*Asian Journal of Economics, Business and Accounting*

*Volume 24, Issue 5, Page 1-11, 2024; Article no.AJEBA.114224*
*ISSN: 2456-639X*

# The Influence of Institutional Ownership and Foreign Ownership on Tax Avoidance with Audit Quality as a Moderation Variable

**Elis Susilawati [a*] and Deden Tarmidi [a]**

[a] *Mercu Buana University, Jakarta, Indonesia.*

***Authors' contributions***

*This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.*

***Article Information***

DOI: 10.9734/AJEBA/2024/v24i51286

**Open Peer Review History:**
This journal follows the Advanced Open Peer Review policy. Identity of the Reviewers, Editor(s) and additional Reviewers, peer review comments, different versions of the manuscript, comments of the editors, etc are available here: https://www.sdiarticle5.com/review-history/114224

***Original Research Article***

***Received: 02/01/2024***
***Accepted: 06/03/2024***
***Published: 08/03/2024***

## 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
**Methods:** This research involved a sample of 72 manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange. The object of study used is company financial data from 2018 to 2022. There are 370 pieces of data in this research population. 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.

---

**Corresponding author: E-mail: 55520120053@student.mercubuana.ac.id;*

*Keywords: Institutional ownership; foreign ownership; audit quality; tax avoidance.*

## 1. INTRODUCTION

Indonesia is a country that is experiencing development, where revenue is needed to support the country's development. One source of financial income in Indonesia comes from the taxation sector. The implementation of taxes has a crucial role in economic growth in our country. Collecting taxes is very important for the state because taxes are the main source of income used to support state spending needs, including regular and development spending. The cause of not achieving the tax revenue target can come from steps taken by taxpayers to reduce the amount of tax they have to pay. There are many strategies that can be used to achieve this goal, ranging from those that comply with tax regulations to those that violate them. Another example is not paying taxes. A report from the Tax Justice Network claims that. PT Bentoel Internasional Investama Tbk, a company connected to British American Tobacco (BAT) in Indonesia, is involved in tax deductions that cause state losses of US$ 14 million every year. A research found that BAT subsidiaries in Indonesia were involved in reducing the tax burden in two different ways.

By making interest payments on loans through local companies as well as paying royalties, fees and information technology costs. One way to avoid this is to move transactions to BAT subsidiaries abroad that have agreed to a tax agreement with Indonesia. In the document, Bentoel announced the payment of debt interest of US$ 164 million or the equivalent of Rp. 2.25 trillion, as well as information technology fees and honorarium to parent company BAT [14,15]. As a result, Bentoel experienced a net loss of 27%. Only for the Netherlands, the Indonesian government imposes a tax of 20% on these payments. Bentoel used this agreement to obtain a loan facility from Rothmans Far East BV in the Netherlands. The funds given to Bentoel actually came from a BAT subsidiary in England called Pathway 4 (Jersey) Limited, and were channeled through a Dutch company account. The Indonesian government could actually generate tax revenues of 20% of its US$ 164 million in revenue, which is equal to US$ 33 million or US$ 11 million annually, through other methods used by Bentoel. BAT's British subsidiary had to pay around US$ 19.7 million. Indonesia charges a tax rate of 25% on these payments, including royalties, information technology fees and shipping costs. However, thanks to the tax agreement between Indonesia and the UK, the tax rate that must be paid is only 15%. As a result, this plan could result in Indonesia losing US$ 2.7 million in tax revenue every year. The impact of this tax avoidance is a reduction in the income that the state will receive from the APBN.

Many things can influence a company's decision to reduce taxes. All these factors must be considered carefully before making a decision. Some factors that can have an impact include audit quality, institutional ownership, and foreign ownership. Institutional ownership plays a very vital role in monitoring management performance more effectively [16-18]. As institutional ownership increases, supervision of company management will also become tighter, so that companies' efforts to aggressively avoid taxes will decrease. According to the regulations in Article 1 paragraph 8 of Law Number 25 of 2007, foreign ownership includes investment owned by foreign business entities such as foreign countries, foreign persons, or Indonesian companies that are partially or fully owned by foreign parties. Based on the article that has been described, it can be concluded that foreign shares include the number of ordinary shares owned by individuals, legal entities, countries and institutions from abroad. The presence of foreign investment can influence investors' motivation to utilize their resources to support company activities. Capital control has an impact on the cost of capital, investment levels, technology transfer, and the distribution of profits from foreign investment. In addition, foreign ownership determines how much a foreign company can manage its subsidiaries and maintain its assets. According to research conducted by Priyanto & Qitbthiyyah in [1] it appears that company performance experiences an initial increase when there is foreign ownership, but after reaching a certain point, company performance begins to decline or even takes an inverted U shape. Shows that domestic ownership is necessary to achieve optimal efficiency. A study conducted by Muhammad Yazzid Muhajirin, Asriani Junaid, Muh Arif, and Andika Pramukti [2] concluded that foreign ownership contributes positively and significantly to tax avoidance. However, other research conducted by Sri Pujiningsih [3] found that having foreign institutions actually has a bad effect on tax avoidance efforts. Quality audits are

a form of external supervision that aims to monitor management actions in order to prevent tax avoidance. The purpose of this audit is to ensure that the financial reports have been prepared in accordance with applicable standards and do not violate tax regulations. Evaluation of the role of audit quality is considered in relation to the impact of institutional ownership and foreign ownership on the company's efforts to reduce tax liabilities. Several previous studies have been conducted regarding the correlation between audit quality and tax reduction measures and tax risk. Abernathy and his colleagues conducted research on this topic. In 2019, a study was conducted to investigate the response of external auditors to tax risks. This research shows that there are two positive relationships between audit expenditures and increased tax risk with additional costs arising from aggressive actions in terms of taxes. Other studies show that using auditor size as an indicator of auditor quality can have a significant negative impact on tax avoidance Ahmad Ruslan, [4] Monika Christin Maria, & Noviari Naniek, [5].

Agency theory is a concept that explains agency relationships and the problems that arise from these relationships [6]. An agency relationship is a bond between two entities, where the first entity acts as the principal and the second entity acts as an agent who mediates to represent the principal in carrying out transactions with other parties. The principal gives authority to the agent to carry out transactions on behalf of the principal and is expected to make decisions that are most profitable for the principal. The correlation between the concept of agency and efforts to reduce tax payments has been proven [40]. If management wants to create the impression of lower company profits in order to reduce the amount of taxes they have to pay, they may present less accurate data to shareholders. This also shows that higher tax payments will cause the company's liquidity to decrease so that profits will also decrease [7]. Companies try to minimize tax payments to the state because they see taxes as a large burden [22]. Therefore, managers will attempt to determine the amount of tax the business must pay so that they can optimize revenue. Instead, the government and principals aim to collect as much tax as possible from all people subject to tax obligations. Therefore, institutional ownership is very important to supervise the management process so that information is transparent and tax exemptions can be minimized.

## 2. METHODS

### 2.1 Tax Avoidance

Pohan (2013:23) Tax avoidance refers to legal and safe actions carried out by taxpayers in accordance with tax provisions. In this case, taxpayers use methods and strategies that tend to exploit loopholes (gray areas) in tax laws and regulations to reduce the amount of tax that must be paid. In this study, tax avoidance is measured by comparing Statutory Tax Rate. (STR) and the Effective Tax Rate (ETR) [8]. Statutory Tax Rates (STR) or tax rates regulated by law are tax rates that are legal and have been determined by the tax authority based on certain rules. One example of the Income Tax Rate System (PPh) is the 25% tax rate imposed on companies. According to research conducted by Anggraini et al. According to the STR report published in 2021, Indonesia was subject to a tax rate of 25% during the research period from 2007 to 2018. In Indonesia, from 2010 to 2019, the rate applied was 0.25 or 25% based on Article 17 of the Law. Income Tax Act. In 2020 and 2021, the corporate income tax rate is 22% in accordance with Article 2 of Government Regulation Number [42]. In 2020, 30 years have passed. The percentage of tax imposed on reported pre-tax profits is known as the Effective Tax Rate (ETR) and is considered the effective tax rate. The decrease in the effective tax rate indicates an increase in the number of companies that reduce taxes. This study simplifies the concept of Effective Tax Rate (ETR) by reducing the Sales Tax Rate. (STR) percentage, resulting in a figure that is greater than Tax Avoidance which reflects more corporate tax avoidance practices. The higher utilization of Tax Effectiveness achieved indicates reduced company efforts to reduce tax payments (Rani, 2017). Rani (2017) explains that the ETR and STR calculation method is as explained by Jamei [8] and Tarmidi and Tarmidi [41]. According to a study carried out in 2022, tax avoidance calculations use the following formula.

$$TA = STR - ETR$$

$$ETR = \frac{Tax\ Paid}{Profit\ Before\ Tax} x100\%$$

Where: TA = Tax Avoidance

STR = Statutory Tax Rate

ETR = Effective Tax Rate

## 2.2 Institutional Ownership

Institutional ownership refers to shares or shares owned by companies within or outside the country, in which the government does not have ownership or shares. The measurement of institutional ownership variables has been used in research Pratomo & Rana, [9] , Ahmad Gazali [4], and Khurana [26] as follows:

INS=(Ownership Institusional)/(Total Shares) x100%

## 2.3 Foreign Ownership

Foreign ownership refers to the share or ownership owned by an entity or individual from abroad. This can be an investment by a foreign individual or company within a country. The measurement of foreign ownership variables has been used in research Alianda, Andreas, Nasrizal, & Azhar, [10] and Sari, [11] as follows:

$\text{FOR} = (\text{Foreign Ownership / Total Shares})\ x100\%$

## 2.4 Audit Quality

The auditor's ability to identify and report errors or fraudulent acts in the client's financial records is a sign of the level of audit performance carried out. Audit quality can be measured using dummy variables as indicators. If a company is audited by a Big 4 KAP, it will get a rating of 1, but if a company is audited by a non-Big 4 KAP, it will get a rating of 0. This study involved four leading companies, namely Price Water House Coopers (PWC), Deloitte Touche Tohmatsu, Klynveld Peat Marwick Goerdeler (KPMG) International, and Ernst and Young (EY). The measurement of audit quality has been used in research Dewi [19],Friska [20], Arinda [21] , Zidny [27], Mira [28].

## 2.5 Data Analysis Methods

In this study, the data processing technique used is inferential statistics to test the hypotheses 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 conclusions about the population [37]. The data that has been collected for each research variable is then processed or analyzed using the panel data regression analysis method to determine whether the independent variable has a significant impact on the dependent variable, so panel data regression analysis is carried out. Panel data regression is a statistical method used to analyze the relationship between independent variables and dependent variables 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. RESULTS AND DISCUSSION

## 3.1 Descriptive Statistical Analysis

Descriptive statistical analysis was carried out on 125 financial report data used as samples in this study. Descriptive statistical analysis involves observing the lowest value (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.

In the Tax Avoidance variable (Y), the average value is 0. 133616, while the middle value is 0. 020578 Companies with the PSDN code (have a maximum value of 6. 684553. In 2019, they have a minimum value of 0. 000205 for companies with the code SQBI in 2018, showed a standard deviation value of 0.616071 for the tax avoidance variable. 2. In the Institutional Ownership variable (X1), the average value is 0. 604546, the middle value is 0. 604580, and the highest value is 0. 999584 which is owned by a company with the code RMBA. In 2018, it has a minimum value of 0. 054237 for companies with the code COCO, in 2018 it had a standard deviation of 0.279645 for the institutional ownership variable. 3. The average value of the Foreign Ownership variable (X2) is 0. 537811, while the middle value is 0. 575073. Companies with the code RMBA, have the highest value of 0. 999584 in 2018, have a minimum value of 0. 049916 owned by the company with the CEKA code, the standard deviation value is 0.311426 for the institutional ownership variable.

## 3.2 Test Chow

Model evaluation for Chow test depends on whether the P-value (Prob>F) in FE is less than 0. The number 05 shows that the fixed effect model is superior to the common effect model. If the P Value exceeds 0. The general effects

model is preferred over the fixed effects model because it is able to better capture variations in the data. If the P value is less than 0, vice versa. Fixed effects models are recommended over general effects models if the independent variables do not vary from one period to another. Table 2 shows the information obtained from the Chow test. See the chow test results in Table 2 below.

From the tests in Table 2 it shows that the P Value (Prob>F) is 0.0000 which is smaller than 0.05 so that for the Chow test the Fixed Effect Model (FEM) is better.

### 3.3 Hausman Test

The model selected in the Hausman test can be determined using the chi square test as a guide. If the probability is higher than the chi-square statistical value, then the effect model will still be superior if the significance level is less than 0.05. However, if the situation were reversed, then the best option would be a random effects model. The results of the Hausman test can be seen in Table 3 below.

Table 4 shows that the chi2 probability value is 0.0372, which indicates that the fixed effects model is better for the Hausman test in this study. Based on the results of the Chow test and Hausman test, it was concluded that the FEM model was the best choice.

### 3.4 Normality Test

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 level Î±, then the residual has a normal distribution. If the p value is less than alpha, it indicates that the residuals do not have a normal distribution. Graph 1 below shows the normality test results.

The normality test results show that the probability value obtained is 0.364, which exceeds the 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.

### 3.5 Multicollinearity Test

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 independent variables does not exceed 0.8, then there will be no tendency to multicollinearity. Table 4 displays the test results to evaluate the presence of multicollinearity. By using data from the table, we can see whether there is multicollinearity in the model being tested.

Based on the results of the multicollinearity test above, it can be concluded that all correlation coefficient values are still below 0.8 so that the data used in this research do not experience symptoms of multicollinearity.

### 3.6 F test

The condition for making decisions regarding the F test is that if the significance value is less than 0.05, this indicates that the independent variables as a whole have an important impact on the dependent variable so it can be concluded that the hypothesis can be accepted. However, if the significance value exceeds 0.05, this indicates that there is no linear correlation between the independent variable and the dependent variable, so the hypothesis needs to be rejected. Table 5 shows the results of the f test.

### 3.7 Coefficient of Determination Test

Based on the data in Table 5, the coefficient of determination test shows that R2 has a value of 0.638077. This means that the independent variables can explain as much as 63.8% of the tax avoidance variable, while the remaining 36.2% can be explained by other factors not studied.

### 3.8 t test

A significant level of 0.05 (Î± = 5%) is the standard used in t statistical testing. A significance value of less than 0.05 indicates that there is an influence of the independent variable on the dependent variable and the hypothesis is acceptable; while a significance value above 0.05 indicates that there is no influence of the independent variable on the dependent variable and the hypothesis must be rejected. The t test data can be found in Table 6.

**Table 1. Descriptive analysis**

| | 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 |

**Table 2. Chow test**

| **Redundant Fixed Effects Tests Equation:** | | | |
|---|---|---|---|
| Effects Test | Statistic | d.f. | Prob. |
| Cross-section F | 5.821341 | (26,94) | 0.0000 |
| Cross-section Chi-square | 119.926347 | 26 | 0.0000 |

**Table 3. Hausman test**

| **Correlated Random Effects - Hausman Test Equation: Untitled Test cross-section random effects** | | | |
|---|---|---|---|
| Test Summary | Chi-Sq. Statistic | Chi-Sq. d.f. | Prob. |
| Cross-section random | 10.199174 | 4 | 0.0372 |

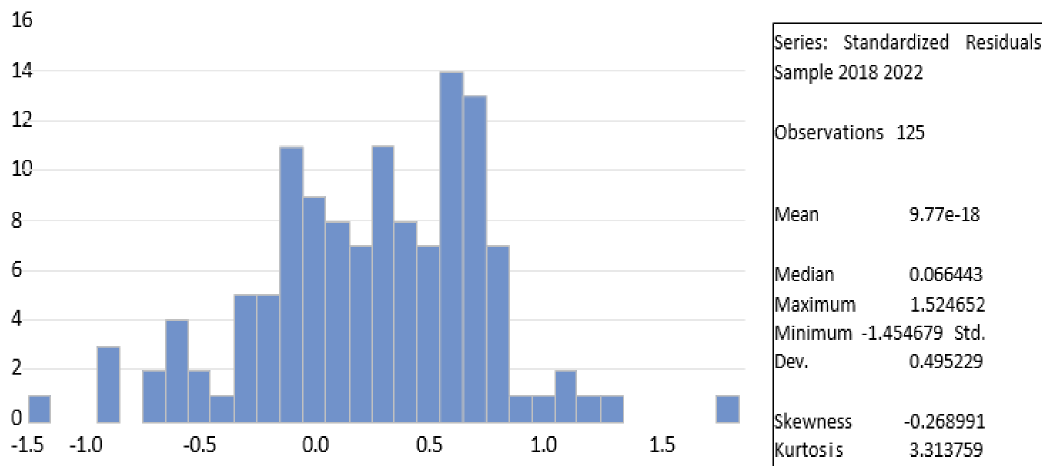


**Fig. 1. Normality test**

**Table 4. Multicollinearity test**

| | 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 |

**Table 5. F test**

| **Indicator** | **Value** |
|---|---|
| F-Statistics | 5.524130 |
| Prob (F-statistics) | 0.000000 |

**Table 6. t test**

| Variable | Coefficient | Std. Error | t-Statistic | Prob |
|---|---|---|---|---|
| C | -2,814046 | 0,869805 | -3,235260 | 0,0017 |
| X1 | -5,037314 | 2,011408 | -2,504372 | 0,0140 |
| X2 | 8,153575 | 2,834619 | 2,876427 | 0,0050 |
| X1Z | 2,169701 | 0,946616 | 2,292061 | 0,0241 |
| X2Z | -2,760423 | 1,664160 | -1,658749 | 0,1005 |

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: The Institutional Ownership and Tax Reduction variables have a significance level of 0.0140 which is smaller than 0.05, and have a t value of -2.504372. The research results show that there is a statistical relationship between institutional ownership and tax avoidance. Therefore, the first hypothesis can be confirmed. The negative coefficient indicates that institutional ownership has an unfavorable impact on tax avoidance. The variable Foreign Ownership in Tax Avoidance has a regression coefficient of 2.876427 with a significance level of 0.0050, which shows that there is a significant relationship between these two variables. From the existing data, it can be concluded that the presence of foreign ownership significantly influences tax avoidance practices, so it can be confirmed that the second hypothesis can be accepted. With a positive coefficient, it can be concluded that institutional ownership has a positive impact on tax avoidance efforts. The Audit Quality variable can influence the relationship between Institutional Ownership and Tax Avoidance with a confidence level of 95%. This is indicated by a t value of 2.292061 and a significance value of 0.0241 which is lower than the significance level of 0.05. This shows that the audit supervision quality variable has the ability to moderate the influence of institutional ownership variables on tax avoidance practices, so that the third hypothesis can be confirmed. With a positive coefficient, this shows that audit quality has a strengthening effect on institutional efforts to reduce tax avoidance. The Audit Quality variable does not have a significant influence in moderating the relationship between foreign ownership and tax avoidance, because the t value is -1.658749 and the significance value is 0.1005 which is greater than the 0.05 significance level. These results indicate that the audit quality variable does not have a significant effect on the relationship between the foreign ownership variable and tax avoidance, so the fourth hypothesis is not proven. Based on the explanation above, the research model used is as follows [36]:

**Model 1:**

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

**Model 2:**

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

**Information:**

a : Constanta
b : Coefficient
TA = Tax Avoidance
INS = Institutional Ownership
FOR = Foreign ownership
AUQ = Audit quality
e = Error

## 4. DISCUSSION OF RESEARCH RESULTS

### 4.1 Institutional Ownership against Tax Avoidance

According to the results of hypothesis testing, having institutional ownership has a negative impact on efforts to avoid paying taxes. The results of this research show that although company owners generally have an understanding of tax regulations and the impact of tax risks that may occur, as well as the burden on the company if the company engages in tax avoidance, they encourage management to limit tax avoidance practices [34]. This research is related to the concept of agency theory where management, acting as an entrusted agent, will carry out decision making for the company [26]. Management involved in preparing financial reports will influence efforts to reduce tax payments made by management. This statement indicates that the level of company supervision is closely related to the institutional ownership structure of the company. The more ownership by financial institutions, the less supervision there is, while the less

institutional ownership, the tighter the supervision. This makes companies vulnerable to fraud. The more shares a financial institution owns, the more taxes it will impose on the company [32]. Thus, companies will face an increasingly higher tax burden. This increase occurred because there was a decrease in opportunities for companies to cut their taxes. The owner of the company has control based on the number of shares and voting rights he owns, so he has the ability to influence managers to focus on financial performance and reduce tax risks that may harm investors in the future for personal gain. Based on the results of this research, Ruslan Ahmad's [12], Nurhayati [31], Nur Aini [32] and Rani [33] findings show that ownership by institutions has a negative impact on efforts to reduce tax payments.

### 4.2 Foreign Ownership against Tax Avoidance

Based on research results from hypothesis testing, it is proven that investment from abroad has a beneficial impact in efforts to reduce tax payments. The higher the percentage of shares held by foreign investors in a company, the more likely management is to plan for reduced tax payments. It is thought that this is related to the lack of affection for Indonesia from foreign parties, so they only focus on profits from investing in Indonesian companies [23], [24]. According to the agency concept, agency problems occur when there is a difference between the expectations of the principal and the agent. This occurs when someone (the principal) hires another person (the agent) to carry out tasks by giving authority to the agent [35]. The higher the proportion of shares owned by foreign investors in a company, the greater their power in determining company policy [29]. Small tax payments are considered an indication of an effort to avoid tax, so that a smaller amount of tax paid indicates an increase in tax avoidance. The greater the proportion of company ownership by foreign investors, the greater the company's potential to reduce the amount of tax it must pay. The influence of foreign investors who own majority shares in the company will have an impact on decision making, including decisions related to tax policy. They tend to influence company leadership so that decisions are taken that are profitable for them and avoid paying taxes. This impact is also thought to be related to weaknesses in law enforcement in Indonesia, especially in terms of foreign investment policies. Research conducted by Muhajirin and his friends indicates results that are in line with this. Research conducted in 2021 shows that foreign investment has a positive and important impact in reducing tax payments. Companies that are largely owned by foreign entities tend to withhold tax payments more frequently.

### 4.3 Audit Quality Moderates Institutional Ownership of Tax Avoidance

The results of hypothesis testing show that audit quality increases the impact of institutional ownership on efforts to reduce tax payments. With the presence of qualified financial report auditors, companies will be encouraged to reduce tax avoidance practices as is also expected by institutional shareholders. Based on the concept of legitimacy, companies have a responsibility to society and the public, so the up-to-date financial reports presented by audit institutions are very important [31]. Quality financial reports reflect the company's integrity and can be trusted, this affects the company's image in the eyes of the public. The quality of financial reports also provides an overview of the company's transparency in terms of operations and tax compliance. Company actions to reduce tax obligations can damage the company's image in the eyes of the public, so they should be avoided [38]. Just as business owners understand the tax impacts that may arise due to tax avoidance actions, external auditors are also concerned about the company's potential future tax risks if the company engages in tax avoidance practices [39]. Therefore, management is ultimately careful in implementing steps to reduce tax payments. This finding is in accordance with previous studies which also stated that skilled auditors can encourage management to minimize tax avoidance practices due to potential tax risks in the future, thereby reducing the company's level of tax avoidance. Ahmad, [12] Monika & Noviari, 2021), Istiqomah, [25]

### 4.4 Audit Quality Moderates Foreign Ownership on Tax Avoidance

Based on the results of the hypothesis analysis, it can be concluded that the quality of theaudit has no impact in regulating foreign ownership of businesses to avoid paying taxes. These findings indicate that companies that are majority owned by foreign investors may not be influenced by external auditors in tax policy, especially in efforts to avoid paying taxes. The

influence of foreign parties is believed to be the main factor causing audit quality standards to have less influence on corporate tax avoidance practices [30]. According to the principle of legitimacy, society expects companies to be responsible for every decision they make. Companies will face major consequences if they violate social agreements. If a company experiences foreign ownership, the company may experience pressure from community demands. This research produces findings that are similar to a study conducted by Maisaroh [13] which concluded that audit quality has no impact on tax avoidance practices.

## 5. CONCLUSION

Based on the analysis that has been carried out, it is concluded that institutional ownership contributes to detrimental tax avoidance. This is likely related to future tax risks and understanding of tax rules by institutional owners. On the other hand, foreign ownership can provide benefits in avoiding taxes because there is less loyalty to the country and more focus on obtaining optimal profits. In addition, quality audits also increase the impact of institutional ownership on tax reductions. In accordance with the wishes of the company owner, independent auditors also examine potential tax risks in the future, which encourages management to reduce tax fraud practices. Effective audits cannot reduce the influence of foreign ownership on businesses to evade tax payments. With interference from overseas shareholders, external auditors are believed to be unable to force management to stop tax deduction practices. 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.

## COMPETING INTERESTS

Authors have declared that no competing interests exist.

## REFERENCES

1. Priyanto EA, Qitbthiyyah RM. Pengaruh kepemilikan asing terhadap kinerja perusahaan manufaktur di Indonesia. Jurnal Kebijakan Ekonomi. 2020;15(2).
2. Muhammad Yazzid Muhajirin. Pengaruh transfer pricing dan kepemilikan asing terhadap tax avodance pada perusahaan manufaktur yang terdaftar di bursa efek Indonesia (BEI). Center of Economic Student Journal. 2021;4(2).
3. Sri Pujiningsih. Relationship of foreign institutional ownership and management incentives to tax avoidance. Jurnal Akuntansi dan Keuangan Indonesia. 2022; 19(2):244-262
4. Ahmad Gazali. Pengaruh Leverage, Kepemilikan Institusional dan Arus Kas Operasi Terhadap Penghindaran Pajak Pada Perusahaan Tambang yang Terdaftar di Bursa Efek Indonesia Periode 2014-2019. Jurnal Riset Akuntansi dan Auditing, GOODWILL. 2020;11(2).
5. Christin Maria Monika. The Effects of financial distress, capital intensity, and audit quality on tax avoidance. American Journal of Humanities and Social Sciences Research (AJHSSR). 2021;6: 282-287
6. Jensen MC, Meckling WH. Theory of the firm: Managerial behavior, agency costs and ownership structure. Journal of Financial Economics. 1976;3:305-360.
7. Hanifah DF, Ayem S. Pengaruh perencanaan pajak terhadap nilai perusahaan dengan kinerja keuangan sebagai variabel intervening. Kajian Bisnis Sekolah Tinggi Ilmu Ekonomi Widya Wiwaha. 2022;30(1):26-39.
8. Jamei R. Tax avoidance and corporate and corporate governance mechanisms: Evidence from tehran stock exchange. International Journal of Economics and Financial Issues. 2017;2146-4138.
9. Pratomo D, Rana RA. Pengaruh kepemilikan institutional, komisaris independen dan komite audit terhadap penghindaran pajak. Jurnal Akuntansi. 2021;8(1).
10. Alianda I, Andreas Nasrizal, Azhar A. Pengaruh kepemilikan asing, foreign operation dan manajemen laba riil terhadap penghindaran pajak. Tax Center. 2021;2 (1):1-21.
11. Sari RP. Tax planning as a tax avoidance step in Indonesia. Russian Journal of Agricultural and Socio-Economic Sciences; 2019.
12. Ruslan Ahmad. Pengaruh kepemilikan institusional, kepemilikan manajerial, komite audit dan ukuran perusahaan terhadap penghindaran pajak pada

perusahaan perbankan yang terdaftar di bursa efek Indonesia. Insan Cita Bongaya Research Journal. 2023;2(3)

13. Maisaroh S, Setiawan D. Kepemilikan Saham Asing, Dewan Komisaris Asing dan Direksi Asing Terhadap Penghindaran Pajak di Indonesia. Jurnal Akuntansi Dan Bisnis. 2021;21(1), 29-42.
14. Afrika R. Kepemilikan institusional terhadap penghindaran pajak. Balance: Jurnal Akuntansi Dan Bisnis. 2021;6(2):132
15. Annisa. Pengaruh Kepemilikan Saham Asing, Kualiatas Informasi Internal dan Publisitas Chief Executive Officer Terhadap Penghindaran Pajak. Jurnal Akuntansi. 2020;8(2):147 – 158.
16. Annisa NA, Kurniasih L. Pengaruh corporate governance terhadap tax avoidance. Jurnal Akuntansi Dan Auditing. 2012;8:95–189.
17. Darsani PA, Sukartha IM. The effect of institutional ownership, profitability, leverage and capital intensity ratio on tax avoidance. American Journal of Humanities and Social Sciences Research. 2021;5(1): 13-22.
18. Deegan C. The legitimising effect of social and environmental disclosures – A theoritical foundation. Accounting, Auditing, & Accountability Journal. 2002;15(3):282-311.
19. Dewi NM. Pengaruh kepemilikan institusional, dewan komisaris independen dan komite audit terhadap penghindaran pajak (tax avoidance) pada perusahaan perbankan yang terdaftar di bursa efek Indonesia Periode. Media Akuntansi Universitas Muhammadiyah Semarang. 2019;9(1):40–51.
20. Friska Darnawaty Sitorus. Pengaruh transfer pricing, kompensasi rugi fiskal, leverage, dan kualitas audit terhadap fiskal, leverage, dan kualitas audit terhadap praktik penghindaran pajak pada perusahaan bumn yang telah go publik untuk periode 2017-2020. Owner: Riset & Jurnal Akuntansi. 2022;6(3).
21. Arinda. Analisis pengaruh kinerja keuangan dan kualitas audit terhadap tax avoidance dengan good corporate governance sebagai variable moderasi. Jurnal Akuntansi Trisakti. 2018;5(1):123-140
22. Hidayati NN, Murni S. Pengaruh pengungkapan corporate social responsibility terhadap earnings response coeficient pada perusahaan high profile. Jurnal Bisnis dan Akuntansi. 2009;11(1):1-18.
23. Iqbal. Pengaruh Kepemilikan asing, foreiggn operation dan manajemen laba rill terhadap penghindaran pajak. The Journal of Taxation: Tax Center. 2021;2(1):94-115
24. Ismiyanti E. Pengaruh ukuran perusahaan, komite audit, pertumbuhan penjualan, dan kepemilikan asing terhadap penghindaran pajak dengan tingkat implementasi IFRS Kalbisiana Jurnal Sains, Bisnis Dan Teknologi. 2022;8(4):4130–4149
25. Istiqomah. Pengaruh Tanggungjawab Sosial Perusahaan, Profitabilitas Kepemilikan Asing, dan Intensitas Modal Terhadap Penghindaran Pajak. Jurnal Ilmu dan Riset Akuntansi (JIRA). 2020;9(4).
26. Khurana IK, Moser WJ. Institutional Ownership; 2009.
27. Zidny Nafi M. pengaruh kualitas audit dan komite audit terhadap perilaku penghindaran pajak. Media Akuntansi Universitas Muhammadiyah Semarang.2021;11(1):58- 66.
28. Mira. Pengaruh kualitas audit terhadap tax avoidance pada perusahaan sektor perbankna yang terdaftar di bei periode 2016-2018. Amnesty: Jurnal Riset Perpajakan; 2020;3(2).

    ISSN: 2714-6308 e-ISSN: 2714-6294 November 2020
29. Muhammad Hidayat. Pengaruh book gap dan kepemilikan asing terhadap penghindaran pajak dan analisis kebijakan pemerintah terkait penghindaran pajak. Dimensi. 2019;8(3): 404-418.
30. Mutya Sakina Mahareny Pengaruh komisaris independen, komite audit dan kualitas audit terhadap penghindaran pajak (Studi empiris Pada Sektor Industri barang konsumsi yang terdaftar di bursa efek Indonesia Periode 2012-2016). Manajemen, Akuntansi dan Perbankkan; 2018.
31. Nuhayati Siregar. Pengaruh Manajemen Laba, Kualitas Audit Komite Audit, Komisaris Independen Dan Kepemilikan Institusional Terhadap Penghindaran Pajak. JIS. 2022;1(1).
32. Nur'Aini F, Halimatusadiah, E. Pengaruh kepemilikan institusional, kepemilikan manajerial, proporsi dewan komisaris Independen, dan Komite Audit terhadap

Penghindaran Pajak. Bandung Conference Series: Accountancy. 2022;2(1):686–692.

33. Rezia Bayu Charisma. Pengaruh struktur kepemilikan terhadap tindakan penghindaran pajak dengan kualitas audit sebagai variable moderating. Prosiding Seminar Nasional Pakar ke 2 Tahun 2019 Buku 2: Sosial dan Humaniora; 2019.
34. Rizki Afrika. Kepemilikan institusional terhadap penghindaran pajak. Balance : Jurnal Akuntansi dan Bisnis. 2021;6:131-144.
35. Salihu IA, Annuar HA, Obid SN. Foreign investors' interersts and corporate tax avoidance: Evidence from an emergin economy. Journal Contemporary Accounting & Economics. 2015;138-147.
36. Sekaran U, Bougie R. Research methods for business: A skill-building approach. 7th Edition. Wiley, New York; 2016.
37. Suandy E. Perencanaan pajak/ Erly Suandy. Jakarta: Salemba Empat; 2008.
38. Suchman MC. Managing legitimacy: Strategic and institutional approaches. Academy of Management Review. 1995;20(3):571-610.
39. Sumekar DR, Mulyani S, Nuridah S. Analisis pengaruh thin capitalization, komite audit dan kepemilikan institusional terhadap tax avoidance pada perusahaan sektor keuangan di bursa efek Indonesia Tahun 2020-2022. Innovative: Journal Of Social Science Research. 2023;3(5):4533-4541.
40. Tahilia AMS, Sulistyowati S, Wasif SK. Pengaruh komite audit, kualitas audit, dan konservatisme akuntansi terhadap tax avoidance. Jurnal Akuntansi dan Manajemen, 2022;19(02): 49-62.
41. Tarmidi D, Sari PN, Handayani R. Tax Avoidance: Impact of financial and non-financial factors. International Journal of Academic Research in Accounting, Finance and Mangement Sciens. 2020;10 (2):1-8.
42. Zain M. Manajemen Perpajakan. Jakarta: Salemba Empat; 2005.

*© Copyright (2024): Author(s). The licensee is the journal publisher. This is an Open Access article distributed under the terms of the Creative Commons Attribution License (http://creativecommons.org/licenses/by/4.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original work is properly cited.*

*Peer-review history:*
*The peer review history for this paper can be accessed here:*
*https://www.sdiarticle5.com/review-history/114224*