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OWNERSHIP STRUCTURE AND TAX AVOIDANCE: EMPIRICAL STUDY ON MANUFACTURING COMPANIES

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Potential agency problems when corporate decision-making is concentrated in voting rights and ownership is concentrated where voting rights exceed cash flow rights (Richardson et al., 2016). This shows that the ownership structure can influence the policies taken in the company, including those related to tax avoidance. The purpose of this study aims to examine the effect of ownership structure as measured by institutional and public managerial ownership on tax avoidance. The study population is manufacturing companies listed on the IDX in 2019. The sampling method uses targeted sampling, a sampling method using criteria such as manufacturing companies listed on the IDX in 2019 and companies that submitted annual reports in 2019. The results show that managerial ownership structure affects tax avoidance, while public ownership structure and institutional ownership structure does not affect tax avoidance. These results indicate that companies owned by managers are more likely to carry out tax avoidance because managers have full power to prepare financial statements in accordance with their wishes compared to institutional and public ownership. This research contributes to providing information to stakeholders about which type of ownership structure is more likely to avoid tax.

Keyword: ownership institutional, ownership managerial, ownership public, tax avoidance

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INTRODUCTION

Taxes are a driving factor in many corporate decisions. Besides being an important element in the company, taxes are also an important element for a country, especially for developing countries, this is because taxes are a source of state revenue. A country will always make efforts to optimize state revenues through the tax sector. However, sometimes efforts to optimize tax revenue have problems, this happens because of the efforts made by companies to avoid paying taxes, because taxes are a burden for companies that can reduce company profits. The problem of tax evasion has also been a problem since the inception of tax laws and is common in every society where taxes are levied. This threat is even more prevalent among corporate taxpayers given the size of corporate income taxes. The fact that taxes take up a larger proportion of the company's pretax income and further reduces distributable profits could be the reason for the endless war against corporate tax evasion. and hiring expensive accountants to find increasingly complex ways of paying less tax (Annuar et al., 2014).

The phenomenon of conflicting interests between taxpayers and countries and the underperformance of average tax rates indicate the existence of significant tax avoidance activity. In fact, tax lawsuits and claims of tax evasion have been filed in various countries such as Hong Kong, Ghana, Nigeria, Croatia, United Kingdom, United States, Thailand and even Indonesia (Pangaribuan et al., 2021). The phenomenon of tax avoidance in Indonesia can be seen in the tax rates (tax rates) of the Indonesian provinces. A tax rate (tax rate) indicates a state's ability to collect tax revenue or reabsorb GDP (gross domestic product) from its citizens in the form of taxes. The higher the tax rate in a country, the higher the tax collection rate in that country. The Directorate General of Taxes (DGT) revealed that the tax ratio to gross domestic product (GDP) or Indonesia's tax ratio was 10.7 percent in 2019. This figure was down from 2018 which was 11.5 percent. Director of Counseling, Services and Public Relations of DGT Hestu Yoga Saksama explained that the decline in the tax ratio was triggered by Indonesia's economic condition which also weakened in the same period. The economy only grew 5.02 percent. This realization is lower than 2018 which was 5.17 percent.

Tax avoidance policy is inseparable from the policies of company owners and management where company owners can consist of various ownerships. A company can be owned by several shareholders where the percentage of ownership can vary. The ownership structure is believed to have the ability to influence the company which in turn can affect the company's performance. Another ownership structure, namely managerial ownership can also affect a company's performance. The reason is that because of his ownership, he cares more about the company's profits. Recent evidence suggests that management behavior solely aimed at minimizing corporate taxes through tax avoidance activities is an increasingly common feature of corporations in many countries around the world (Hardyment et al., 2011).

Tax avoidance behavior can be affected by the agency problem in agency theory (Jensen and Meckling, 1976). Information accepted by executives is used to add rewards for high-income executives. Shareholders, on the other hand, are happy that compliance with existing tax laws will increase the value of their shares. In order to respond to the client's request, agency costs will be incurred. It is intended to assist agents or executives in protecting the interests of their shareholders in order to achieve their desired goals. According to agency theory, ownership structures are control mechanisms to reduce profits between principals and agents (Jensen and Meckling, 1976). The ownership structure mechanism is one factor that narrows the gap between information used by management in the name of opportunistic behavior and the willingness of shareholders to run the company according to their wishes. An ownership structure is the component that a company's network can incorporate into company performance and decision-making. A centralized ownership structure can be a source of tax avoidance. Tax avoidance practices make it a strategic choice for executives to reduce a company's tax burden and improve profitability.

Corporate tax avoidance seems to be the biggest problem facing today's generation. This represents a serious loss of revenue for governments in many developed and developing countries. Tax avoidance is therefore defined as any strategy, activity, or decision taken with the aim of lowering a company's effective tax rate. Tax avoidance is the ability of a company to pay less tax than it owes. Shareholders are expected to weigh the benefits of tax avoidance against the company's costs of possible prosecution, penalties and reputational damage if its strategy is compromised by tax (Hanlon and Heitzman, 2010). Corporate managers have a significant individual effect on tax avoidance (Dyreng et al., 2010). (Shackelford and Shevlin, 2001) stated that examining ownership structure is a determinant of potential corporate tax avoidance as it is important for corporate governance. Managers have a significant impact on a company's level of tax avoidance.

According to Saifudin and Yunanda (2016), From 2011 to 2014, tax avoidance among manufacturing companies listed on the Indonesian Stock Exchange has increased year by year. The average ETR in 2012 increased by 0.240 to 0.260, an increase of 0.02 units over the previous year. This increase occurred again the following year. That is, it increased to 0.270 in 2013 and 0.271 in 2014. This situation shows that the phenomenon of tax avoidance is increasing year by year. In the research of (Annuar et al., 2014) propose to consider possible determinants of corporate tax avoidance in a concentrated ownership environment in emerging markets. Research by (Ying et al., 2017) considering state ownership and control versus institutional ownership has important implications for tax avoidance. A study by (Cabello et al., 2019) shows that managerial ownership has a significant consequence on tax avoidance.

Based on the problems above, this study aims to empirically examine the effect of ownership structure on tax avoidance. There is still not much research on the ownership structure of tax avoidance. The contribution of this research is to help and provide a new understanding of how the existing ownership structure, which in this study is divided into 3 influential and more dominant on tax avoidance.

LITERATURE REVIEW

Tax avoidance is a transaction plan intended for the use of taxes by exploiting the weaknesses of a country's tax provisions so that tax experts state that tax avoidance does not violate tax regulations. The more developed the economy of a country, the more foreign companies or business entities will invest in the country with the aim of getting the maximum profit (Ady et al., 2010). Given this, there are several definitions of corporate tax avoidance put forward by researchers recently. There are several ways that are usually done in tax avoidance, namely refraining, moving locations, and legal tax avoidance (Hanlon and Heitzman, 2010). In dealing with tax avoidance plans in the form of unacceptable and acceptable tax avoidance, in general, the state issues provisions to prevent tax avoidance as regulated in tax laws and regulations. These laws and regulations include the Specific Anti Avoidance Rule (SAAR) and the General Anti Avoidance Rule (GAAR).

One of the factors that have an important influence on tax avoidance is ownership structure (Hanlon and Heitzman, 2010). Ownership structure refers to the concentration of ownership. Separation of ownership and control suggests that where tax avoidance is a useful activity, owners ensure managers make efficient tax decisions (Hanlon and Heitzman, 2010). Several research projects have investigated the effect of ownership structure on tax avoidance (Badertscher et al., 2013);(Richardson et al., 2016);(Bradshaw et al., 2016). Controlling owners are more likely to seize shareholder wealth by exploiting tax avoidance (Richardson *et al*., 2016). Ownership structure affects the company's process in fulfilling tax obligations (Friese et al., 2008). In addition, the structure helps to create a useful environment for the company's needs and sustainable growth within the company (Siswanti et al., 2017). (Mangoting et al., 2019) argues Management's vision influences decision-making, including tax avoidance. The ownership structure also includes a further class of owners. In line with previous significant studies, the current study focuses on what is believed to be the most important class in its structure, which may affect the extent of tax evasion and its efficiency, namely, managerial, foreign and institutional ownership (Landry et al., 2013, Richardson et al., 2016). Agency theory is a contract given by the principal to rely on authority to another person (agent) in terms of the company's strategic decisions (Jensen and Meckling, 1976). Agency theory is a agreement to encourage agents to take action on behalf of the owner while the interests of the manager do not pursue the interests of the owner (Shane, 2003). The separation of principal ownership and agency control within a company tends to create agency problems between the two. Principals, as equity owners, want to increase the value of the company's shares through the results of their investments, while executives want the principals to be incentivized to run the company and to be highly compensated. This differentiation to gain an advantage means that management makes arrangements that are inconsistent with the interests of shareholders. The need to maximize everyone's benefit can sometimes lead to agency problems as policy decisions do not align with goals.

Managerial ownership is the ownership of shares by the manager of a company. The existence of managed assets further improves the performance of the company. Owning a company encourages management to run the company well because they feel they own it. The higher the management participation rate, the better the company's performance. (Ruan et al., 2011) found that managerial ownership affects firm performance. Company ownership in the management side (executive officers) allows management to act as owners and managers. This role requires management to be more prudent in fulfilling the obligations and responsibilities embodied in the tax strategic plan, which could lead to litigation if not diligent, and to prevent management from getting caught up in the consequences. Therefore, increasing ownership can promote greater alignment between managerial interests and shareholder interests (Mais and Patmaningsih, 2017). (Mais and Patmaningsih, 2017) gives the opinion that when the management level is occupied by the largest shareholder, it will reduce the conflict between the interests of management and its shareholders. All considerations for the welfare of the company will be taken by the shareholders as the main managers in the company. Therefore, management will limit risks such as legal fraud that can result in fines. So it can be said that increasing managerial ownership can reduce tax avoidance.

Public ownership is the percentage of public ownership of a company's total number of shares. i.e. a person or entity who owns less than five percent (5%) of his non-management shares and is unaffiliated with the company (Abdullah et al., 2017). The greater the percentage of public ownership, the more information the parties will need about the company and the more detailed information they will need to disclose in their annual reports. The more shares go public, the more information should be disclosed, and the public demands as much corporate transparency as possible. (Anisma et al., 2015). Public ownership will cause the company to act in the first place according to its own will, but with the ownership of shares by the community, it makes the company more careful in taking action (not according to its own will). The larger the public shareholding, the more information the company has known to the public. For this reason, managers cannot freely take opportunistic actions, one of which is tax avoidance.

Institutional ownership is ownership of shares in a company that is majority owned by an institution or entity (insurance companies, banks, mutual funds, asset managers, and other institutional ownership). According to (Ginting, 2016) institutional ownership is share ownership by the government and institutions other than public shareholder institutions such as financial institutions, financial institutions, legal entities, and foreign institutions. Research conducted by (Ngadiman and Puspitasari, 2017) indicates that the institutional ownership variable has a significant negative impact on tax avoidance. The higher the institutional ownership, the higher the tax burden the company must pay. This is because companies are less likely to engage in tax avoidance. Institutional owners can force managers to focus on economic performance and avoid opportunities for selfish behavior through actions of voice and power. Institutional ownership is tasked with overseeing the various policies that managers take in the decision-making of decisions made to take effect in the company, so institutional ownership is entrusted with overseeing administrative policies (Nugroho and Agustia, 2018).

When management owns no or only a small number of shares in a company, management's actions tend to be influenced more by personal interests than by enhancing the value of the company and the interests of shareholders. On the other hand, when managers own shares in a company or own a large number of shares, they tend to align their interests with those of shareholders in order to increase compensation and dividends (Alzoubi, 2016). High management involvement may increase the risk of a company engaging in tax avoidance(Cabello et al., 2019). High management involvement may increase the risk of a company engaging in tax avoidance (Rego and Wilson, 2009). Research (Boussaidi and Hamed, 2015) found that managerial ownership has a significant effect on tax avoidance. Their findings show that the higher the managerial ownership, the higher the company's tax avoidance. Managerial ownership is part of the common stock owned by management who is actively involved in making company decisions (Hadi and Mangoting, 2014). From the theory and explanation of the previous researchers above, the hypothesis in this study is as follows:

H1: Managerial ownership structure has an effect on tax avoidance.

Public ownership means minority shareholders not exceeding 5% of the total number of shares outstanding. Low public ownership does not significantly affect corporate decision-making. Investors coming from the community usually look for companies with high profitability and high corporate value. Public ownership of shares has the power to influence a company's actions, especially commentary and criticism in the mass media (Hatta and Fenny, 2019). Public ownership causes the company initially to act according to its own will, but with the existence of public share ownership, the company is careful in taking actions (not according to its own will). The greater the ownership of public shares, the more information in the company that is known by the public about the company. This causes managers to be unable to freely take opportunistic actions, one of which is tax avoidance (Prayogo and Darsono, 2015). From the theory and explanation of the previous research above, the hypothesis in this study is as follows:

H2: The structure of public ownership has an effect on tax avoidance.

Ngadiman and Puspitasari (2017) define Institutional ownership as stock ownership in financial institutions such as insurance companies, banks, pension funds and investment banks. Institutional ownership is ownership of shares in a company that is majority owned by an institution or entity (insurance companies, banks, mutual funds, asset managers, and other institutional ownership). Institutional controlling shareholders often sacrifice the interests of other shareholders. On the other hand, high executive profits affect the amount of tax the company has to pay, hampering company performance (Darsani and Sukartha, 2021). The high tax rates imposed on businesses, managers are looking for ways to reduce the taxes they pay. The information presented by the manager in the financial statements does not reflect the state of the company due to information asymmetry. Tax avoidance is practiced by management to serve the interests of shareholders and management. Small or great institutional ownership in the company has an affect on the company's tax policy (Khurana and Moser, 2013). (Bird and Karolyi, 2017) found that institutional ownership was positively correlated with tax avoidance. They argue that the involvement of corporates with institutional investors with tax planning skills will lead to better tax planning and greater use of tax relief. Based on the theory and previous research above, the hypothesis in this study is as follows:

H3: Institutional ownership structure affects tax avoidance.

METHOD (FOR RESEARCH ARTICLE)

The kind of study used is associative research. Sampling techniques use purposive sampling, which is a method of determining samples based on certain criteria. The study population was manufacturing companies listed on the Indonesian Stock Exchange in 2019. The sample for this study was drawn based on criteria such as manufacturing companies listed on the Indonesian Stock Exchange in 2019 and companies reporting financial statements for 2019. This kind of study using secondary data. The data used is a sample that represents the existing population because the population is too large. The secondary data for this study is in the form of annual reporting data for manufacturers listed on the IDX in 2019. The data source used in this study is from his website at IDX (www.idx.co.id). The data collection method in this study is documentation. Documentation studies are carried out by downloading secondary data, namely the annual report in 2019.

There are three variables in this study, namely managerial ownership structure, public ownership structure and institutional ownership structure. In this case the independent variable is represented by the type of ownership; Current studies include managerial ownership, public ownership and institutional ownership. Management ownership is determined as the percentage of shares controlled by management, while foreign ownership represents non-Indonesian citizens and part of the company's shares located outside the country, for example individuals and legal entities. Public ownership is his minority interest not exceeding 5% of the total number of outstanding shares. Finally, institutional ownership is calculated as a percentage of total shares held by institutional investors, excluding pension funds. The formulas for the three variables contained in the ownership structure are as follows:

• Calculation of ownership structure using a dummy, in example if there is a managerial value in the calculation, it is changed to 1, if there is no managerial value, the number remains 0

• Calculation of public ownership uses a dummy, in example if there is a public value in the calculation, it is changed to 1, if there is no public the number remains 0

• Calculation of institutional ownership uses a dummy, in example if there is an institutional value in the calculation, it is changed to 1, if there is no institutional value, the number remains 0

The dependent variable for this survey is tax avoidance, represented by ETR and CETR. ETR refers to the total tax accrued on pre-tax income. Much of the literature indicates that both ETR and CETR reflect differences in tax avoidance between companies (Dyreng et al., 2010). In this study, tax avoidance as measured by the cash effective tax rate (CETR) is the ratio of tax payments to corporate income. Taxes in cash are included in the statement of cash payments for the following year in the post of payment of income taxes in cash for operating activities, while profit before income tax is included in the income statement for the current year.

Formula:

CETR = tax paid in cash/ income before tax

To determine the relationship between the dependent, independent and control variables, tax avoidance was combined with the CETR indicator; Therefore, this study developed two regular size regression models as follows:

Formula:

CETR = a + B1MAO +B2POW +B3INO +e

Information:

MAO = Managerial ownership
POW = Public ownership
INO = Institutional ownership
e = error

In this study, data was processed and analyzed using statistical tools in the form of Stata 15 and used to provide an overview of the processed data. Classical acceptance tests consisting of normality, multicollinearity and heteroscedasticity tests were performed to measure the reliability of the data.

RESULTS AND DISCUSSION

Sample selection in this study was determined using a multi-constraint objective-driven sampling method. A sample of this survey is shown in the table below:

Table 1
Sample Distribution

No	Criteria	Jnumber of companies
1.	Manufacturing companies in Indonesia that have been listed on the Indonesia Stock Exchange (IDX) in 2019	181
2.	Does not disclose annual report	(46)
	Total Research Sample Companies	135

Descriptive survey variables based on 135 manufacturing company data from the Indonesia Stock Exchange in 2019 show that the highest average value is on the public ownership structure variable of 0.99, while the average institutional ownership structure variable is 0.94, the average ownership structure variable managerial value is 0.61, and the average CETR variable is 0.69. While the highest standard deviation value is in the CETR variable of 1.67, then the standard deviation value for the managerial ownership variable is 0.48, the standard deviation value for the institutional ownership variable is 0.22, and the standard deviation value for the public ownership variable is 0.08. It can be concluded that based on the kurtosis skewness test, the distribution is normal, with a probability value of 0.638, which means that the value is more than 0.05 which indicates the residual value is normally distributed. The results of the Multicollinearity Test in this study were to test whether the regression model found a correlation between the independent variables. From the test results above, it shows the acquisition of the vif value is 1.04 indicating the result is smaller than 10 and the 1/VIF value is 0.99 greater than 0.1 so that from these results it states that there is no relationship between variables so it can be concluded that the test results are free from multicollinearity symptoms. and it can be said that the regression model passed the multicollinearity test. A heteroscedasticity test was performed to see if there is variance inequality from the residual results of one observation to another in the regression model. If you have variance inequalities, you can conclude that your data have a heteroscedasticity problem or that your data are not homoscedastic. Heteroscedasticity test results in this study showed the value of chi2(1) = 0.052 and Prob>chi = 0.8271, so it can be concluded that there is no homogeneity, avoiding the symptoms of heteroscedasticity and homoscedasticity.

Table 2
Adj R-Square Table

Variable	**Prob>F**	**Adj R-Square**
Tax Avoidance	0.0966	0.0252

Source: Processed Secondary Data

The value of Prob > F on the Tax avoidance variable is 0.0966, the result is above 0.01, while the value of Adj R-Square for the tax avoidance variable is 0.0252, which means that the tax avoidance variable is able to explain the institutional and public managerial ownership structure variables of 2.5%.

Table 3
Multiple Linear Regression Test Table

Variable	**T**	**p>|t|**	**Conclusion**
Manajerial→ Tax Avoidance	2.35	0.02	Accepted
Public→ Tax Avoidance	0.57	0.56	Rejected
Institutional→ Tax Avoidance	1.31	0.19	Rejected

Source: Processed Secondary Data

The first test was performed to test the first hypothesis that management ownership structure influences tax avoidance. The results of this test show that the probability value is 0.02 when the value is less than or equal to 0.05, which indicates that the hypothesis is acceptable when the relationship between management ownership structure and tax avoidance has an effect. and the t-value is greater than 1.96 when the t-value is 2.35.

The second test was run to test his second hypothesis that the structure of public ownership influences tax avoidance. A probability value of 0.19, or greater than 0.05, rejects the second hypothesis that the association between public ownership structure and tax avoidance has no effect, indicating a t-value of 1.31. Public ownership structures cannot control tax avoidance.

The third test was performed to test Hypothesis 3 that organizational ownership structure influences tax avoidance. The results of this test show that if the value is greater than 0.05, the probability value is 0.19. This indicates that the third hypothesis is rejected if the institutional ownership structure has no effect on tax avoidance. The t-value is 1.31, indicating that institutional ownership structure has a negative impact on tax avoidance.

Based on the results of the first hypothesis test, the output of stata 15 obtained a probability value of 0.02 which indicates that managerial ownership structure affects tax avoidance, thus the hypothesis is accepted. So that the independent variable managerial ownership structure can affect tax avoidance. The existence of managerial ownership will further improve the company's performance. Because with managerial ownership of the company, the manager will feel that the company belongs to him, so he will try to run the company well. This means that the more managerial ownership, the more opportunities for managers to avoid tax. So with the increase in the number of share ownership by managerial can increase the company's tendency to do tax avoidance. The reason is that managerial ownership of shares will tend to make managers supervise their companies directly so that tax policies will support tax avoidance to be carried out. In accordance with the submission of the first hypothesis, this study is in line with research (Ratnawati et al., 2018) which states that managerial ownership has a positive value of 0.003 less than 0.05, so it can be concluded that managerial ownership affects tax avoidance. Managers will be careful in making decisions because it will affect the manager himself, namely the good name of the manager, so he will try his best to make the right decisions for the welfare of the company (Septiadi et al., 2017). In this case, managers have the opportunity to use tax aggressiveness strategies to increase their bonuses and dividends.

A third test was performed to test Hypothesis 3 that organizational ownership structure influences tax avoidance. The results of this test show that if the value is greater than 0.05, the probability value is 0.19. This indicates that the third hypothesis is rejected if the institutional ownership structure has no effect on tax avoidance. The t-value is 1.31, indicating that institutional ownership structure has a negative impact on tax avoidance (Badertscher et al., 2013). As the pressure on financial reporting increases, managers become more focused on financial reporting, resulting in lower planned taxes and ultimately less tax avoidance. This suggests that public company ownership is still invisible. This is likely because public shareholders typically hold minority shares. This research is in line with research conducted by (Prayogo and Darsono, 2015) which state that public ownership has no effect on tax avoidance.

Based on the tests conducted, the probability score was 0.19, suggesting that institutional ownership structure does not affect tax avoidance, and the third rejecting the hypothesis. Institutional ownership helps to oversee administrative policies because it serves to unify the various policies that administrators take to make decisions that bring effectiveness to their organizations (Nugroho and Agustia, 2018). Institutional ownership is the percentage of shares owned by an organization. Organizations can consist of foundations, banks, insurance companies, investment firms, financial institutions, legal entities, and other institutions. The existence of institutional ownership of the company implies active monitoring of management's performance (Desai and Dharmapala, 2009). Institutional ownership plays an important role in controlling administrative policy and can be a governmental mechanism (Alzoubi, 2016).

CONCLUSION

Based on the hypothesis and research results, it can be concluded that there are three important things. First, the influence of managerial ownership structure has an effect on tax avoidance. Managers who control the company have considerable responsibilities. Managers who manage the company themselves are required to be able to maximize the company's profit and have an obligation to report it to the owner of the company. Great responsibility makes managers want to get big rewards. Because the decision to avoid tax is a company policy. Both public ownership structures have no effect on tax avoidance. The increase in shares owned by the public makes the company have to provide good performance and comply with tax payments, because it affects the image of the company itself. Because public share ownership has characteristics like the general public. People expect contributions from companies to the government through paying taxes that are charged or not avoiding taxes so that they can help the government in the development of their country. Third, institutional ownership structure has no effect on tax avoidance. Companies with high institutional ownership will reduce tax avoidance actions. The smaller the ownership by the institution, the easier it will be for tax avoidance. This study concludes that institutional ownership focuses on obtaining more benefits from avoiding potential costs from the tax authorities.

Limitations in this study have not identified family and foreign ownership whether family ownership has an effect on tax avoidance, in this study also identifies how the company's strategy affects tax avoidance. Based on the limitations mentioned, the authors hope that further research will be able to minimize the existing limitations. The right suggestion for further research is to add variables such as the structure of family ownership and foreign ownership and add the year period.

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