 2024) that the capability measured by the CEO's educational background in economics has a positive effect on tax avoidance.

Effect of Reclassification on Avoid OCI Tax

This study successfully proves hypothesis 6, reclassification negative effect to avoid OCI tax. This means that the SAK policy that requires the presentation of OCI by separating items that will be realized (reclassification) and items that will not be realized minimizes management arrogance in conducting OCI tax avoidance. OCI items presented in the group that will be realized (reclassification) mean that they are planned to be sold or paid off in period $t+1$ which gives rise to cash flow from realization gains or losses that can affect the tax burden. If in period $t+1$ there is a delay or reduction in the amount of OCI reclassification realization (different from what was planned) then this is a form of management arrogance in conducting OCI tax avoidance. The company conducts tax avoidance on OCI tax due to management arrogance in selecting the amount and time of asset realization that will affect the OCI tax burden (arrogance factor). Management can delay the time of OCI recognition, or even recognize it earlier. Management can also increase the amount of assets adjusted to fair value, or reduce it, where this game can affect the OCI tax burden. This game of time and the amount of OCI realization can be read in the OCI reclassification. The SAK policy on the obligation to present OCI reclassification is a form of transparency that can minimize the arrogance of management in carrying out tax avoidance on OCI tax, because it opens up information on the realization plan. OCI in the previous period is presented as a group that will be reclassified to net income, meaning that in the current period it has become realized income, for example, profit from the sale of assets, and is no longer presented as OCI. If there is no realization, while in the previous period it was planned to be realized (presented as a group to be reclassified) then there is a suspected indication of tax avoidance. These findings support evidence from (Kusuma & Rahayu, 2022) that OCI reclassification has a negative effect on tax avoidance.

Effect of OCI Level 3 on Avoid OCI Tax

This study successfully proves hypothesis 7, OCI category level 3 positive effect to avoid OCI tax. This means that the absence of market prices and substitutes for OCI category fair value hierarchy level 3 becomes a medium for collusion between management and appraisals to conduct tax avoidance of OCI tax. Companies conduct tax avoidance of OCI tax because they can cooperate with appraisers to assess OCI according to needs, especially in the OCI hierarchy level 3 (collusion factor). Ownership of OCI category fair value hierarchy level 3 opens up opportunities for management and appraisers to collude to conduct tax avoidance of OCI tax. Determination of the fair value of asset revaluation and actuarial differences in defined benefit plan liabilities is purely the subjectivity of management through appraisal services, and the collusion of both opens up loopholes for tax avoidance of OCI tax. The fair value of the

revaluation of assets and actuarial differences in defined benefit plan liabilities can be modified in accordance with the interests of OCI tax, because the quoted fair value of the revaluation of assets and actuarial differences in defined benefit plan liabilities are not available in the market, as are similar replacement values. These findings support evidence from (Kusumaningarti et al., 2025) that OCI category fair value hierarchy level 3 has a positive effect on financial reporting fraud.

5. Conclusion

Effect of target comprehensive profit (stimulus), fixed asset revaluation (opportunity), effectiveness of board of commissioners supervision (opportunity), macroeconomic fundamental fluctuations (rationalization), CEO educational background (capability), OCI reclassification policy (arrogance) and management & external appraisers subjectivity (collusion) on OCI fair value category level 3 on OCI tax avoidance. Observation data of 11,616 originating from annual reports of public companies in Indonesia (IDX), Malaysia (BM), Thailand (SET), Singapore (SGX), Philippines (PSE) and Vietnam (HOSE) during the observation period of 2021 - 2023. Comprehensive profit target, revaluation assets, fluctuations in macroeconomic fundamentals, CEO educational background, and management collusion with external parties through OCI category level 3 fair value hierarchy. Existence of a board of commissioners and the OCI presentation policy in reclassification a negative nexus.

The theoretical meaning of the results of this study are: 1) Achieving target comprehensive profit to avoid OCI tax. 2) Fixed assets opens up opportunities avoid OCI tax. 3) The existence commissioners minimizes avoid OCI tax. 4) Fluctuations in macroeconomic fundamentals beyond management control rationalize management thinking to conduct avoid OCI tax. 5) CEOs with an educational background in economics have the capability to conduct avoid OCI tax. 6) Delays or reductions in the amount of OCI reclassification realization are a form of management arrogance in conducting avoid OCI tax. 7) The absence of market prices and substitutes for OCI in the level 3 fair value hierarchy category is a medium for management and appraisal collusion in conducting OCI tax avoidance. This study provides benefits to the academic world by filling the gap in the literature on OCI final tax determination. For potential investors and creditors, they should also consider the assessment and presentation of OCI in comprehensive income, especially if the potential for tax avoidance will affect management's ability to meet investment returns and credit obligations in the future. For tax authorities to also pay attention to OCI final tax avoidance in maximizing corporate tax revenues, by knowing the determination of OCI tax, it can be used as input in decision making on optimizing corporate tax expenses. For accounting standard-setting authorities, OCI tax should be presented directly according to the OCI items that are tax burdens, not below the total OCI. Measurement of each dimension of the hexagon fraud theory may be less representative.

Further research can use this research model with other measurements that may be more representative, or also use mixed methods with a qualitative approach to explore more deeply the reasons for management to avoid tax on OCI tax. Further research is also suggested to develop this research model by testing mediation and moderation variables. Although the object of the study extends across countries in the Southeast Asia region, this study only tests tax avoidance of final OCI tax on group entities presenting financial statements, specific testing of tax avoidance of final OCI tax on associated entities has not been carried out.

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