THEINFLUENCEOFINSTITUTIONALOWNERSHIP ANDFOREIGNOWNERSHIPONTAXAVOIDANCE WITHAUDITQUALITYASAMODERATION VARIABLE

ABSTRACT

Objective: This research was conducted with the aim of examining how institutional ownership, foreign ownership, and audit quality can influence tax avoidance practices.
Time and Place of Research: Consumer Goods Sector Manufacturing Companies listed on the Indonesia Stock Exchange in 2018-2022
Method: Thisresearchinvolvedasampleof72manufacturingcompaniesintheconsumer goodssectorlistedontheIndonesiaStockExchange.Theobjectofstudyusediscompany financialdatafrom2018to 2022.Thereare370piecesofdatainthisresearchpopulation. This research selects samples by selecting data from panels so that the number of data that can be used as a sample is 125. In this research, the analysis technique used is EVIEWS 13 software.
Conclusion: Institutional ownership has a negative effect on tax avoidance, foreign ownership has a positive effect on tax avoidance, audit quality moderates institutional ownership on tax avoidance, audit quality does not moderate foreign ownership on tax avoidance.

Keywords:InstitutionalOwnership,ForeignOwnership,AuditQuality,TaxAvoidance

1.INTRODUCTION

Indonesiaisacountrythatisexperiencingdevelopment,whererevenueisneededtosupport thecountry'sdevelopment.OnesourceoffinancialincomeinIndonesiacomesfromthe taxationsector.Theimplementationoftaxeshasacrucialroleineconomicgrowthinour country.Collectingtaxesisveryimportantforthestatebecausetaxesarethemainsourceof incomeusedtosupport statespending needs,includingregularand developmentspending. Thecauseofnotachievingthetaxrevenuetargetcancomefromstepstakenbytaxpayersto reducetheamountoftaxtheyhavetopay.Therearemanystrategiesthatcanbeusedto achievethisgoal,rangingfromthosethatcomplywithtaxregulationstothosethatviolate them.Anotherexampleisnotpayingtaxes.AreportfromtheTaxJusticeNetworkclaimsthat PTBentoelInternasionalInvestamaTbk,acompanyconnectedtoBritishAmericanTobacco (BAT)inIndonesia,isinvolvedintaxdeductionsthatcausestatelossesofUS$14million everyyear.aresearchfoundthatBATsubsidiariesinIndonesiawereinvolvedinreducingthe taxburdenintwodifferentways:

Bymakinginterestpaymentsonloansthroughlocalcompaniesaswellaspayingroyalties, feesand informationtechnologycosts.OnewaytoavoidthisistomovetransactionstoBAT subsidiariesabroadthathaveagreedtoataxagreementwithIndonesia.Inthedocument, BentoelannouncedthepaymentofdebtinterestofUS$164millionortheequivalentofRp.

2.25trillion,aswellasinformationtechnology feesandhonorarium toparent company BAT. Asaresult,Bentoelexperiencedanetlossof27%.OnlyfortheNetherlands,the Indonesian governmentimposesataxof20%onthesepayments.Bentoelusedthisagreementtoobtain aloanfacilityfromRothmansFarEastBVintheNetherlands.ThefundsgiventoBentoel actuallycamefromaBATsubsidiaryinEnglandcalledPathway4(Jersey)Limited,andwere channeledthroughaDutchcompanyaccount.TheIndonesiangovernmentcouldactually generatetaxrevenuesof20%ofitsUS$164millioninrevenue,whichisequaltoUS$33 millionorUS$11millionannually,throughothermethodsusedbyBentoel.BAT'sBritish subsidiaryhadtopayaroundUS$19.7million.Indonesiachargesataxrateof25%onthese payments,includingroyalties,informationtechnologyfeesandshippingcosts.However, thankstothetaxagreementbetweenIndonesiaandtheUK,thetaxratethatmustbepaidis only15%.Asaresult,thisplancouldresultinIndonesialosingUS$2.7millionintaxrevenue everyyear.Theimpactofthistaxavoidanceisareductionintheincomethatthestatewill receivefromtheAPBN.

Manythingscaninfluenceacompany'sdecisiontoreducetaxes.Allthesefactorsmustbe consideredcarefullybeforemakingadecision.Somefactorsthatcanhaveanimpactinclude auditquality,institutionalownership,andforeignownership.Institutionalownershipplaysa veryvitalroleinmonitoringmanagementperformancemoreeffectively.Asinstitutional ownership increases,supervisionof companymanagementwillalsobecometighter,sothat companies'effortstoaggressivelyavoidtaxeswilldecrease.Accordingtotheregulationsin Article1paragraph8ofLawNumber25of2007,foreignownershipincludesinvestment ownedbyforeignbusinessentitiessuchasforeigncountries,foreignpersons,orIndonesian companiesthatarepartiallyorfullyownedbyforeignparties.Basedonthearticlethathas beendescribed,itcanbeconcludedthatforeignsharesincludethenumberofordinaryshares ownedbyindividuals,legalentities,countriesandinstitutionsfromabroad.Thepresenceof foreigninvestmentcaninfluenceinvestors'motivationtoutilizetheirresourcestosupport companyactivities.Capitalcontrolhasanimpactonthecostofcapital,investmentlevels, technologytransfer,andthedistributionofprofitsfromforeigninvestment.Inaddition,foreign ownershipdetermineshowmuchaforeigncompanycanmanageitssubsidiariesandmaintain itsassets.AccordingtoresearchconductedbyPriyanto&Qitbthiyyahin2020,itappearsthat companyperformanceexperiencesaninitialincreasewhenthereisforeignownership,but afterreachingacertainpoint,companyperformancebeginstodeclineoreventakesan invertedUshape.Showsthatdomesticownershipisnecessarytoachieveoptimalefficiency. AstudyconductedbyMuhammadYazzidMuhajirin,AsrianiJunaid,MuhArif,andAndika Pramukti(2021)concludedthatforeignownershipcontributespositivelyandsignificantlyto taxavoidance.However,otherresearchconductedbySriPujiningsih(2022)foundthathaving foreigninstitutionsactuallyhasabadeffectontaxavoidanceefforts.Qualityauditsareaform ofexternalsupervisionthataimstomonitormanagementactionsinordertopreventtax avoidance.Thepurposeofthisauditistoensurethatthefinancialreportshavebeenprepared inaccordancewithapplicablestandardsanddonot violatetaxregulations.Evaluationofthe roleofauditquality isconsideredinrelationtotheimpactofinstitutionalownershipandforeign ownershiponthecompany'seffortstoreducetaxliabilities.Severalpreviousstudieshave been conducted regardingthe correlation betweenaudit qualityandtaxreduction measures andtaxrisk.Abernathyandhiscolleaguesconductedresearchonthistopic.In2019,astudy wasconductedtoinvestigatetheresponseofexternalauditorstotaxrisks.Thisresearch showsthattherearetwopositiverelationshipsbetweenauditexpendituresandincreasedtax riskwithadditionalcostsarisingfromaggressiveactionsintermsoftaxes.Otherstudiesshow thatusingauditorsizeasanindicatorofauditorqualitycanhaveasignificantnegativeimpact ontaxavoidance(AhmadRuslan,2023;MonikaChristinMaria,&NoviariNaniek,2021). Agencytheoryisaconceptthatexplainsagencyrelationshipsandtheproblemsthatarise fromtheserelationships(Jensen&Meckling,1976).Anagencyrelationshipisabondbetween twoentities,wherethefirstentityactsastheprincipalandthesecondentityactsasanagent whomediatestorepresenttheprincipalincarryingouttransactionswithotherparties.The principalgivesauthoritytotheagenttocarryouttransactionsonbehalfoftheprincipalandis expectedtomakedecisionsthataremostprofitablefortheprincipal.

Thecorrelationbetweentheconceptofagencyandeffortstoreducetaxpaymentshas been proven.Ifmanagementwantstocreatetheimpressionoflowercompanyprofitsinorderto reducetheamountoftaxestheyhavetopay,theymaypresentlessaccuratedatato shareholders.Thisalsoshowsthat highertaxpaymentswillcausethecompany'sliquidityto decreasesothatprofitswillalsodecrease(Hanifah,2022).Companiestrytominimizetax paymentstothestatebecausetheyseetaxesasalargeburden.Therefore,managerswill attempttodeterminetheamountoftaxthebusinessmustpaysothattheycanoptimize revenue.Instead,thegovernmentandprincipalsaimtocollectasmuchtaxaspossiblefrom allpeoplesubjecttotaxobligations.Therefore,institutionalownershipisveryimportantto supervisethemanagementprocess sothatinformation is transparentandtax exemptions can beminimized.

2.METHODS

2.1Taxavoidance

Pohan(2013:23)Taxavoidancereferstolegalandsafeactionscarriedoutbytaxpayersin accordancewithtaxprovisions.Inthiscase,taxpayersusemethodsandstrategiesthattend toexploitloopholes(gray areas)intaxlawsandregulationstoreducetheamountoftaxthat mustbepaid.Inthisstudy,taxavoidanceismeasuredbycomparingStatutory Tax Rate (STR)andtheEffectiveTaxRate(ETR)(Jamei,2017).StatutoryTaxRates(STR)ortaxrates regulatedbylawaretaxratesthatarelegalandhavebeendeterminedbythetaxauthority basedoncertainrules.OneexampleoftheIncomeTaxRateSystem(PPh)isthe25%tax rateimposedoncompanies.AccordingtoresearchconductedbyAnggrainietal.According totheSTRreportpublishedin2021,Indonesiawassubjecttoataxrateof25%duringthe researchperiodfrom2007to2018.InIndonesia,from2010to2019,therateappliedwas 0.25 or25%basedonArticle17oftheLaw.IncomeTaxAct.In2020and2021,thecorporate incometaxrateis22%inaccordancewithArticle2ofGovernmentRegulationNumber.In 2020,30yearshavepassed.Thepercentageoftaximposedonreportedpre-taxprofitsis knownastheEffectiveTaxRate(ETR)andisconsideredtheeffectivetaxrate.Thedecrease intheeffective tax rateindicatesanincreasein thenumberof companiesthat reduce taxes. ThisstudysimplifiestheconceptofEffectiveTaxRate(ETR)byreducingtheSalesTaxRate (STR)percentage,resultinginafigurethatisgreaterthanTaxAvoidancewhichreflectsmore corporatetaxavoidancepractices.ThehigherutilizationofTaxTariffEffectivenessachieved indicatesreducedcompanyeffortstoreducetaxpayments(Rani,2017).Rani(2017)explains thattheETRandSTRcalculationmethodis asexplainedbyJamei(2017)andTarmidi.Accordingtoastudycarriedoutin2022,taxavoidancecalculationsusethefollowing formula.

$$TA=STR-ETR$$

$$ETR=\frac{TaxPaid}{ProfitBeforeTax}x100\%$$

Where:TA =TaxAvoidance

STR =StatutoryTax Rate

ETR =EffectiveTaxRate

2.2InstitutionalOwnership

Institutional ownershiprefersto sharesorsharesownedbycompanieswithinoroutsidethe country,inwhichthegovernmentdoesnothaveownershiporshares.Themeasurementof institutionalownershipvariableshasbeenusedinresearch(Pratomo&Rana,2021)and AhmadGazali(2020).asfollows:

$$INS = \frac{Ownership\ Institusional}{Total\ Shares} x100\%$$

2.3 ForeignOwnership

Foreignownershipreferstotheshareorownershipownedbyanentityorindividualfrom abroad.Thiscanbeaninvestmentbyaforeignindividualorcompanywithinacountry.The measurementofforeignownershipvariableshasbeenusedinresearch(Alianda,Andreas, Nasrizal,&Azhar,2021)and(Sari,2019)asfollows:

$$FOR= \frac{\text{Foreign Ownership}}{\text{Total}\mathcal{S}\text{hares}} x100\%$$

2.4 AuditQuality

The auditor's ability to identify and report errors or fraudulent acts in the client's financial records isasignof the levelof auditperformancecarriedout. Auditqualitycan be measured usingdummyvariablesasindicators.Ifacompanyisauditedbya Big4KAP,itwillgetarating of1,butifacompanyisauditedbyanon-Big4KAP,itwillgetaratingof0.Thisstudyinvolved four leading companies, namely Price Water House Coopers (PWC), Deloitte Touche Tohmatsu, Klynveld Peat Marwick Goerdeler (KPMG) International, and Ernst and Young (EY).

2.5 DataAnalysisMethods

Inthisstudy,thedataprocessingtechniqueusedisinferentialstatisticstotestthehypotheses that have been proposed. Parametric inferential statistics is a technique used in research to test population characteristics using sample data, or to analyze sample data to draw conclusionsaboutthepopulation.Thedatathathasbeencollectedforeachresearchvariable isthenprocessedor analyzedusing the paneldata regressionanalysismethod to determine whethertheindependentvariablehasasignificantimpactonthedependentvariable,sopanel data regression analysis is carried out. Panel data regression is a statistical method used to analyzetherelationship between independent variables and dependentvariables using data collected from various time periods and locations. This method integrates time series and cross-sectional data so that it can provide more comprehensive information regarding the influence of independent variables on the dependent variable.

3. RESULTSANDDISCUSSION

3.1 DescriptiveStatisticalAnalysis

Descriptive statistical analysis was carried out on 125 financial report data used as samples inthisstudy.Descriptivestatisticalanalysisinvolvesobservingthelowestvalue(min),highest value (max), average (mean), middle value (median) and standard deviation for each company. Table 1 below shows the results of descriptive statistical analysis.

Table1DescriptiveAnalysis

	Y	X1	X2
Mean	0.133616	0.604546	0.537811
Median	0.020578	0.604580	0.575073
Maximum	6.684553	0.999584	0.999584
Minimum	0.000205	0.054237	0.049916
Std.Dev.	0.616071	0.279645	0.311426

1. In the Tax Avoidance variable (Y), the average value is 0. 133616, while the middle value is0.020578CompanieswiththePSDNcode(haveamaximumvalueof6.684553.In2019,

theyhaveaminimumvalueof0.000205forcompanieswiththecodeSQBIin2018,showed astandarddeviationvalueof0.616071forthetaxavoidancevariable.

2.IntheInstitutionalOwnershipvariable(X1),theaveragevalueis0.604546,themiddle valueis0.604580,andthehighestvalueis0.999584whichisownedbyacompanywiththe codeRMBA.In2018,ithasaminimumvalueof0.054237forcompanieswiththecodeCOCO, in2018ithadastandarddeviationof0.279645fortheinstitutionalownershipvariable.

3.TheaveragevalueoftheForeignOwnershipvariable(X2)is0.537811,whilethemiddle valueis0.575073.Companieswith thecodeRMBA,havethehighest value of0.999584 in 2018,haveaminimumvalueof0.049916ownedbythecompanywiththeCEKAcode,the standarddeviationvalueis0.311426fortheinstitutionalownershipvariable.

3.2TestChow

ModelevaluationforChowtest dependsonwhetherthe P-value(Prob>F)inFEislessthan 0.Thenumber05showsthatthefixedeffectmodelissuperiortothe commoneffectmodel. IfthePValueexceeds0.Thegeneraleffectsmodelis preferredoverthefixedeffectsmodel becauseitisabletobettercapturevariationsinthedata.IfthePvalueislessthan0,vice versa.Fixedeffectsmodelsarerecommendedovergeneraleffectsmodelsiftheindependent variablesdonotvaryfromoneperiodtoanother.Table2showstheinformationobtainedfrom theChowtest.Seethechowtestresultsintable2below.

Table2Chowtest

RedundantFixed Effects
TestsEquation:Untitled
Testcross-sectionfixedeffects

EffectsTest	Statistic	d.f.	Prob.
Cross-sectionF	5.821341	(26,94)	0.0000
Cross-sectionChi-square	119.926347	26	0.0000

Fromthetestsintable2itshowsthatthePValue(Prob>F)is0.0000whichissmallerthan 0.05sothatfortheChowtesttheFixedEffectModel(FEM)isbetter.

3.3Hausmantest

ThemodelselectedintheHausmantestcanbedeterminedusingthechisquaretestasa guide.Iftheprobabilityishigherthanthechi-squarestatisticalvalue,thentheeffectmodelwill stillbesuperiorifthesignificancelevelislessthan0.05.However,ifthesituationwere reversed,thenthebestoptionwouldbearandomeffectsmodel.TheresultsoftheHausman testcanbeseeninTable3 below.

Table3HausmanTest

Correlated Random Effects - Hausman Test
Equation:Untitled
Testcross-sectionrandomeffects

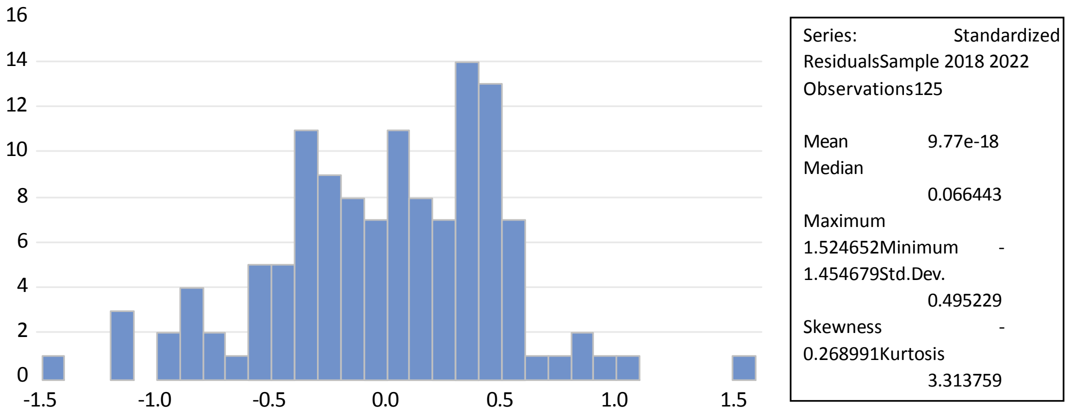
TestSummary	Chi-Sq.Statistic	Chi-Sq.d.f.	Prob.
Cross-sectionrandom	10.199174	4	0.0372

Table44showsthatthechi2probabilityvalueis0.0372,whichindicatesthatthefixedeffects modelisbetterfortheHausmantestinthisstudy. BasedontheresultsoftheChowtestand Hausmantest,itwasconcludedthattheFEMmodelwasthebestchoice.

3.4Normalitytest

Examination of the data in this study used the Kolmogrov-Smirnov (KS) method with a test significance level of α = 0.05. If the p value is greater than the significance levelÎ±, then the residualhasanormaldistribution.Ifthepvalueislessthanalpha,itindicatesthattheresiduals do not have a normal distribution. Graph 1 below shows the normality test results.

Figure1NormalityTest



Thenormalitytestresultsshowthattheprobabilityvalueobtainedis0.364,whichexceedsthe significance value of 0.05. Thus, the conclusion is that the null hypothesis (H0) can be accepted, which means that the data in the study follows a normal distribution.

3.5MulticollinearityTest

If the relationship between independent variables has a correlation coefficient that exceeds 0.8, then there is a possibility of multicollinearity. If the correlation coefficient between independentvariablesdoesnotexceed0.8,thentherewillbenotendencytomulticollinearity. Table 4below displays the test results toevaluatethe presenceof multicollinearity. By using data from the table, we can see whether there is multicollinearity in the model being tested.

Table4MulticollinearityTest

	LNY	X1	X2	X1Z	X2Z
LNY	1	0.00642812...	0.11051434...	-0.1373728...	-0.0122903...
X1	0.00642812...	1	0.55583065...	0.68625636...	0.45534560...
X2	0.11051434...	0.55583065...	1	0.27947212...	0.71476529...
X1Z	-0.1373728...	0.68625636...	0.27947212...	1	0.70013204...
X2Z	-0.0122903...	0.45534560...	0.71476529...	0.70013204...	1

Basedontheresultsofthemulticollinearitytestabove,itcanbeconcludedthatallcorrelation coefficientvaluesarestill below0.8so thatthe datausedinthisresearchdo notexperience symptomsofmulticollinearity.

3.6Ftest

Theconditionformakingdecisionsregardingthe Ftestisthatifthesignificancevalueisless than0.05,thisindicatesthattheindependentvariables asawholehave animportantimpact onthedependentvariablesoitcanbeconcludedthatthehypothesiscanbeaccepted. However,ifthesignificancevalueexceeds0.05,thisindicatesthatthereisnolinearcorrelation betweentheindependentvariableandthedependentvariable,sothehypothesisneedstobe rejected.Table5showstheresultsoftheftest.

Table5F test

R-squared	0.638077	Mean dependent var	-1.686511
Adjusted R-squared	0.522570	S.D. dependent var	0.823185
S.E. of regression	0.568791	Akaike info criterion	1.920373
Sum squared resid	30.41116	Schwarz criterion	2.621795
Log likelihood	-89.02332	Hannan-Quinn criter.	2.205324
F-statistic	5.524130	Durbin-Watson stat	2.269713
Prob(F-statistic)	0.000000		

3.7CoefficientofDeterminationTest

Based on the data in table 5, the coefficient of determination test shows that R2 has a value of0.638077.Thismeansthattheindependentvariablescanexplainasmuchas63.8%ofthe tax avoidance variable, while the remaining 36.2% can be explained by other factors not studied.

3.8ttest

A significant level of 0.05 (Î±= 5%) is the standard used in t statistical testing. A significance value of lessthan 0.05 indicatesthatthere isaninfluenceof the independentvariableonthe dependent variable and the hypothesis is acceptable; while a significance value above 0.05 indicatesthatthereisnoinfluenceoftheindependentvariableonthedependentvariableand the hypothesis must be rejected. The t test data can be found in table 6 below.

Table6ttest

R-squared	0.638077	Mean dependent var	-1.686511
Adjusted R-squared	0.522570	S.D. dependent var	0.823185
S.E. of regression	0.568791	Akaike info criterion	1.920373
Sum squared resid	30.41116	Schwarz criterion	2.621795
Log likelihood	-89.02332	Hannan-Quinn criter.	2.205324
F-statistic	5.524130	Durbin-Watson stat	2.269713
Prob(F-statistic)	0.000000		

The results of the t statistical test show that the results of hypothesis testing for each independent variable on the dependent variable are as follows:

1.TheInstitutionalOwnership andTaxReduction variableshave a significancelevelof0.0140 whichissmallerthan0.05,andhaveatvalueof-2.504372.Theresearchresultsshowthat thereisastatisticalrelationshipbetweeninstitutionalownershipandtaxavoidance.Therefore, thefirsthypothesiscanbeconfirmed.Thenegativecoefficientindicatesthatinstitutional ownershiphasanunfavorableimpactontaxavoidance.

2.ThevariableForeignOwnershipinTaxAvoidancehasaregressioncoefficientof2.876427 withasignificancelevelof0.0050,whichshowsthatthereis asignificantrelationshipbetween thesetwovariables.From theexistingdata,itcanbe concluded thatthe presence offoreign ownershipsignificantlyinfluencestaxavoidancepractices,soitcanbeconfirmedthatthe secondhypothesiscanbeaccepted.Withapositivecoefficient,itcanbeconcludedthat institutionalownershiphasapositiveimpactontaxavoidanceefforts.

3.TheAuditQualityvariablecaninfluencetherelationshipbetweenInstitutionalOwnership andTaxAvoidancewithaconfidencelevelof95%.Thisisindicatedbyatvalueof2.292061 andasignificancevalueof0.0241whichislowerthanthesignificancelevelof0.05.This showsthattheauditsupervisionqualityvariablehastheabilitytomoderatetheinfluenceof institutionalownershipvariablesontaxavoidancepractices,sothatthethirdhypothesiscan beconfirmed.Withapositivecoefficient,thisshowsthatauditqualityhasastrengthening effectoninstitutionaleffortstoreducetaxavoidance.

4.TheAuditQualityvariabledoesnothaveasignificantinfluenceinmoderatingthe relationshipbetweenforeignownershipandtaxavoidance,becausethetvalueis-1.658749 andthesignificancevalueis0.1005whichisgreaterthanthe0.05significancelevel.These resultsindicatethattheauditqualityvariabledoesnothaveasignificanteffectonthe relationshipbetweentheforeignownershipvariableandtaxavoidance,sothefourth hypothesisisnotproven.Basedontheexplanationabove,theresearchmodelusedisas follows:

Model1:

$$TA=\alpha - 5.037314INS+8.153575FOR+\varepsilon$$

Model2:

$$TA=\alpha - 5.037314INS+8.153575FOR+2.169701INS*AUQ - 2.760423FOR*AUQ+\varepsilon$$

Information:

a: Constanta

b: Coefficient

TA=Tax Avoidance

INS=InstitutionalOwnership

FOR=Foreignownership

AUQ=Auditquality

e=Error

3.9DiscussionofResearchResults

3.9.1InstitutionalOwnershipAgainstTaxAvoidance

Accordingtotheresultsofhypothesistesting,havinginstitutionalownershiphasanegative impactoneffortstoavoidpayingtaxes.Theresultsofthisresearchshowthatalthough companyownersgenerallyhaveanunderstandingoftaxregulationsandtheimpactoftax risksthatmayoccur,aswellastheburdenonthecompanyifthecompanyengagesintax avoidance,theyencouragemanagementtolimittaxavoidancepractices.Thisresearchis relatedtotheconceptofagencytheorywheremanagement,actingasanentrustedagent,will carryoutdecisionmakingforthecompany.Managementinvolvedinpreparingfinancial reportswillinfluenceeffortstoreducetaxpaymentsmadebymanagement.Thisstatement indicatesthatthelevelofcompanysupervisioniscloselyrelatedtotheinstitutionalownership structureofthecompany.Themoreownershipbyfinancialinstitutions,thelesssupervision thereis,whilethelessinstitutionalownership,thetighterthesupervision.Thismakes companies vulnerable tofraud. Themore shares a financialinstitutionowns, themoretaxes itwillimposeonthecompany.Thus,companieswillfaceanincreasinglyhighertaxburden. Thisincreaseoccurredbecausetherewasadecreaseinopportunitiesforcompaniestocut theirtaxes.Theownerofthecompanyhascontrolbasedonthenumberofsharesandvoting rightsheowns,sohehastheabilitytoinfluencemanagerstofocusonfinancialperformance andreducetaxrisksthatmayharminvestorsinthefutureforpersonalgain.Basedonthe resultsofthisresearch,RuslanAhmad's(2023)findingsshowthatownershipbyinstitutions hasanegativeimpactoneffortstoreducetaxpayments.

3.9.2ForeignOwnershipAgainstTaxAvoidance

Basedonresearchresultsfromhypothesistesting,itisproventhatinvestmentfromabroad hasabeneficialimpactineffortstoreducetaxpayments.Thehigherthepercentageofshares heldbyforeigninvestorsinacompany,themorelikelymanagementistoplanforreducedtax payments.ItisthoughtthatthisisrelatedtothelackofaffectionforIndonesiafromforeign parties,sothey only focus onprofits frominvestinginIndonesiancompanies.Accordingtothe agencyconcept,agencyproblemsoccurwhenthereisadifferencebetweentheexpectations oftheprincipalandtheagent.Thisoccurswhensomeone(theprincipal)hiresanotherperson (theagent)tocarryouttasksbygivingauthoritytotheagent.Thehighertheproportionof sharesownedbyforeigninvestorsinacompany,thegreatertheirpowerindetermining companypolicy.Smalltaxpaymentsareconsideredanindicationofanefforttoavoidtax,so thatasmalleramountoftaxpaidindicatesanincreaseintaxavoidance.Thegreaterthe proportionofcompanyownershipbyforeigninvestors,thegreaterthecompany'spotentialto reducetheamountoftaxitmustpay.Theinfluenceofforeigninvestorswhoownmajority sharesinthecompanywillhaveanimpactondecisionmaking,includingdecisionsrelatedto taxpolicy.Theytendtoinfluencecompanyleadershipsothatdecisionsaretakenthatare profitableforthemandavoidpayingtaxes.Thisimpactisalsothoughttoberelatedto weaknessesinlawenforcementinIndonesia,especiallyintermsofforeigninvestment policies.Researchconductedby Muhajirinandhis friendsindicates results thatareinline with this.Researchconductedin2021showsthatforeigninvestmenthasapositiveandimportant impactinreducingtaxpayments.Companiesthatarelargelyownedbyforeignentitiestend towithholdtaxpaymentsmorefrequently.

3.9.3AuditQualityModeratesInstitutionalOwnershipofTaxAvoidance

Theresultsofhypothesistestingshowthatauditqualityincreasestheimpactofinstitutional ownershiponeffortstoreducetaxpayments.Withthepresenceofqualifiedfinancialreport auditors,companieswillbeencouragedtoreducetaxavoidancepracticesasisalsoexpected byinstitutionalshareholders.Basedontheconceptoflegitimacy,companieshavea responsibilitytosocietyandthepublic,sotheup-to-datefinancialreportspresentedby audit institutionsareveryimportant.Qualityfinancial reportsreflectthecompany'sintegrityandcan betrusted,thisaffectsthe company's imageintheeyesofthepublic.Thequality of financial reports alsoprovidesanoverview of thecompany'stransparency in termsof operationsand taxcompliance.Companyactionstoreducetax obligationscandamagethecompany'simage intheeyesofthepublic,sotheyshouldbeavoided.Justasbusinessownersunderstandthe taximpactsthatmayariseduetotaxavoidanceactions,externalauditorsarealsoconcerned aboutthecompany'spotentialfuturetaxrisksifthecompanyengagesintaxavoidance practices.Therefore,managementisultimatelycarefulinimplementingstepstoreducetax payments.Thisfindingisinaccordancewithpreviousstudieswhichalsostatedthatskilled auditorscanencouragemanagementtominimizetaxavoidancepracticesduetopotentialtax risksinthefuture,therebyreducingthecompany'sleveloftaxavoidance.(Ahmad,2023; Monika&Noviari,2021).

3.9.4AuditQualityModeratesForeignOwnershiponTaxAvoidance

Basedontheresultsofthehypothesisanalysis,itcanbeconcludedthatthequalityofthe audithasnoimpactinregulatingforeignownershipofbusinessestoavoidpayingtaxes.These findingsindicatethatcompaniesthataremajorityownedbyforeigninvestorsmaynotbe influencedbyexternalauditorsintaxpolicy,especiallyineffortstoavoidpayingtaxes.The influenceofforeignpartiesisbelievedtobethemainfactorcausingauditqualitystandardsto havelessinfluenceoncorporatetaxavoidancepractices.Accordingtotheprincipleof legitimacy,societyexpectscompaniestoberesponsibleforeverydecisiontheymake.

Companieswillfacemajorconsequencesiftheyviolatesocialagreements.Ifacompany experiencesforeignownership,thecompanymayexperiencepressurefromcommunity demands.Thisresearchproducesfindingsthataresimilartoastudyconductedby Maisaroh (2021),whichconcludedthatauditqualityhasnoimpactontaxavoidancepractices.

4.CONCLUSION

Basedontheanalysisthathasbeencarriedout,itisconcludedthatinstitutionalownership contributestodetrimentaltaxavoidance.Thisislikelyrelatedtofuturetaxrisksand understanding oftaxrulesbyinstitutional owners.Ontheother hand,foreignownershipcan providebenefitsinavoidingtaxesbecausethereislessloyaltytothecountryandmorefocus onobtainingoptimalprofits.Inaddition,qualityauditsalsoincreasetheimpactofinstitutional ownershipontaxreductions.Inaccordancewiththewishesofthecompanyowner, independentauditorsalsoexaminepotentialtaxrisksinthefuture,whichencourages managementtoreducetaxfraudpractices.Effectiveauditscannotreducetheinfluenceof foreignownershiponbusinessestoevadetaxpayments.Withinterferencefromoverseas shareholders,externalauditorsarebelievedtobeunabletoforcemanagementtostoptax deductionpractices.Based on the conclusions that have been explained, this study suggests that future researchers use different variables from this study so that further research will discuss other factors that affect tax avoidance.

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