



THE INFLUENCE OF INSTITUTIONAL OWNERSHIP, INDEPENDENT COMMISSIONERS, AND CAPITAL INTENSITY ON TAX AVOIDANCE

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Abstract

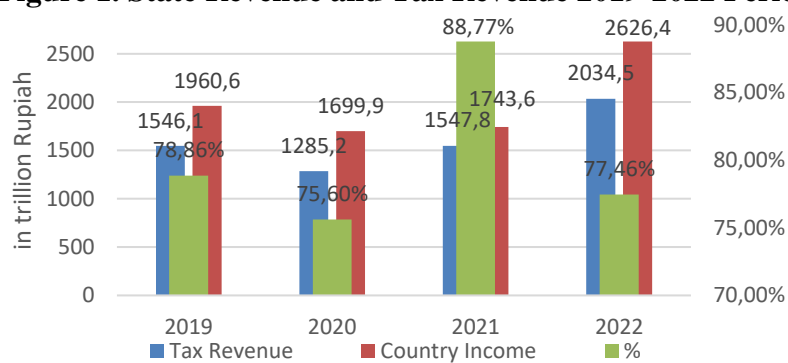
This research aims to determine the influence of institutional ownership, independent commissioners, and capital intensity on tax avoidance in non-bank LQ45 index companies for the 2019-2022 period. This research is a type of quantitative research that uses secondary data in the form of financial reports and annual reports obtained from the official website of the Indonesia Stock Exchange (BEI) and the company's official website. This research used a sample of 42 companies and 168 total research data. The technique for analyzing data in this research uses panel data regression tests and partial statistical tests (t tests) using the STATA 17 application with the help of Microsoft Excel. Based on the results of tests that have been carried out, it shows that (1) Institutional Ownership does not have a significant influence on Tax Avoidance, (2) Independent Commissioners do not have a significant influence on Tax Avoidance, (3) Capital Intensity has a significant positive influence on Tax Avoidance.

Keywords: Capital Intensity, Independent Commissioners, Institutional Ownership, Tax Avoidance

INTRODUCTION

Sustainable national development is carried out with the aim of increasing the prosperity of the people in material and spiritual terms (Republik Indonesia, 1995). In order to achieve this goal, there needs to be special attention to development financing (Putra, 2022). In an effort to increase the independence of a country, it is necessary to develop domestic resources, one of which is by exploring funds through the taxation sector. The state uses tax revenue to support state financing and national development projects aimed at improving the welfare of its people (Muzzaki & Darsono, 2015). Taxes play an important role in the country's economy because in fact, the source of funding from taxes is one of the largest contributors to state revenue (Ngadiman & Puspitasari, 2014).

Figure 1. State Revenue and Tax Revenue 2019-2022 Period



Source: www.kemenkeu.go.id (2024)

Based on Figure 1, throughout the period 2019 to 2022, tax revenue has always contributed more than 75% to total state revenue. This shows how important the role of taxes is in the country's financial structure, where tax revenue continues to be the main contributor to state revenue (Putra, 2022). Thus, taxes are considered the spearhead of development in a country. Assessment of tax performance can be done through the calculation of the tax ratio. The tax ratio reflects the government's capacity to collect tax revenue or take back Gross Domestic Product (GDP) from the community through taxation (Widagdo et al., 2020). The tax ratio is an indicator of tax revenue performance and reflects the effectiveness of the tax system



to support economic development. The calculation of the tax ratio helps the government know its ability to collect state revenue from taxes (Setiawan, 2016). The following is the tax ratio in Indonesia for the 2019-2022 period:

Table 1. Indonesia's Tax Ratio 2019-2022

Year	Tax Revenue (IDR trillion)	GDP (trillion Rupiah)	Tax Ratio (Tax Revenue/GDP) x 100%
2019	1.546,1	15.833,9	9,77%
2020	1.285,2	15.434,2	8,33%
2021	1.547,8	16.970,8	9,12%
2022	2.034,5	19.588,4	10,4%

Source: www.cnbcindonesia.com (2024)

Based on Table 1, although increasing, Indonesia's tax ratio is still below the ideal minimum set by the International Monetary Fund (IMF) of 15%. A country can be said to be successful in carrying out development and improving the welfare of its people if the country has a tax ratio of at least 15% (Anggara et al., 2023). Thus, the government continues to strive to increase the tax ratio to maintain economic growth gradually (Republik Indonesia, 2023). Contrary to the government's goal of increasing the ratio and state revenue through taxes, as a taxpayer, the company actually seeks to reduce expenses to a minimum in order to achieve maximum profit. This allows the company to submit an accountability report to the owners or shareholders and maintain the company's operational sustainability (Nugraha & Meiranto, 2015). The company as a taxpayer is responsible for fulfilling its obligation to pay taxes in accordance with existing regulations. The higher the amount of tax deposited, the higher the contribution to state revenue in the taxation sector. Taxes are considered as a burden that needs to be borne by the company because it can reduce the profits earned by the company and contradict the company's main goal of optimizing profits. Therefore, many companies try to find efforts to reduce the payment of these tax obligations (Mustika, 2017). One of the actions taken is tax avoidance. Tax avoidance is carried out in response to various perceptions of taxpayers or entities that taxes are a heavy burden and will certainly reduce the net profit earned by the company (Nugraha & Meiranto, 2015).

Tax avoidance practices carried out by taxpayers are considered to have a major impact on a country. Quoted from news.ddtc.co.id, Tax Justice Network stated that there is a loss of tax revenue caused by tax avoidance practices in Indonesia. This loss is predicted to reach US\$4.86 billion per year or IDR69.1 trillion. Based on The States of Tax Justice 2020 report, this amount is equivalent to 4.39% of its total tax revenue. As a result of the tax avoidance practice, Indonesia suffered a loss of US\$4.78 billion from corporate taxpayers and US\$78.83 million from personal taxpayers who hid their wealth abroad. In addition, the Tax Justice Network states that when compared to other Asian countries, Indonesia ranks fourth as the largest country experiencing tax revenue losses due to tax avoidance after China, India, and Japan.

One of the companies, PT Adaro Energy Tbk, is involved in tax avoidance practices through its subsidiaries. In 2019, Global Witness released a report highlighting the alleged tax avoidance committed by PT Adaro Energy Tbk. Based on the report, PT Adaro Energy Tbk allegedly escaped its income and profits through the intermediary of its Singapore-based subsidiary, Coaltrade Services International. Global Witness revealed that through this company, there is the potential for tax payments to be less than they should be. This amounted to US\$125 million that should have been paid to the Indonesian government. In this case, PT Adaro Energy Tbk marketed coal to its subsidiaries at a lower price than the market price, thereby reducing taxes payable in Indonesia. Then, the coal was resold to another country at a higher value than before. Thus, taxable income is lower in Indonesia, resulting in



underreporting of sales and profits (tirto.id). Taxpayers tend to use loopholes in tax regulations to reduce their obligation to pay taxes (Utami & Yohanes, 2023). To increase revenue from taxes, the government continues to improve and refine tax regulations in Indonesia (N. Sari et al., 2020). One of the steps taken is to identify various factors that influence tax avoidance actions taken by companies in Indonesia. Some factors that are considered influential in companies related to tax avoidance include institutional ownership, independent commissioners, and capital intensity.

Institutional ownership plays an important role as an element of governance in various company activities that influence decision-making policies (N. Sari et al., 2020). The existence of institutional ownership will increase pressure on company management, this can minimize the possibility of company management taking tax avoidance actions (Pratomo & Rana, 2021). The monitoring carried out by institutional investors is influenced by how much investment is made. Institutions with a larger portion of shares when compared to other shareholders have more ability to monitor management policies. The high level of institutional ownership in the company indicates low management action in carrying out tax avoidance practices (Andari et al., 2022). Research by Sianturi & Silalahi (2023) states that based on the financial statements of the LQ45 companies listed on the IDX from 2018 to 2021, there are fluctuations in the average value of the institutional ownership variable. In 2018 the value reached 63.14%, increased to 63.67% in 2019, then fell to 62.64% in 2020, and finally increased slightly back to 63% in 2021. Related research proposed by Pratomo & Rana (2021) states that institutional ownership has a negative influence on tax avoidance. In contrast to research from Dewi & Oktaviani (2021) and M. R. Sari & Indrawan (2022) which states that institutional ownership has no impact on tax avoidance. This study states that institutional ownership does not always guarantee effective control over the company, and the lack of supervision from institutional owners can increase the potential for tax avoidance.

In addition, another factor that influences tax avoidance practices is the role of independent commissioners who also play a significant role in tax avoidance practices by companies. Independent commissioners have no direct relationship with the company. The existence of independent commissioners is regulated through the OJK Regulation No. 33 / POJK.04 / 2014 concerning Directors and Board of Commissioners of Issuers or Public Companies. The regulation states that "Independent commissioners are required at least in every public company with a minimum percentage of 30% of the total number of commissioners". Research by Kennedy & Lumbantoruan (2016) states that the average number of independent commissioners in LQ45 companies has a range of 30% to 75%, this means that this proportion indicates a significant level of supervision of management policies, especially in terms of corporate transparency and accountability. It is expected that independent commissioners provide objective and impartial supervision, and contribute to preventing opportunistic management behavior, including in the context of corporate taxation (Dewi & Oktaviani, 2021). With an effectively functioning independent commissioner, company management can be better directed to comply with tax regulations and avoid practices that could be detrimental in the future. As a party that is not directly involved in day-to-day operations, independent commissioners have a strategic position to oversee, evaluate and direct management policies, and ensure that decisions are aligned with the long-term goals of the company and its stakeholders. Therefore, independent commissioners will try to encourage companies to comply with tax regulations (Diantari & Ulupui, 2016). This is in line with research by Sahara (2022) which states that independent commissioners have a negative impact on tax avoidance practices. However, this research contradicts research by Utami & Yohanes (2023) and Tebiono & Sukadana (2021) which state that independent commissioners have no impact on tax avoidance practices. Independent commissioners can only oversee management



performance, while the final decision is still made by management itself (Tebiono & Sukadana, 2021).

Another factor that can affect the level of tax avoidance practices is capital intensity. Capital intensity describes how the company's effectiveness in utilizing its assets to support business operations aimed at making a profit (Indradi D., 2018). Capital intensity can affect depreciation or depreciation expense. This is because basically, almost all fixed assets experience depreciation every year which contributes to reducing the company's tax burden (Rahmawati & Asalam, 2022). Company management tends to allocate unused funds in the form of fixed assets, with the intention of obtaining benefits in the form of depreciation. This depreciation is utilized in helping companies reduce the tax burden paid and improve overall financial efficiency (Darmadi & Zulaikha, 2013). The reduction in tax burden due to depreciation, in turn, can maximize the profit generated by the company. This depreciation expense is included in the deductible expense or costs that reduce the amount of tax calculation. This is in accordance with Article 6 of Law Number 36 of 2008 concerning Income Tax. Based on research by Sebayang et al. (2024) on LQ45 companies for the 2018-2022 period, capital intensity has the lowest value of 0.02 and the highest value of 0.72. This shows that there is considerable variation in the intensity of capital use among these companies. Some companies have very low capital intensity, while others have very low capital intensity. The greater the capital intensity ratio, the greater the depreciation costs, which in turn can increase the company's tendency to carry out tax avoidance practices (Dewi & Oktaviani, 2021). This is in line with research by M. R. Sari & Indrawan (2022) which states that capital intensity has a positive impact on tax avoidance practices. This research contradicts the research of Hilmi et al. (2022) where it is stated that capital intensity has no impact on tax avoidance. Research by Hilmi et al. (2022) states that companies do not deliberately store large amounts of assets with the aim of avoiding tax payments. Instead, fixed assets are used with the company's operational purposes, thus, the level of tax avoidance is not influenced by the high proportion of fixed assets.

Based on this background, there is a lack of uniformity in the influence of institutional ownership, independent commissioners, and capital intensity, so further research is still needed to investigate this matter. From the description of the previous problems, in this study the author carries the title "The Influence of Institutional Ownership, Independent Commissioners, and Capital Intensity on Tax Avoidance". The author intends to analyze how these three factors can affect tax avoidance practices in the company.

LITERATUR REVIEW

Agency theory proposed by Jensen & Meckling describes a contractual relationship of one or more parties (principals) who authorize another party (agent) to carry out a series of tasks on behalf of the principal, including authority in decision making (Jensen & Meckling, 1976). The separation of control between the principal and the agent can lead to conflicts of interest, where the agent has personal goals that are not aligned with the goals or interests of the principal, which in turn can harm the other party (Dakhli, 2022). Agency relationships arise between governments as principals and companies as agents (Tebiono & Sukadana, 2021). Companies have a responsibility to submit their annual reports to the government to provide information regarding the actual condition of the company's finances in the year concerned, of course, annual reports that are in accordance with the facts without any manipulation in the reports provided (Wardana & Asalam, 2022). But in fact, the information submitted by company management to the government is often not in line with the actual situation (Wardana & Asalam, 2022). The self-assessment system implemented in Indonesia as a taxation system authorizes companies to calculate and report taxes independently (Indradi D., 2018).



Information asymmetry between company management and the government provides opportunities for companies to act opportunistically, namely to gain personal benefits (Lisa, 2012). In addition, agency relationships also arise between shareholders (principals) and companies (agents). Management has a deeper understanding of the company's internal information and future prospects than shareholders, resulting in information imbalances (Lisa, 2012). As a result, management sometimes takes certain policies without the knowledge of shareholders, such as tax avoidance practices. In contrast to shareholders who tend to focus more on long-term growth in company value and increasing share value (Windaswari & Merkusiwati, 2018).

Institutional ownership is the proportion of shares of a company owned by entities, including insurance companies, governments, investment companies, banks, foreign institutions, trust funds, and other institutions (Yuni & Setiawan, 2019). Institutional ownership has an important role in increasing optimal monitoring and control over management performance and encouraging it to be more careful in making decisions that tend to be opportunistic (Shleifer & Vishny, 1997). In addition, institutional ownership puts pressure on management to be more focused on company performance and prevents opportunities to prioritize personal interests. This is because share ownership provides an impact that is used to support or even oppose management decisions. In agency theory, this situation occurs when there are differences in interests between management (agent) and government (principal). Management has the responsibility to convey information to the government, but often the information submitted does not reflect the real conditions that occur in the company. In the view of agency theory, management often focuses more on efforts to achieve personal gain, without fully considering the interests of other parties (Putri & Lasar, 2024). The higher the institutional ownership, the greater the voting rights owned by institutional investors to encourage management to focus on company performance and reduce opportunities to prioritize personal interests (Idzni & Purwanto, 2017). This shows that institutional ownership has a negative influence on tax avoidance. This statement is supported by research by Pratomo & Rana (2021), where institutional ownership has a negative influence on tax avoidance. Based on this review, the hypothesis is formulated as follows:

H1: Institutional ownership has a negative effect on tax avoidance

Independent commissioners are members of the board of commissioners who are free from financial ties, family relationships with other commissioners, controlling shareholders, and directors, involvement in management, share ownership, and other relationships that affect their capacity to act independently (Puspitasari & Ernawati, 2010). Independent commissioners are in charge of overseeing the company's operations and confirming that the company has implemented disclosure, independence, transparency, accountability and fairness practices in accordance with the provisions (Novitasari, 2017). The presence of independent commissioners is expected to reduce dysfunctional management behavior, including tax avoidance practices (Yuni & Setiawan, 2019). With the high number of independent commissioners in a company, the level of supervision of management also increases. The high level of supervision of independent commissioners will encourage management to be more vigilant in making decisions related to company operations. This aims to reduce the possibility of tax avoidance practices. In agency theory, the conflict that occurs between shareholders (principals) and management (agents) is caused by the opportunistic behavior of agents, so a supervisory function is needed for agents (Supriyati & Hapsari, 2021). This conflict arises because of the difference in interests between shareholders who are concerned with long-term welfare and profits, and management who are more concerned with maximizing profits. The presence of independent commissioners can reduce the level of corporate tax avoidance, which in turn will limit dysfunctional management behavior. According to research by Dewi & Oktaviani (2021)



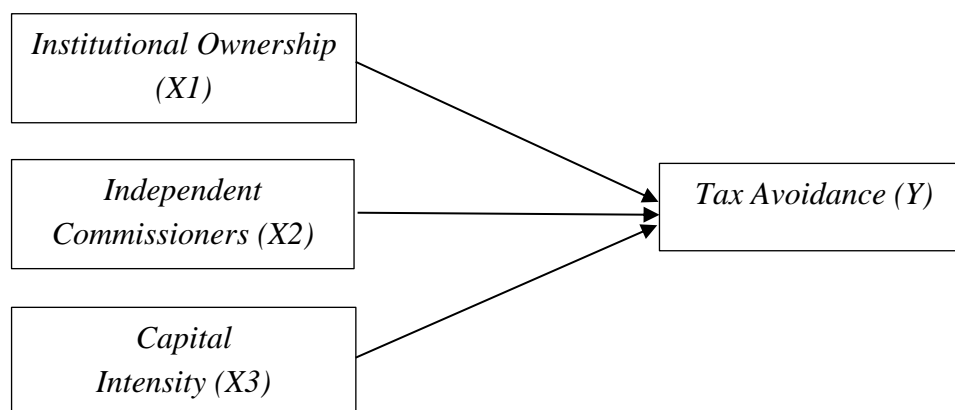
and Sahara (2022) it shows that independent commissioners have a negative impact on tax avoidance. Based on the above review, the hypothesis is:

H2: Independent commissioners have a negative effect on tax avoidance

Capital intensity refers to investment activities by companies related to capital investment in the form of fixed assets (Novitasari, 2017). The company will plan taxes by increasing the amount of investment in its assets to reduce the tax burden that must be paid, in order to increase net income (Windaswari & Merkusiwati, 2018). In agency theory, there are differences in interests between shareholders (principals) and management (agents). Management will allocate unused funds into fixed assets, and eventually this investment will certainly generate depreciation costs or depreciation that can be used to minimize the company's tax burden. In addition, management is responsible for managing the investments made by the company, while shareholders will evaluate the performance of these investments. In an effort to maintain profit stability, management may choose a tax avoidance strategy by increasing investment in fixed assets. In contrast to shareholders who tend to focus more on long-term growth in company value and increasing share value (Windaswari & Merkusiwati, 2018). Utilization of depreciation on fixed assets by company management is carried out to reduce income subject to tax as a tax avoidance strategy (Maulidah & Prastiwi, 2019). According to Dewi & Oktaviani (2021), the high capital intensity, the large depreciation expense, which in turn will increase the possibility of tax avoidance. Research by M. R. Sari & Indrawan (2022) shows that capital intensity has a positive influence on tax avoidance. Based on the above review, the hypothesis is:

H3: Capital intensity has a positive effect on tax avoidance

Figure 2. Conceptual Framework



Source: Author's Result (2024)

METHODS

Population and Sample

Population is a group that will be studied within the limits of a certain area and time. The population is selected based on the determination of characteristics by researchers who serve as a source of data for research (Amruddin et al., 2022). The study took the LQ45 index companies listed on the Indonesia Stock Exchange (IDX) and the company's website during the 2019-2022 period as the population. The LQ45 index is a stock index on the IDX in the form of 45 companies that have passed selection based on a number of criteria (Larasati et al., 2021). LQ45 or liquid 45, means 45 issuers with the highest liquidity and large market capitalization. Thus, the companies that are incorporated are considered to have a good reputation in the eyes of investors (Larasati et al., 2021). Sampling was carried out using a purposive sampling method with the following criteria:

1. Companies listed in the LQ45 non-bank index during the 2019-2022 period.



2. Non-bank LQ45 companies that provide complete financial reports throughout 2019-2022.
3. Non-bank LQ45 companies that did not record negative profits during the 2019-2022 period.

Data Retrieval Technique

The data used in this study are secondary data obtained from financial reports and annual reports of LQ45 index companies that have been published on the IDX during the 2019-2022 period. This information can be accessed through the official IDX website (<https://www.idx.co.id/>) and the company's official website.

Data Analysis Technique

This research applies quantitative methods. The research was analyzed using panel data regression using STATA software version 17 and Microsoft Excel. There are three approaches that can be used, namely using the CEM (Common Effect Model), REM (Random Effect Model), and FEM (Fixed Effect Model).

Chow Test

The chow test is used to select the model used whether it is better to use FEM (Fixed Effect Model) or CEM (Common Effect Model). The hypotheses tested are:

H0: Common Effect Model (CEM)

H1: Fixed Effect Model (FEM)

Based on this hypothesis test, it is concluded that H0 is rejected if the Prob F value is ≤ 0.05 so that the FEM is used. However, if $\text{Prob F} \geq 0.05$, then H0 is accepted so that the CEM is used.

Lagrange Multiplier Test

The lagrange multiplier test is used to select the model used whether it is better to use CEM (Common Effect Model) or REM (Random Effect Model). The hypothesis tested is as follows:

H0: Common Effect Model (CEM)

H1: Random Effect Model (REM)

The conclusion of the above hypothesis is that H₀ is rejected if the Chibar2 probability value $\leq \alpha$ (0.05) so that REM is used. Conversely, if $\text{Chibar2} \geq \alpha$ (0.05), then H0 is accepted so that CEM is used.

Hausman Test

The hausman test is used to select the model used whether it is better to use FEM (Fixed Effect Model) or REM (Random Effect Model). The hypotheses tested are:

H0: Random Effect Model (REM)

H1: Fixed Effect Model (FEM)

Based on the hypothesis test above, it can be concluded that H0 is rejected if the probability value ($\text{Prob} < \text{Chi}^2$) ≤ 0.05 so that the FEM is used. However, if ($\text{Prob} < \text{Chi}^2$) ≥ 0.05 , then H0 is accepted so that REM is used.

Operational Definition

Tax Avoidance

Tax avoidance is a practice that is carried out in response to various perceptions of taxpayers or entities that taxes are a heavy burden. Of course, taxes will reduce the net profit earned by the company (Nugraha & Meiranto, 2015). Tax avoidance is measured by the Book Tax Difference (BTD) proxy. BTD reflects the company's efforts to report high accounting profits in the interests of shareholders, while simultaneously using strategies to reduce profits subject to tax (N. Sari et al., 2020). The greater the BTD value indicates a high level of tax avoidance. BTD is formulated as follows:

$$\text{BTD} = \frac{\text{Accounting Profit} - \text{Fiscal Profit } i,t}{\text{Total Assets } i,t}$$



Institutional Ownership

Institutional ownership is the proportion of company shares owned by entities such as governments, investment companies, insurance companies, banks, trust funds, foreign institutions, and other institutions (Yuni & Setiawan, 2019). With institutional ownership, the level of pressure on company management will increase. This can minimize the possibility of management taking tax avoidance actions (Pratomo & Rana, 2021). There is a stronger level of control by institutional investors, so the practice of financial fraud committed by company management tends to decrease (Yuni & Setiawan, 2019). The following is the formula used to measure the institutional ownership variable:

$$IO = \frac{\text{Shares Owned by Institutions}}{\text{Total Shares Outstanding}} \times 100\%$$

Independent Commissioners

Independent commissioners are members of the board of commissioners who are free from financial ties, family relationships with other commissioners, directors, and controlling shareholders, involvement in management, share ownership, and other relationships that affect their capacity to act independently (Puspitasari & Ernawati, 2010). A high level of supervision of independent commissioners will encourage management to be more vigilant in making decisions related to company operations. This aims to reduce the possibility of tax avoidance practices. The proxy for calculating the independent commissioner variable is as follows:

$$IC = \frac{\text{Number of Independent Commissioners}}{\text{Number of Commissioners}} \times 100\%$$

Capital Intensity

Capital intensity refers to how the company puts investment into fixed assets and is used to measure how much of the company's wealth is invested in fixed assets (Andhari & Sukartha, 2017). The large ownership of fixed assets will result in a large amount of depreciation expense, resulting in a decrease in profits, which in turn reduces the company's tax burden (Novitasari, 2017). The capital intensity ratio can show the company's level of efficiency in utilizing its assets to generate sales (Sahara, 2022). The proxy used is written as follows:

$$CI = \frac{\text{Total Fixed Assets}}{\text{Total Assets}}$$

RESULTS AND DISCUSSION

Descriptive Statistics

Based on the sample selection criteria, there are 42 companies with a total population of 63 companies in the 2019-2022 period. Thus 168 observation data were obtained. Table 2 presents the test results using descriptive statistics as follows:

Table 2. Descriptive Statistical Analysis

Variable	Obs	Mean	Std. Dev.	Min	Max
BTD	168	-0,0017688	0,0513288	-0,2783018	0,1206739
IO	168	0,5815446	0,1490576	0,4391122	0,8549273
IC	168	0,4217593	0,1085644	0,1666667	0,8333333
CI	168	0,577487	0,1767751	0,2771148	0,9443638

Source: Output STATA v.17 (2024)

BTD (Book Tax Difference) as a symbol of tax avoidance shows an average tax avoidance value of -0.0017688. The average of the sample companies has a BTD value with negative results indicating that the average sample has a higher fiscal profit than its accounting profit. Thus, the average company in the sample does not practice tax avoidance to maximize the profit it earns. Then the standard deviation value is 0.0513288, in this case it is greater than the average value (-0.0017688 < 0.0513288), meaning that tax avoidance has a high distribution and data fluctuation. Furthermore, the minimum value according to the table above is -0.2783018, this occurs because the amount of accounting profit is quite low compared to fiscal



profit. While the maximum value is 0.1206739, which indicates that the company has an accounting profit that is greater than its fiscal profit. Institutional ownership symbolized by IC as an independent variable. Institutional ownership has an average of 0.5815446, meaning that the average non-bank LQ45 index company in this study has 58.15% of shares owned by institutions from the total shares outstanding. The standard deviation value is 0.1490576, where this value is smaller when compared to the mean value ($0.5815446 > 0.1490576$). This means that institutional ownership has a low distribution and fluctuation of data.

Independent commissioners symbolized by IC have a mean of 0.4217593, which means that the average non-bank LQ45 index company in this study has a proportion of independent commissioners 42.17% of the total board of commissioners. This means that the LQ45 non-bank companies in the sample have met the requirements of OJK Regulation No. 33 / POJK.04 / 2014. The standard deviation value is 0.1085644, where this value is smaller when compared to the mean value ($0.4217593 > 0.1085644$). This means that independent commissioners have low data distribution and fluctuation. Furthermore, capital intensity symbolized by CI has a mean of 0.577487, meaning that the average LQ45 non-bank index company in this study invests fixed assets of 57.74% of total assets. The standard deviation value is 0.1767751, where this value is smaller when compared to the mean value ($0.577487 > 0.1767751$). This means that capital intensity has a low distribution and fluctuation of data.

Panel Data Regression

Chow Test

Tabel 3. Chow Test Results

Prob > F	0.0000
α	0.05

Source: Output STATA v.17 (2024)

The chow test results show that the Prob> F value is 0.0000, which is smaller than the α value. These results indicate that the selected model is the Fixed Effect Model (FEM).

Lagrange Multiplier Test

Tabel 4. Lagrange Multiplier Test Results

Prob > chibar2	0.0000
α	0.05

Source: Output STATA v.17 (2024)

According to the table above, the results of this test show that the Prob> chibar2 value is 0.0000, so the results show that the selected model is the Random Effect Model (REM).

Hausman Test

Tabel 5. Hausman Test Results

Prob > χ^2	0.3769
α	0.05

Source: Output STATA v.17 (2024)

The results of the Hausman test show that the Prob> χ^2 value is 0.3769, where this value is greater than 0.05. These results indicate that the selected model is the Random Effect Model (REM).

Multiple Regression Results

Tabel 6. Random Effect Model

Variable	Coefficient	Z	Prob.	Hypothesis Prediction	Conclusion
IO	-0.0035606	-0.12	0.902	H1 : -	H1 : rejected
IC	-0.0077754	-0.27	0.785	H2 : -	H2 : rejected
CI	0.0417862	2.07	0.038	H3 : +	H3 : accepted
Constanta	-0.0164796	-0.69	0.490		
Adjusted R-squared					0,0070



Source: Output STATA v.17 (2024)

Regression Equations

Based on the results of the panel data regression equation above using STATA 17, the constant coefficient (α) is -0.0164796, indicating that when the institutional ownership variable, independent commissioners, and capital intensity have a constant value or equal to 0, the tax avoidance variable will decrease by 0.0164796. The coefficient of institutional ownership is -0.0035606, meaning that when the institutional ownership variable increases by 1 unit and the other independent variables are considered to have a constant value, the tax avoidance carried out by the company will decrease by 0.0035606. The coefficient value of independent commissioners is -0.0077754, which means that when the independent commissioner variable increases by 1 unit and other independent variables are considered to have a constant value, the tax avoidance carried out by the company will decrease by 0.0077754. The coefficient value of capital intensity is 0.0417862, which means that when the capital intensity variable increases by 1 unit and the other independent variables are considered to have a constant value, the tax avoidance carried out by the company will increase by 0.0417862.

Hypothesis Test

From the test results, the coefficient of determination is 0.0070. Thus, it can be concluded that tax avoidance can be explained by 0.7% by institutional ownership, independent commissioners, and capital intensity, while the rest is influenced by variables not explained in this study. Based on the test results, it can be obtained that institutional ownership and independent commissioners partially have no effect on tax avoidance. While capital intensity partially has a positive effect on tax avoidance. The results of statistical tools from regression analysis in this study indicate that the first variable, namely institutional ownership (IO) with the hypothesis H1 is rejected, which means that institutional ownership (IO) has no influence on tax avoidance. This is evidenced by the probability value of $0.902 > 0.05$ and t-count $(-0.12) < (1.65426)$ t-table. The 2nd variable of independent commissioners (IC) shows H2 is rejected, which means that it cannot prove the influence of the independent board of commissioners on the dependent variable. This is evidenced by the probability value of $0.785 > 0.05$ and t-count $(-0.27) < (1.65426)$ t-table. The 3rd variable of capital intensity (CI) shows that H3 is accepted, which means it proves the influence of capital intensity on the dependent variable. This is evidenced by the probability value of $0.038 < 0.05$ and t-count $(2.07) > (1.65426)$ t-table. Thus, it can be concluded that H3 is accepted or capital intensity has a significant positive effect on tax avoidance.

Tax Avoidance from an Institutional Ownership Perspective

The first hypothesis is rejected, indicating that the high or low level of institutional ownership in the sample companies is not a reference that the company is doing tax avoidance. Therefore, companies that have high institutional ownership cannot make monitoring and control of tax avoidance practices carried out by the company can be resolved (M. R. Sari & Indrawan, 2022). Institutional ownership should be able to play an important role in monitoring, disciplining, and influencing management to avoid behavior that only prioritizes personal interests. However, according to Dewi & Oktaviani (2021) institutional investors cannot be sure that they will effectively control and control the company regarding actions taken by management. This can happen because institutional investors leave the task of supervising and managing the company entirely to the board of commissioners, which is part of their responsibility. As a result, the existence of institutional ownership does not guarantee that tax avoidance practices can be prevented (Diantari & Ulupui, 2016). This research is in line with research by Dewi & Oktaviani (2021), M. R. Sari & Indrawan (2022), Utami & Yohanes (2023), and N. Sari et al. (2020), which states that institutional ownership has no effect on tax avoidance by the company.



Tax Avoidance from an Independent Commissioners Perspective

Hypothesis two is rejected, indicating that independent commissioners have no effect on tax avoidance. Companies that have a high proportion of independent commissioners do not make supervision of tax avoidance practices carried out by the company can be overcome effectively. OJK Regulation Number 33 / POJK.04 / 2014 requires that each company has a minimum proportion of independent commissioners of 30% of the total board of commissioners. Research by Andriyanto & Marfiana (2021) states that the existence of independent commissioners in companies is often only to fulfill regulatory requirements. According to research by Tebiono & Sukadana (2021) independent commissioners only have a role to oversee management performance, while decisions remain in the hands of management. The authority of independent commissioners cannot directly suppress management's desire to practice tax avoidance. In addition, not all independent commissioners are able to demonstrate their independence, so that the supervisory function becomes less effective and results in weak supervision of management in carrying out tax avoidance practices (Handayani, 2017). The results of this study are in line with research by Tebiono & Sukadana (2021), Utami & Yohanes (2023), Hilmi et al. (2022), Andari et al. (2022), and Koay & Sapiei (2024), which state that independent commissioners have no effect on tax avoidance by the company.

Tax Avoidance from an Capital Intensity Perspective

The third hypothesis is accepted, so this indicates that capital intensity has a positive effect on tax avoidance. According to Lukito & Sandra (2021) this is due to the company's fixed assets that generate depreciation expenses which are used to reduce profits (both accounting and fiscal), so that lower profits will reduce corporate tax liabilities. Companies can take advantage of tax reduction through investment in assets or capital, especially in terms of depreciation (Puspita & Febrianti, 2017). This illustrates the positive relationship between capital intensity and BTD, where companies with large fixed asset holdings have large BTD, which shows a large indication of the company's tax avoidance practices. The existence of depreciation costs on fixed assets can lead to differences in interests between shareholders (principals) and management (agents). Management tends to allocate unused funds into fixed assets to generate depreciation costs to minimize the tax burden, while shareholders focus on the growth of company value and long-term profits (Windaswari & Merkusiwati, 2018). Based on the results, this study is in line with research by M. R. Sari & Indrawan (2022), Sahara (2022), and Kasim & Saad (2019) which state that capital intensity has a positive effect on tax avoidance by companies.

CONCLUSION

This study aims to analyze the effect of institutional ownership, independent commissioners, and capital intensity on tax avoidance. The dependent variable in this study is tax avoidance proxied by Book Tax Difference (BTD). This study used 42 LQ45 index companies as samples with a 4-year period, namely 2019-2022, so this study has 168 observation data. Based on the research that has been done, the following conclusions can be drawn:

- a. Based on the results of the panel data regression model test analysis using the random effect model, the results of testing the first hypothesis show that institutional ownership has no effect on tax avoidance. This shows that high institutional ownership in the company cannot guarantee effective monitoring and control of tax avoidance practices by management. In addition, institutional investors are more likely to hand over supervisory responsibilities to the board of commissioners so that the control function over management actions is less than optimal.



- b. Based on the results of the panel data regression model test analysis using the random effect model, the results of testing the second hypothesis show that independent commissioners have no effect on tax avoidance. This shows that even though there are independent commissioners in the company in accordance with the OJK Regulation, their existence is often only to fulfill formal requirements and not in an optimal manner.
- c. Based on the analysis of panel data regression model using random effect model, the third hypothesis testing result shows that capital intensity has a positive effect on tax avoidance. This shows that companies that have high ownership of fixed assets have a high BTD value. Fixed assets owned by the company generate depreciation expenses that can be used to reduce profits, thereby reducing tax liabilities. Thus, management allocates funds for investment in fixed assets to obtain corporate profits by reducing the tax burden through depreciation. Thus, this indicates that companies with high capital intensity tend to practice tax avoidance.

Recommendations

Based on the results of the research previously described, here are some suggestions that can be a reference for improvement for:

- a. For further research
For future research, it is expected to apply other variables such as transfer pricing, managerial ownership, and others that can affect tax avoidance practices. In addition, it is hoped that researchers can add intervening or moderating variables to improve the results of previous studies.
- b. For the government
It is hoped that the government will update the tax structure in Indonesia so that it can emphasize tax policies and regulations. Thus, the practice of tax avoidance by utilizing regulatory loopholes can be minimized or even eliminated.
- c. For the company
It is expected that company management will comply with the obligation to pay taxation by fulfilling all applicable provisions, so that the company can avoid legal risks that can harm the company's operations and good name.

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