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THE EFFECT OF MANAGERIAL OWNERSHIP, INSTITUTIONAL OWNERSHIP AND AUDIT COMMITTEE ON TAX AVOIDANCE IN MINING COMPANIES LISTED ON THE IDX IN 2017-2020

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ABSTRACT

This study aims to empirically prove the effect of managerial ownership, institutional ownership and audit committee on tax avoidance in mining companies listed on the Indonesia Stock Exchange in 2017-2020. The research method used is a quantitative method. Data collection method in this study was documentation from secondary data available on Indonesian Stock Exchange website. This study used multiple regression analysis as statistical tools to test the research hypotheses. The results show that managerial ownership, institutional ownership and audit committee have no effect on tax avoidance either partially or simultaneously.

Keywords: work discipline; employee performance; survey.
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INTRODUCTION

One source of state revenue from the internal sector is taxes. Therefore, the government continues to strive to optimize tax revenue so that it runs effectively and efficiently in order to continue to develop the country. State revenues sourced from taxes are far more than non-tax state revenues, at least this will occur in 2017 to 2020. Around 80% of state revenues in 2017 to 2020 come from tax sector revenues.

The needs of the state, which mostly come from the taxation sector, are contrary to the interests of taxpayers. The government expects a greater source of tax revenue, taxpayers are always trying to reduce business costs, including the tax burden. One way to reduce the company's tax burden is to do tax avoidance or it can be called tax avoidance.

Tax avoidance is an act of reducing taxes by arranging in such a way, taking advantage of existing legal loopholes, so that the tax burden paid can be minimized. Tax avoidance measures will reduce state treasury or affect state revenues in the State Revenue and Expenditure Budget (APBN). A company was founded with the main purpose and objective to get the maximum profit. The company's goals can be realized by a good corporate management (Good Corporate Governance). Corporate governance, as corporate governance that determines the direction of the company according to the character of the company's leaders. The character of a leader influences the decisions he makes, including tax avoidance.

GCG as proxied by managerial ownership, institutional ownership, and audit committee can affect tax avoidance by companies. With managerial ownership, of course, management will be more careful in making a decision because it will have a direct impact on itself as a shareholder. So, the greater the managerial ownership in the company, the management will be more active to improve performance and compliance so that tax avoidance in the company will decrease. The existence of institutional ownership in the company will encourage an increase in more optimal supervision of management performance. The greater the institutional ownership, the stronger the control exerted by external parties on the company, so that the company avoids tax avoidance activities. So, the greater the proportion of institutional ownership, the tax avoidance will be lesser.

The existence of an audit committee within the company can play a role in supporting the board of commissioners in monitoring management in preparing the company's financial statements and can also affect the practice of tax avoidance by the company. The audit committee also functions in controlling managers in order to increase company profits where company managers will tend to reduce their tax costs, this is what encourages management to practice tax avoidance. Based on this, the audit committee with its authority can prevent any deviant behavior or actions related to the company's financial statements. So, the greater the number of audit committees, the tax avoidance in a company will be.

This study aims to empirically prove the effect of managerial ownership, institutional ownership and audit committee on tax avoidance in mining companies listed on the Indonesia Stock Exchange in 2017-2020. The mining companies were chosen, because the mining sector companies are one of the most prospective sectors in Indonesia. Supported by Indonesian geologists, in which there are many natural resources that can be a great source of income for the company.

LITERATURE REVIEW

Good Corporate Governance

According to the Forum for Corporate Governance in Indonesia or FCGI (2001), “Good Corporate Governance is a set of regulations that establish the relationship between management stakeholders, creditors, government, employees and other internal and external stakeholders in relation to their rights and obligations, or in other words the system that directs and controls the company”. Syakhroza (Putri, 2003:4) defines "GCG as a good organizational governance mechanism in managing organizational resources efficiently, effectively, economically or productively with the principles of openness, accountability, responsibility, independence, and fairness in order to achieve organizational goals”. Meanwhile, according to Monks (Kaihatu, 2003), "Good corporate governance (GCG) is definitively a system that regulates and controls companies that create added value for all stakeholders". Based on some of the theoretical definitions above, it can be concluded that Good Corporate Governance is a system of a set of rules that regulates the relationship between various parties with an interest in achieving company goals.

Managerial Ownership

According to Untung and Hartini (2006), "managerial ownership is the proportion of shareholders from management who actively participate in company decision making (directors and commissioners)". From this definition, it can be concluded that managerial ownership is the proportion of shares owned by management, so that management has a stake in company decisions. The greater the managerial share ownership in the company, the management tends to be more active in the interests of shareholders because if there is a wrong decision, management will also bear the consequences. Managerial ownership in this study is measured by the total share of managerial ownership divided by the total of all outstanding shares.

Institutional Ownership

According to Tarjo (Fahdiansyah, 2018), "Institutional ownership is ownership of company shares owned by institutions or institutions such as insurance companies, banks, investment companies and other institutional ownership." The size of the institutional ownership in the company will affect the company's aggressive tax policy. Institutional ownership has a very important role in minimizing agency conflicts that occur between managers and shareholders Simartama (2014).

Audit Committee

According to the Audit Committee Association (IKAI) defines that "The audit committee is a committee that works on an equal and professional level assisted by the board of commissioners in carrying out the supervisory function of the financial reporting process, risk management, audit implementation, and implementation of corporate governance in companies. company". The membership of the audit committee consists of at least 3 (three) members of Samsul (2015). Meanwhile, according to Binhadi et al. (2006) the number of audit committee members must be adjusted to the complexity of the company while still paying attention to effectiveness in decision making.

Tax Avoidance

According to Puspita (2017) defines "Tax avoidance is a legal tax avoidance effort that does not violate tax regulations to minimize the tax burden by taking advantage of the weakness of tax provisions" According to Xynas (Putri and Indriani, 2020) "Tax avoidance is an to reduce tax debts that are legal (lawful), while tax evasion (tax evasion) is an attempt to reduce tax debts that are illegal (unlawful). This tax avoidance is deliberately carried out by the company in order to reduce the level of tax payments that must be made and increase cash flow. As mentioned by Guire at al., (Eksandy, 2017), "That the benefit of tax avoidance is to increase tax saving which has the potential to reduce tax payments so that it will increase cash flow". According to Zain (2008) defines "that tax avoidance is process of controlling actions in order to avoid the consequences of undesired tax imposition". From some of the definitions above, it can be simplified that tax avoidance is an attempt to minimize tax payments by exploiting the weaknesses of the applicable law. Tax avoidance in this study is measured by an instrument called ETR. ETR is calculated from tax expense divided by profit before tax.

Previous Study

The first previous study is by Mulyani, Wijayanti and Masitoh (2018) with the title The Effect of Corporate Governance on Tax Avoidance (Mining Companies Listed on the IDX). The results of the study show that institutional ownership has a positive and significant effect on tax avoidance. The higher the share ownership, the better in doing tax avoidance. The audit committee has a positive and significant effect on tax avoidance. The more the number of audit committees, the better in supervising tax avoidance.

The next previous study was by Amalia (2020) with the title The Effect of Corporate Governance Good Tax Avoidance. From the results of this study, it is concluded that good corporate governance, which consists of institutional ownership, has no significant effect on tax avoidance, while the number of audit committees has a significant effect on tax avoidance. Lastly, it was by Hendi and Wulandari (2021) with the title The Effect of Corporate Governance and Quality of Corporate Social Responsibility on Tax Avoidance in Companies Listed on the IDX. The results of this study indicate that managerial ownership and managerial ownership have a significant negative effect on tax avoidance, while the audit committee does not have a significant influence. Based on the description above and previous research, the hypotheses stated in this study are:

H1: Managerial ownership affects tax avoidance in mining companies listed on the Indonesia Stock Exchange in 2017-2020

H2: Institutional ownership affects tax avoidance in mining companies that listed on the Indonesia Stock Exchange in 2017-2020

H3: The audit committee has an effect on tax avoidance in mining companies listed on the Indonesia Stock Exchange in 2017-2020

H4: Managerial ownership, institutional ownership and audit committees on tax avoidance in mining companies listed on the Exchange Indonesian Securities in 2017-2020.

METHODS

Population, Sample and Sampling Technique

The population of this study is mining companies listed on the Indonesia Stock Exchange in 2017-2020 totaling 47 mining companies. The sampling technique in this study used the purposive sampling method, with the following criteria:

1. Mining companies listed on the Indonesia Stock Exchange (IDX) for 4 consecutive years in 2017-2020
2. Mining companies that did not experience losses during 2017-2020, because losses will result in ETR negative.
3. Companies that are not delisted in 2017-2020.

4. Companies whose financial statements in 2017-2020 cannot be accessed on the IDX.

Based on the above criteria, the sample in this study was 10 companies with a total sample of 40 (10 X 4 years).

Variables and Measurements

The dependent variable in this study is tax avoidance. Tax avoidance is an action taken by an institution or company legally by using a tax strategy that is considered relevant. Tax avoidance in this study was measured using the ETR (Effective Tax Rate) formula. To calculate the ETR (annual average) the total tax burden divided by income before tax.

The independent variables in this study are managerial ownership, institutional ownership and audit committee. Managerial ownership is ownership of a number of shares by management who actively participates in determining company decisions. Managerial ownership is measured by calculating the proportion of share ownership by managers compared to the number of outstanding shares. Institutional ownership is defined as the proportion of share ownership by institutions other than private ownership at the end of the period. The audit committee is measured by counting the number of audit committee members in a company as well as the research used by Annisa and Kurniawan (2012) in their research, the audit committee is measured by counting the number of audit committee members in a company.

Data Collection

Data collection techniques are carried out in documentation, namely by examining documents about the company and other sources related to research problems, such as journals and previous research. The data taken are the financial statements of companies listed on the Indonesia Stock Exchange and published on www.idx.co.id.

RESULTS

Descriptive Statistics Analysis

Descriptive statistical analysis was conducted to provide a description or description of each variable in the research sample. Descriptive statistics will show the minimum value, maximum value, mean (mean) and standard deviation of each variable. The variables used in this study are managerial ownership (X1), institutional ownership (X2) audit committee (X3) and tax avoidance (Y).

Table 1. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
KM	40	,000002	,956061	,21508065	,316774902
KI	40	1,000000	2,666667	1,76666673	,548632145
KA	40	3,00	4,00	3,2000	,40510
ETR	40	,060449	,717842	,35173683	,152111820
Valid N (listwise)	40				

Source: data analysis output (2022)

Normality Test

Table 2 shows that the results of the Kolmogorov-Smirnov normality test with a significant value are 0.082 > 0.05, so it can be concluded that the residual data are normally distributed and the regression method used has met the normality assumption test.

Table 2. Normality Test (*Kolmogorov-Smirnov Test*)

		Unstandardized Residual
N		40
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,15055466
Most Extreme Differences	Absolute	,131
	Positive	,131
	Negative	-,079
Test Statistic		,131
Asymp. Sig. (2-tailed)		,082[c]

a. Test distribution is Normal.

Source: data analysis output (2022)

Multicollinearity Test

The results of the multicollinearity test analysis showed on table 3. The resulting of tolerance coefficient value is above 0.1 and VIF is below 10. These results can be concluded that there is no multicollinearity problem in this regression model and can used for further analysis

Table 3. Multicollinearity Test Results

Model	*Unstandardized Coefficients*	*Standardized Coefficients*	*t*	*Sig.*	*Collinearity Statistics*

		B	*Std. Error*	*Beta*			*Tolerance*	*VIF*
1	(Constant)	-,862	,772		-1,116	,272		
	Kepemilikan Manajerial	,017	,021	,141	,821	,417	,914	1,094
	Kepemilikan Institusional	-,101	,240	-,070	-,419	,678	,972	1,028
	Komite Audit	-,130	,679	-,033	-,191	,850	,933	1,072
a. Dependent Variable: ETR								

Source: data analysis output (2022)

Autocorrelation Test

Based on the table 4 below, the Durbin Watson test results are 2,099, with n= 40 and k= 3, the value of the DW table is obtained, namely the value of dL= 1.3384 and du= 1.6589. It can be concluded as follows: 1.6589 < 2.099 < 2.3411 (4-1.6589) DU < DW < (4-DU) then the results do not occur autocorrelation.

Table 4. Durbin Watson Test

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	*Durbin-Watson*
1	,159[a]	,025	-,056	,47725	2,099

Source: data analysis output (2022)

Heteroscedasticity Test

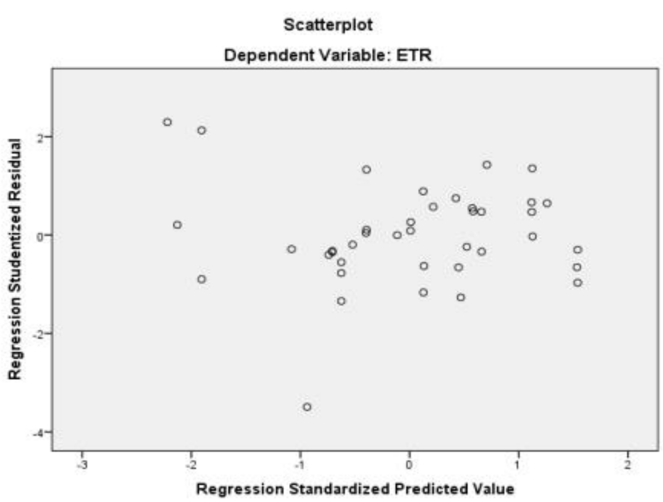

Figure 1. Scatterplot of Heteroscedasticity Test

The results from the image above show that the points in the scatterplot spread above and below zero on the Y axis so that it does not form a certain regular pattern this indicates that there is no heteroscedasticity in the regression model.

Hypotheses Test (t-Test)

The results of the t statistical test can be explained as follows:

1. The managerial ownership variable (X1) has a t value of 0.817 with a significant level of 0.419 greater than the significant level = 0.05. This shows that managerial ownership has no effect on tax avoidance in mining companies listed on the Indonesia Stock Exchange for the 2017-2020 period, thus the first hypothesis (H1) is rejected.
2. The institutional ownership variable (X2) has a t value of -0.417 with a significant level of 0.679 which is greater than the significant level of = 0.05. This shows that institutional ownership has no effect on tax avoidance in mining companies listed on the Indonesia Stock Exchange for the 2017-2020 period, thus the second hypothesis (H2) is rejected.
3. The audit committee variable (X3) has a t value of -0.191 with a significant level of 0.850 which is greater than the significant level of = 0.05. This shows that the audit committee has no effect on tax avoidance in mining companies listed on the Indonesia Stock Exchange for the 2017-2020 period, thus the third hypothesis (H3) is rejected.

Table 5. Results of Multiple Linear Regression

Model	*Unstandardized Coefficients*		*Standardized Coefficients*	*t*	*Sig.*
	B	*Std. Error*	*Beta*		
(Constant)	-,864	,768		-1,126	,268
KM	,017	,021	,141	,817	,419
KI	-,100	,241	-,070	-,417	,679
KA	-,128	,674	-,032	-,191	,850

a. Dependent Variable: ETR

Source: data analysis output (2022)

Simultaneous Hypothesis Test (f-Test)

Based on table 6 below, a significance level of 0.817 is obtained. This figure is greater than the significance value that has been set as a criterion, which is 0.05, so H4 is rejected. So it can be concluded that managerial ownership, institutional ownership and audit committee have no simultaneous effect on tax avoidance in mining companies listed on the Indonesia Stock Exchange for the 2017-2020 period.

Table 6. F-test Results

ANOVA[a]

Model		*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
1	Regression	,213	3	,071	,312	,817[b]
	Residual	8,200	36	,228		
	Total	8,413	39			

Dependent Variable: ETR
Source: Processed from SPSS version 22.00 (2022)

Coefficient of Determination Test (R^2)

The value of R square (R2) in the table above shows the number 0.025 which shows the contribution of the influence of managerial ownership, institutional ownership and audit committee to tax avoidance of 2.5% while the remaining 97.5% is influenced by other variables that are not included in this study.

Table 7. R^2 test Results

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	*Durbin-Watson*
1	,159[a]	,025	-,056	,47725	2,099

a. Predictors: (Constant), KA, KI, KM
b. Dependent Variable: ETR

DISCUSSION

Managerial ownership which has no effect on tax avoidance explains that although managers have shares in the company, managers act in accordance with their personal interests (entrenchment) not in an effort to align their interests with company owners (alignment) because managers have dual roles, namely as shareholders but also as shareholders. as company manager. Besides that, the share ownership owned by managers is quite small, as seen in Table 6. The results of Descriptive Statistics state that managerial ownership shows a mean or average value of only 0.2150 of the total outstanding shares. This allows managers and shareholders of the company not to have sufficient share and authority in making decisions on tax avoidance. Managerial ownership has not resolved the agency problem that occurs between the principal (owner) and agent (manager) where managerial share ownership can reduce opportunistic behavior by managers which can harm company owners. Therefore, the existence of managerial ownership has no effect on tax avoidance in the company.

The insignificant effect of institutional ownership on tax avoidance is thought to be because institutional owners do not participate in monitoring, disciplining and influencing managers' opportunistic actions. Another cause is thought to be because institutional owners are more concerned with maximizing their welfare in the profits they will earn, so the presence or absence of institutional ownership in a company has not been able to optimally reduce tax avoidance. The size of the institutional ownership in the company cannot affect the tax avoidance that can occur. The rejection of the hypothesis of the effect of the audit committee on tax avoidance explains that although the average score of the audit committee owned by the company is in accordance with OJK regulation no. 55/POJK/2015, as many as 3 people, have not been able to reduce tax avoidance actions. In table 6 the Descriptive Statistics Results in this study state that the average (mean) audit committee owned by mining companies listed on the Indonesia Stock Exchange for the 2017-2020 period is 3 people. This can indicate that the audit committee has reviewed the financial statements that will be issued by the company. According to the audit committee, the existence of tax avoidance actions carried out by this company is legal, as long as the financial statements are in accordance with financial accounting standards (SAK). In addition, it can also be indicated that the company only fulfills existing regulations and has not carried out the tasks in OJK regulation 55/POJK/2015 so that the tendency of companies to avoid tax is not due to the number of audit committees but from the quality of work carried out by members of the audit committee itself.

The variables of managerial ownership, institutional ownership and the audit committee have no simultaneous effect on tax avoidance. That way H4 can't accept it. This is because the managerial side does not have sufficient rights in making company decisions, so that the managerial party does not have the opportunity and great authority in the company. Institutional ownership does not participate in monitoring, disciplining and influencing the opportunistic actions of managers and the tendency of companies to evade taxes not from the number of audit committees but from the quality of work performed by members of the audit committee themselves. So that together the variables of institutional ownership, managerial ownership and the audit committee cannot affect tax avoidance.

CONCLUSION

This study gives results that managerial ownership, institutional ownership and audit committee have no effect on tax avoidance in mining companies listed on the Indonesia Stock Exchange for the 2017-2020 period either partially or simultaneously. It shows that the action of tax avoidance can or can't be done by the company, and does not depend on the company's good corporate governance, especially this happens to mining companies listed on the Indonesia Stock Exchange in 2017-2020.

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