

The Impacts of Institutional Ownership, Independent Board of Commissioners, Profitability and Leverage on Tax Avoidance

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Abstract. This study examines the effect of institutional ownership, independent board of commissioners, profitability and leverage on tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2021. The population in this research is all manufacturing companies listed on the Indonesia Stock Exchange from 2019 to 2021 with a total of 180 companies. While the sample for this research was determined by purposive sampling method. The number of manufacturing companies sampled was 82 companies, so that 246 observation data were obtained during this research. Using panel data regression, this study find that profitability and leverage affect have positively effect on tax avoidance. While institutional ownership and independent board of commissioners had no effect on tax avoidance.

Keywords: corporate governance, profitability, leverage, tax avoidance

INTRODUCTION

Taxes are the largest source of income for the state. The revenue obtained by the state from the tax sector will basically be returned to the community [1] in the form of infrastructure and benefits to be provided by the government [2]. Taxes as a significant income to support the budget in state financing [3]. Meanwhile, taxes for companies as taxpayers are a burden that will reduce net income [4]. This difference in interest causes taxpayers to tend to divert transactions into the category of non-tax objects as long as they are allowed and do not violate tax regulations called tax avoidance [5] while tax evasion is carried out by hiding transactions categorized as tax objects outside the tax provisions [6].

Tax avoidance efforts in a legal and safe way for taxpayers because it does not conflict with tax provisions [7], by utilizing the weaknesses contained in the tax laws and regulations which are used as techniques and ways to reduce the amount of tax to be paid [8]. Taxpayers are looking for ways that taxes paid can be made as small as possible without violating applicable rules while maintaining their accounting profits [9]. Companies also make planning schemes to minimize taxes paid which have a direct impact on the company's financial performance [10].

One of the cases regarding tax avoidance reported by the Tax Justice Network Institute in 2019 was carried out by a tobacco company owned by British American Tobacco (BAT), which had committed tax evasion in Indonesia through PT Bentoel Internasional Investama. As a result, the country could suffer a loss of US\$ 14 million per year. Any claim that tobacco companies make an economic contribution to offset the enormous health costs is false. The report explains BAT has diverted revenues out of Indonesia through intra-company loans and repayments to the UK for royalties, fees and services [11].

Tax avoidance can be influenced by good corporate governance, including independent board of commissioners and institutional ownership. The existence of indications of companies in conducting tax avoidance can also be influenced by financial performance in the form of profitability (ROA) and leverage. Institutional ownership is ownership of company shares owned by institutions or agencies such as banks, insurance, and other agency ownership

[12]. Besides being considered the most influential party when the company has to decide on policies, the ownership structure also has an important role as a supervisor of the company's operations [13]. Research conducted by [14] and [15] states that institutional ownership has no influence on tax avoidance. Meanwhile, study conducted by [8] and [16] states that institutional ownership affects tax avoidance.

An independent board of commissioners considered to be someone who is not affiliated in any way with the controlling shareholder, has no relationship with the board of directors or board of commissioners and does not serve as a director of a related company. The independent board of commissioners can carry out the monitoring function to support good company management and make financial reports more objective [8]. Research conducted by [17] and [18] states that tax avoidance not influenced by independent commissioners. Meanwhile, research [8] and [19] states that tax avoidance not influenced by the independent board of commissioners.

Profitability describe the amount of profit earned by the company in a certain period [10]. The higher the ROA ratio, the higher the tax avoidance practices carried out by the company, this is because companies with high profits will be able to take advantage of loopholes in their tax management [20]. Research conducted by [10] and [15] states that profitability has no influence on tax avoidance. But in contrast to study conducted by [21] and [22] which states that profitability has a negative influence on tax avoidance.

Leverage of a company is used as an asset or capital with fixed costs (debt and / or special shares) to obtain large income for the owner of the company [23]. Companies that choose to use leverage as corporate funding will result in the emergence of interest expense which can be a deduction from taxable income [20]. Research conducted by [19] and [24] states that tax avoidance not influenced by leverage. In contrast, study conducted by [25] and [26] proves that leverage affects tax avoidance.

According to [27], defines agency theory as the basis for the relationship between principal and agent with assumption that each individual is motivated by their own interests, so that it can lead to conflict of interest between principal and agent. Agents are morally responsible for optimizing profits [27]. Companies are assumed to prioritize increased financial results or expansion of corporate investment, which of course will increase taxation, while the government is assumed to closely monitor every tax revenue that is the company's obligation [13]. Shareholders want managers to work with the aim of maximizing shareholder prosperity. Conversely, company managers may act not to maximize shareholder wealth, but to maximize their own wealth [28]. There are differences of interests between managers dan owners that result in information imbalances so that managers have more information about the company than company owners [29]. The government is assumed to be the principal where the company is assumed to be the agent. The company is assumed to prioritize increased financial results or expansion of corporate investment, which of course will increase taxation, while the government is assumed to closely monitor any tax revenue that is the company's obligation [13].

The aims of this study was to test and provide empirical evidence regarding the effect of institutional ownership, independent board of commissioners, profitability and leverage on tax avoidance in manufacturing companies listed on the Indonesia Stock Exchange in 2019-2021. This research is expected to provide theoretical and practical benefits. Theoretical benefits are expected to be used as a reference for future research on the effect of institutional ownership, independent board of commissioners, profitability and leverage on tax avoidance. Practical benefits are expected to provide input for management in making tax decisions without avoiding obligations.

Literature Review

Tax avoidance

Tax avoidance shows an attempt to ease the tax burden but without violating the law. The method used is by utilizing weaknesses in tax laws or regulations that aim to minimize the amount of tax payable. So that the amount of tax paid is not too large [30]. Although it does not violate tax law, tax avoidance directly results in a reduction in the amount of tax that should be received by the state [13].

Institutional Ownership on Tax Avoidance

Institutional ownership is ownership from institutions that will have an important influence on the company in overseeing management performance. Institutional ownership will encourage an increase in more optimal supervision so as to influence the company in taking tax avoidance actions [8]. Agency theory states that there is a conflict of interest between shareholders and managers. Where managers want to maximize profits while shareholders want to ensure their welfare [31]. When the amount of share ownership by the institution in the company can reduce tax avoidance because the institution will carry out tighter supervision of the management. This is supported by research [32] which states that tax avoidance positively influenced by institutional ownership. In line with study conducted [8]. Based on previous research, the following hypothesis is formulated:

H1 : Institutional ownership has a positive effect on tax avoidance.

Independent Board of Commissioners on Tax Avoidance

The independent board of commissioners is someone who has no relationship with members of the board of directors, other members of the board of commissioners and majority shareholders in the company [33]. They will be responsible to shareholders so that independent commissioners will carry out tax compliance and not commit tax avoidance [19]. In accordance with agency theory, the greater the proportion of independent commissioners is expected to tighten management performance in managing the company [34]. This is supported by research [24] saying that tax avoidance negatively influence by the independent board of commissioners. Consistent with research conducted [8] and [35]. Based on previous research, the following hypothesis is formulated:

H2 : The independent board of commissioners has a negative effect on tax avoidance.

Profitability on Tax Avoidance

Profitability as an important factor for the imposition of income tax for companies, because profitability is an indicator of the company in achieving corporate profits [36]. Measurement of the level of profitability can use one of the ratios, namely Return on Asset (ROA). ROA is related to the profit generated by the company and the amount of income tax imposed [31]. Agency theory explains what agents can refer to in order to increase company profits. The higher the ROA ratio, the higher the tax avoidance practices carried out by the company, this is because companies with high profits will be able to take advantage of loopholes in their tax control [20]. This is supported by research [37] that said tax avoidance negatively influenced by profitability. In line with research conducted [38] and [39]. Based on previous research, the following hypothesis is formulated.

H3 : Profitability has a negative effect on tax avoidance

Leverage on Tax Avoidance

The company's funding policy can be a picture of tax avoidance related to the effective tax rate because there are tax regulations related to the company's funding structure policy. Companies that choose to use leverage as corporate funding will result in the emergence of interest expense as a deduction from taxable income. The increase in the amount of debt will result in an increase in the interest expense that must be borne by the company [20]. This condition can be utilized by managers to conduct tax avoidance, namely by financing operational activities using debt [2]. The greater the level of leverage in the company, the greater the level of tax avoidance it does. This is supported by research [40] which says tax avoidance positively influenced by leverage. In line with study conducted by [25] and [26]. Based on previous research, the following hypothesis is formulated.

H4 : Leverage has a positive effect on tax avoidance

METHODS

Population and Sample

Population is the whole of the research subject [16]. Population refers to the entire group of people, events, or interesting things that you want to investigate. The population was taken from all manufacturing companies listed on the Indonesia Stock Exchange (IDX) in 2019-2021.

The sample used is a manufacturing company listed on the Indonesia Stock Exchange (IDX) in 2019-2021. Sampling was carried out using a purposive sampling method with following criteria:

1. Manufacturing companies listed on the Indonesia Stock Exchange in 2019-2021.
2. Manufacturing companies that publish complete annual financial reports with financial reporting published as of December 31, during 2019-2021.
3. Manufacturing companies that did not experience losses in 2019-2021.
4. Manufacturing companies that report financial statements denominated in Rupiah

Data Retrieval Technique

The data used in this research is secondary data (financial data) obtained from financial reports reports of manufacturing sector companies in 2019-2021 through the website www.idx.co.id

Data Analysis Technique

This study was analyzed using a panel data regression (using Eviews 12 Software). Three approaches can be used, namely using 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). This test can be seen in the Probability (Prob) value. Cross-section F and Cross-section chi-square with the following hypothesis [41]:

H0 : If both the Cross-section F and Cross-section chi-square probability are greater than α (0.05), the model is the common effect model, or CEM. Ha : When the probability of Cross-section F and Cross-section chi square is less than α (0.05), the fixed effect model (FEM) will be applied.

Haussman Test

The Haussman test is used to determine which model is better, whether the Random Effect Model (REM) or the Fixed Effect Model (FEM). This test can be seen in the Probability (Prob) value. Cross-section random with the following hypothesis [41] :

H0 : If the Probability value (Prob.) Cross-section random is greater than α (0.05), the model adheres to the REM. Ha : If the Probability value (Prob.) Cross-section random is less than α (0.05), the model adheres to the FEM.

Lagrangian Multiplier Test

The Lagrange Multiplier test is used to determine whether the model used should use the Random Effect Model (REM) or the Common Effect Model (CEM). This test can be seen in the Breush-pagan probability value with the following hypothesis [41] :

H0 : The model follows the Common Effect Model (CEM) if the Breush-pagan Cross-section Probability value $> \alpha$ (0.05). Ha : If α (0.05) is less than the Breush-Pagan Cross-section Probability value, the model is classified as the Random Effect Model (REM).

Operational Definition

Tax Avoidance

Tax avoidance a legal way for taxpayers to minimize or eliminate tax liabilities by not violating tax laws and regulations. Calculation of tax avoidance using the ETR (Effective Tax Rate) formula. ETR is calculated from the comparison of tax expense with profit before tax [10].

$$ETR = \frac{Incometaxexpense}{Profitbeforetax} \times 100\%$$

Institutional ownership

Institutional ownership is denoted by IO (Institutional Ownership) is shareholding by institutions such as banks, insurance companies, and other institutional shareholdings in the company. With institutional ownership, it will encourage increased supervision that is more optimal. Institutional ownership can be measured using the following ratio [14].

$$IO = \frac{Totalshareownershipbyinstitutionalparties}{Numberofsharesoutstanding}$$

Independent Board of Commissioners

The independent commissioner is an individual member of the board who has no business ties and is unrelated to directors, commissioners, or other controlling shareholders. [19]. The measuring this variable is by taking the total commissioners as a divider of the number of independent commissioners . The independent board of commissioners is denoted by IBC (Independent Board of Commissioners). The independent board of commissioners can be formulated as follows [34].

$$IBC = \frac{Numberofindependentcommissioners}{Totalboardofcommissioners}$$

Profitability

Profitability is measured by the Return on Assets (ROA) proxy. ROA is a ratio of profit net of tax which states a measure to assess how much the rate of return on assets owned by the company[10]. ROA is calculated with the following ratio.

$$ROA = \frac{Lababersihsetelahpajak}{Totalaset} \times 100\%$$

Leverage

The purpose of this ratio is to calculate each person's own capital in rupiah that is utilized as debt collateral. The company's lower corporation tax burden will be impacted by the interest expenses associated with the loan, which increase with the amount of debt capital utilized [42]. To calculate leverage, this study use the Debt to Equity Ratio (DER).

$$DER = \frac{Totalliabilities}{Totalequity}$$

Table 1. Operational Definitions and Measures

| Variable | Definition | Measures | Source |
|--|---|--|--------|
| Tax Avoidance (Y) | Tax avoidance is an effort made to minimize or eliminate the tax burden legally and not violate applicable regulations. | $ETR = \frac{\text{Incometaxexpense}}{\text{Profitbeforetax}} \times 100\%$ | [10] |
| Institutional Ownership (IO) | Institutional ownership which is ownership of shares by institutions, agencies that are expected to provide maximum supervision of the company. | $IO = \frac{\text{Totalshareownershipbyinstitutions}}{\text{Numberofsharesoutstanding}}$ | [14] |
| Independent Board of Commissioners (IBC) | The independent board of commissioners is a board member who comes from outside the issuer who meets the requirements as an independent commissioner. | $IBC = \frac{\text{Numberofindependentcommissioners}}{\text{Totalboardofcommissioners}}$ | [34] |
| Profitability (ROA) | Profitability is a ratio used to obtain the amount of company profit in a certain period. | $ROA = \frac{\text{Lababersihsetelahpajak}}{\text{Totalaset}} \times 100\%$ | [10] |
| Leverage (DER) | Leverage describes the use of debt as a source of funds to fulfill operational activities. | $DER = \frac{\text{Totalliabilities}}{\text{Totalequity}}$ | [42] |

RESULTS AND DISCUSSION

Descriptive Statistics

The manufacturing sector consists of the basic industrial and chemical sectors, the consumer goods industry sector and various industrial sectors. Based on the sample selection criteria, there are 82 companies with a total population of 180 companies in the 2019-2021 period. Thus 246 observation data were obtained. Table 2 presents outcomes of tests using descriptive statistics as follows:

Table 2. Descriptive Statistical Test Results

| | Mean | Median | Maximum | Minimum | Std. Dev |
|--------------|----------|----------|----------|----------|----------|
| ETR | 0.281274 | 0,241018 | 1,444426 | 0,001666 | 0,174741 |
| IO | 0.765608 | 0.827218 | 0.999541 | 0.012635 | 0.229376 |
| IBC | 0.403431 | 0.354167 | 0.666667 | 0.166667 | 0.093408 |
| ROA | 0.090024 | 0.060905 | 0.607168 | 0.000407 | 0.084868 |
| DER | 0.930646 | 0.641764 | 10.28053 | 0.003465 | 1.059295 |
| Observations | 246 | 246 | 246 | 246 | 246 |

Source : Data processed (Output Eviews 12), 2022

From the results of data processing tests with eviews version 12, the outcomes of tests using descriptive statistics calculations are obtained in table 2. The conclusion that can be drawn from the descriptive statistical test results is that the largest mean is generated by the leverage variable (DER) of 0,930646, while the smallest mean is by the return on assets (ROA) variable of 0,080024. In addition, for the mean of other variables, namely institutional ownership (IO) of 0,765608 and the independent board of commissioners (IBC) variable of 0,403431. The largest median is generated by the institutional ownership (IO) variable of 0,827218, while the smallest median is by the return on assets (ROA) variable of 0,060905. In addition, the median of other variables, namely the independent board of commissioners (IBC) of 0,354167 and the leverage variable (DER) of 0,641764. Then the largest maximum value is generated by the leverage variable (DER) of 10,28053, while the smallest maximum is by the return on assets (ROA) variable of 0,607168. In addition, for other variables, namely institutional ownership (IO) of 0.999541 and the independent board of commissioners (IBC) variable of 0,666667. The largest minimum is generated by the independent board of commissioners (IBC) variable of 0.166667, while the smallest minimum is by the return on assets (ROA) variable of 0,000407. In addition, the institutional ownership variable (IO) is 0,012635 and the leverage variable (DER) is 0,003465. The largest standard deviation value is generated by the leverage variable (DER) of 1,059295, which means

that DER has a higher level of risk compared to other variables. For the variable return on assets (ROA) has a lower level of risk with a value of 0,084868. This can show if the return on assets (ROA) during the study period experienced changes that were not too fluctuating.

Panel Data Regression

a. Chow Test

Table 3. Result of Chow Test

| Effects Test | Statistic | d.f. | Prob. |
|--------------------------|------------|----------|--------|
| Cross-section F | 1,714185 | (81.160) | 0,0020 |
| Cross-section Chi-square | 153,692091 | 81 | 0,0000 |

Source : Data processed (Output Eviews 12), 2022

Can be seen in table 3. Based on the test results, the Cross-section F probability value is $0,0020 < 0,05$ and the Cross-section Chi-square probability is $0,0000 < 0,05$, so the fixed effect model (FEM) is chosen

b. Hausman Test

Table 4. Result of Hausman Test

| Test Summary | Chi-Sq.Statistic | Chi-Sq.d.f | Prob. |
|----------------------|------------------|------------|--------|
| Cross-section random | 2,066803 | 4 | 0,7235 |

Source : Data processed (Output Eviews 12), 2022

Can be seen in table 4. Based on the test results, the cross-section random probability value is $0,7235 > 0,05$, so the random effect model (REM) is chosen.

c. Uji Lagrange Multipler

Tabel 5. Uji Lagrange Multipler

| | Cross-section | Test Hypothesis Time | Both |
|----------------------|----------------------|----------------------|----------------------|
| Breusch-Pagan | 8,621558 (0,0033) | 1,453524 (0,2280) | 10,07508 (0,0015) |

Source : Data processed (Output Eviews 12), 2022

Can be seen in table 5. Based on the test results, the Breusch-Pagan cross-section probability value is $0,0033 < 0,05$, so the random effect model (REM) model was chosen.

Multiple Regression Results

Table 6. Random Effect Model

| Variabel | Coefficient | Std.Error | t-Statistic | Prob. |
|---------------------------|-------------|-----------|-------------|----------|
| C | 0.284929 | 0.067765 | 4.204660 | 0.0000 |
| IO | 0.006301 | 0.051705 | 0.121855 | 0.9031 |
| IBC | -0.040070 | 0.126085 | -0.317800 | 0.7509 |
| ROA | -0.486752 | 0.136569 | -3.564157 | 0.0004 |
| DER | 0.050114 | 0.011165 | 4.488615 | 0.0000 |
| Adjusted R-squared | | | | 0.121150 |
| F-statistic | | | | 9.443357 |

Source : Data processed (Output Eviews 12), 2022

Regression Equations

Based on the results of the panel data regression equation above using eviews 12, a constant value of 0,284929 is obtained, this indicates that the variables IO, IBC, ROA and DER are considered constant at 0, then the value of tax avoidance is 0,284929. The coefficient value generated by institutional ownership is 0,006301, meaning that if institutional ownership increases, it will not affect tax avoidance. This shows that the amount or lack of institutional ownership in a company has no impact on tax avoidance. The coefficient value generated by independent commissioners is -0,040070, meaning that if the independent board of commissioners increases, will not have any impact on tax avoidance. This shows that if the percentage of independent commissioners is high or low, it does not affect tax avoidance. The coefficient value generated by profitability is -0,486752, meaning that if profitability increases it will affect tax avoidance. The outcomes indicate that the higher the company's profit, the higher the tax

avoidance that can be done. The coefficient value generated by leverage is 0,050114, meaning that if leverage increases, the act of tax avoidance will increase of 0,050114 with coefficient is considered constant. Since the research findings indicate that tax avoidance is impacted by the debt to equity ratio. The results show that the likelihood of tax avoidance increases with a company's level of debt.

Hypothesis Test

Can be seen in table 6. Based on the test results, it can be obtained an f-statistic value of $9,443357 > 0,05$. so it can be concluded that the variables of institutional ownership as the first independent variables, independent commissioners as the second independent variables, profitability and leverage together (stimultan) have no influence on tax avoidance. Derived from the test results, the Adjusted R-squared value is 0,121150, meaning that the variation in changes in the rise and fall of tax avoidance can be explained by institutional ownership (IO), independent board of commissioners (IBC), profitability (ROA) and leverage (DER) of 12,1%. Based on the test results, it can be obtained that institutional ownership and the independent board of commissioners partially no impact on tax avoidance. While profitability and leverage partially affect tax avoidance. The outcomes of statistical tool of the regression analysis in this study indicate that the first variable of institutional ownership (IO) with hypothesis H1 is rejected, which means that institutional ownership (IO) has no influence on tax avoidance. This is evidenced by the probability value of $0,9031 > 0,05$. The 2nd variable of the independent board of commissioners (IBC) shows H2 is rejected, which means that it cannot prove the influence of the independent board of commissioners on dependent variables. This is evidenced, the probability value on $0,7509 > 0,05$. The 3rd variable profitability (ROA) has a probability value of $0,0004 < 0,05$, which means that there is an influence between profitability (ROA) and tax avoidance. So it can be concluded that H3 is accepted. The 4th variable leverage (DER) shows the results of H4 research accepted, which means that leverage (DER) affects tax avoidance. The probability value obtained is $0,0000 < 0,05$.

Tax Avoidance from an Institutional Ownership Perspective

According to the test findings of the analysis of regression in table 6, it shows that the first hypothesis (H1) is rejected, which means that the first independent variable which is institutional ownership has no influence on tax avoidance. Institutional ownership which is ownership of shares by institutions, agencies that are expected to provide maximum supervision of the company. However, the existence of this ownership structure has not provided supervision to management for their own selfish actions. Research conducted by [15] which states that institutional ownership has no effect on tax avoidance, because basically institutions participate in supervision and management in running the company but are not directly involved in running the company, institutional owners entrust the management and supervision of the company to the company's management board of directors and commissioners[43]. Consistent with research [39] that institutional ownership is irrelevant in the context of tax avoidance, because the role of institutional ownership only prioritizes its welfare in obtaining maximum profit without paying attention to the company's image. In contrast to research [12] that institutional ownership affects tax avoidance.

Tax Avoidance from an Independent Board of Commissioners Perspective

Considering to the test findings of the regression analysis state from table 6, it shows that the second hypothesis (H2) is rejected, which implies that tax avoidance is unaffected by the independent board of commissioners. This shows that if the percentage of independent commissioners is high or low, it does not affect tax avoidance. The absence of the independent board of commissioners' influence on tax avoidance is a result of the board of commissioners' lax management oversight. Research by [17] states that independent commissioners has no affect to tax avoidance. The increase in the number of independent commissioners does not affect tax avoidance, due to a decrease in the number of independent members or an increase in the number of independent members each year. Consistent with research [34] shows that there is no impact of the independent board of commissioners on tax avoidance, which can be due to the non-optimal supervisory function carried out by independent commissioners on company management. In contrast to research [19] independent commissioners have an effect on tax avoidance, indicating that if the percentage of the board of commissioners is high, the higher the tax avoidance that can be caused.

Tax Avoidance from a Profitability Perspective

Considering to the outcome of the regression analysis in table 6, it shows that the third hypothesis (H3) is accepted, which means that return on asset as the proxy profitability has a negative effect on tax avoidance. ROA is a ratio used to assess the ability of a company to obtain large profits on operational activities in the company. The higher the ROA value, the higher the profit generated by a company and indicates that the level of profitability is also high [31]. If the profit generated is higher, the amount of tax that will be paid will also increase. Therefore, companies tend to minimize their tax burden by doing tax avoidance. This research is in line with research conducted by [21], [8], [22], [39], which claims that tax avoidance is negatively impacted by profitability. The more profitable the business is, the more it suppresses tax avoidance. Contrary to research [12] that profitability (ROA) has no influence with a negative direction on tax avoidance.

Tax Avoidance from a Leverage Perspective

Drawn from the results of the regression analysis in table 6, it shows that the fourth hypothesis (H4) is accepted, which indicates that the impact of leverage on tax avoidance is favorable. Leverage is a method used to finance company activities through debt in the hope of obtaining greater profits[44]. The greater a company uses leverage as corporate funding, the higher the interest expense which causes the less tax to be paid[45]. If a company with a large amount of debt has a small tax rate and produces a minimal tax burden, this can reduce state revenue [24]. This is in accordance with research conducted by [25] and [26], The level of leverage in the company is directly proportional to the high level of tax avoidance it does. But the results of this study contradict research [36] and [46] which stated that the increase in leverage in the company has no impact on tax avoidance.

CONCLUSIONS

It is clear from the examination and debate of the test results that institutional ownership and an independent board of commissioners have no bearing on tax evasion. Tax evasion is negatively impacted by profitability. Tax avoidance at manufacturing companies listed on the Indonesia Stock Exchange (IDX) between 2019 and 2021 is positively impacted by leverage..

This research has limitations in the research period which was only conducted for 3 years, so this may affect the results of the study. Suggestions for future researchers who will conduct research are expected to use variables from other good corporate governance such as audit quality, audit committee, managerial ownership and financial performance related to tax avoidance. Changing the research sample to other company sectors in order to find out its effect on tax avoidance. In addition, it can also increase the period of research years to be carried out in order to obtain diverse research results.

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