

The Effect of Executive Compensation, Capital Intensity, Institutional Ownership, and Family Ownership on Tax Avoidance with Audit Quality as a Moderating Variable in Manufacturing Companies Listed on the Indonesia Stock Exchange of 2016-2020

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DOI: <https://doi.org/10.52403/ijrr.20220709>

ABSTRACT

This study aims to determine whether executive compensation, capital intensity, institutional ownership, and family ownership affect tax avoidance. This study also aims to determine whether audit quality as a moderating variable can moderate the relationship between executive compensation, capital intensity, institutional ownership, and family ownership on tax avoidance. The population used in this study were all manufacturing companies listed on the Indonesia Stock Exchange for the 2016-2020 period. Sample selection was made by using the purposive sampling method. The number of samples in this study was 12 companies, so 60 research observations could be obtained. Data processing was carried out using the R Studio program.

The results showed that: (1) Capital intensity has a partially positive and significant effect on tax avoidance, (2) Partial family ownership has a negative and significant effect on tax avoidance, and (3) Executive compensation and institutional ownership partially have no significant effect on tax avoidance, (4) audit quality is partially able to moderate the relationship between capital intensity and tax avoidance, but partially audit quality is unable to moderate the relationship between executive compensation, institutional

ownership and family ownership on tax avoidance.

Keywords: Executive Compensation, Capital Intensity, Institutional Ownership, Family Ownership, Tax Avoidance, Audit Quality

INTRODUCTION

Indonesia is one of the countries with taxpayers. Taxes are state levies to individuals or entities that are obligatory, which do not receive direct reciprocity, and are used by the state for the prosperity of the people. For the government, taxes are significant because they significantly contribute to state revenue. As for companies, tax is one component of costs that can reduce company profits. So that fewer taxes are paid, the greater the tax burden will encourage companies to carry out tax management.

According to Suryarini and Tarmudji (2012), taxes are divided into legal and economic perspectives. From a legal perspective, tax is an agreement that arises because of a law that causes the obligation of citizens to deposit a certain amount of income to the state. Meanwhile, from an economic perspective, taxes transfer

resources from the private sector to the public sector.

Dewi and Jati (2014) reveal that state revenues from the tax sector need to be maximally increased so that the country's growth and implementation of government development can run well. Thus, it is expected that taxpayer compliance in paying taxes can be following applicable tax regulations.

The company is a party that contributes to tax revenue. As a profit-oriented entity, the company considers taxes a burden that can erode the company's profits. It encourages taxpayers to regulate all financial instruments to minimize the tax burden. On the other hand, the government seeks to optimize the amount of tax revenue obtained from taxpayers' tax obligations. The occurrence of differences in interests between the government and companies can encourage indications of tax avoidance. According to Lanis & Richardson (2013), tax avoidance is an effort by company management to minimize tax obligations that the company must issue.

Pohan (2013) states that tax avoidance is a tax avoidance effort carried out legally and safely for taxpayers because it does not conflict with tax provisions, where the methods and techniques used tend to take advantage of the weaknesses (grey areas) in the law and regulations. Tax regulation itself reduces the amount of tax owed. Tax avoidance has considerable risk. Namely, suppose the actions taken by the company are not following tax regulations. In that case, the taxpayer can be subject to sanctions in the form of fines, and even the company's reputation can be judged not to be good. The government also does not want tax evasion to be carried out because it can affect government activities in development and provide facilities to the community.

Companies use tax avoidance to obtain favorable tax outcomes without regulatory ambiguity. The tax avoidance method exploits weaknesses in tax laws and

regulations. This method of tax savings is not prohibited, but it has a negative assessment and shows non-compliance with the tax office.

Tax avoidance can be done in various ways (Merks, 2007) as follows:

- a. Transferring tax subjects and or tax objects to countries that provide special tax treatment or tax relief (tax haven countries) for a type of income (substantive tax planning).
- b. Efforts to avoid tax by maintaining the economic substance of the transaction through a formal election that provides the lowest tax burden (formal tax planning).
- c. Anti-avoidance provisions for transfer pricing, thin capitalization, treaty shopping, and controlled foreign corporation transactions (Specific Anti Avoidance Rule), as well as transactions that do not have business substance (General Anti Avoidance Rule).

Currently, there are many ways to measure tax avoidance. This study uses the CETR Ratio in measuring tax avoidance which is commonly used. The indicators of the CETR ratio are:

$$\frac{\text{Tax Expense} - \text{Deferred Tax Expense}}{\text{Total Pre-tax Income}}$$

Based on a report by Ernesto Crivelly, an investigator from the IMF in 2016, data on corporate tax avoidance emerged in the top 30 countries in the world. Indonesia was in the 11th most prominent position with an estimated value of 6.48 billion US dollars in corporate taxes that were not paid to the Indonesian government. Meanwhile, Japan is in 3rd place with tax avoidance of about 46.7 billion US dollars, and the United States is in first place with a tax avoidance value of about 188.8 billion US dollars.

Table 1. Eleven Countries of Corporate Tax Avoidance

Rating	Country	Amount of Unpaid Tax Funds by the
		Company
1	USA	US \$ 188,8 M
2	China	US\$ 66,8 M
3	Japan	US\$ 46,7 M
4	India	US\$ 41,1 M
5	Malaysia	US\$ 23,3 M
6	Argentina	US\$ 21,4 M
7	France	US\$ 19,7 M
8	German	US\$ 15 M
9	Dominica	US\$ 11,7 M
10	Pakistan	US\$ 10,4 M
11	Indonesia	US\$ 6,48 M

Source: tribunnews.com, Processed by Researchers.

Executive compensation is compensation received by executives in bonuses, salaries, allowances, facilities, and other benefits given to company executives to improve work performance. Executive compensation can affect tax avoidance actions. The greater the compensation received by the executive, the greater the burden of paying taxes, so the executive will take action to obtain greater profits for the actions taken, one of which is tax avoidance. Compensation also affects the magnitude of the company's goals that can be achieved, and it can even affect its survival. However, it must be acknowledged that compensation for employees and workers is a cost component that needs to be controlled by the company in the context of minimizing cost to achieve high efficiency.

Dyreng et al. (2008) said that individual executives had been shown to provide gaps in corporate tax avoidance decision-making so that shareholders seek to incentivize executives to act to maximize shareholder value. Compensation will reduce agency costs incurred by the company because a strong relationship between pay and performance (pay and performance) can reduce costs associated with controlling shareholders and influencing executives to act in the interests of shareholders.

Tax avoidance by companies is not a coincidence. The decision to evade is the result of company policy. Directly, the individuals involved in making tax decisions are tax directors and corporate tax

consultants. The executive (president director or president director) as the head of the company directly or indirectly also influences all decisions that occur in the company, including the decision to avoid the company. The executive as an individual has characteristics that will affect him in making a decision. The characteristics of each executive are undoubtedly different from one another. Thus, the executive's character is considered an essential factor in influencing the executive's policies.

According to Desai and Dharmapala (2006), the high compensation given to executives can increase the level of tax avoidance of the companies and lead to even more extraordinary. Rego and Wilson (2009) found evidence that compensation given to executives positively affects corporate tax avoidance. However, Irawan (2012), who conducted research in Indonesia, found different results, namely that payments given to executives did not significantly affect corporate tax avoidance.

In addition to executive compensation, the capital intensity can affect a company's tax payments. Capital Intensity is the ratio of investment activities carried out by the company associated with investments in the form of fixed assets (capital intensity) and inventories (inventory intensity). The capital intensity ratio can show the company's efficiency in using its assets to generate sales. Almost all fixed assets are depreciated, and depreciation expenses can reduce the amount of corporate tax. As explained by Hanum & Zulaikha (2013), depreciation costs are costs that can be deducted from income in calculating taxes. So the more significant number of fixed assets owned by the company, the greater the depreciation, resulting in the amount of taxable income, and the effective tax rate will be lower. The smaller the effectiveness of the low tax, it can be interpreted that the company is doing tax avoidance. Rodriguez and Arias (2012) state that tax cuts can result from the yearly depreciation of the company's fixed assets. In this study, the

indicators for measuring capital intensity are:

$$\text{Capital Intensity} = \frac{\text{Net Fixed Assets}}{\text{Total Assets}}$$

Previous research on capital intensity in tax avoidance has inconsistent results. Dharma and Noviari (2017) and Anindyka et al. (2018) researched capital intensity on tax avoidance, which showed positive results. In comparison, research by Apsari & Supadmi (2018) and Irianto et al. (2017) show that capital intensity does not affect tax avoidance.

The ownership structure is also a factor in tax avoidance. According to Shien (2006), ownership by the government, financial institutions, legal entities, foreign institutions, and representative funds is a company classified as a company ownership structure in the form of institutional ownership. Institutional Ownership is the proportion of share ownership by the founding institutions of the company, not by public institutional shareholders, as measured by the percentage of shares owned by internal institutional investors. With the company's responsibility to shareholders, institutional owners are incentivized to ensure that company management makes decisions that maximize shareholder wealth. In addition to being considered the most influential party when the company has to decide policies, institutional ownership also has an essential role in overseeing the company's operations. In addition, institutional ownership has the right to authorize management to carry out their profession based on the company's financial policies that have been decided.

The inherent relationship between institutional ownership and the supervisory or monitoring function assumes that the institution desires to monitor management behavior better than internal (individual) investors. The sources of power possessed by institutional ownership can be two different eyes. First, it can support the

actions taken by management if it benefits the company in general. Second, it can be a significant threat to the existence of management if it is considered detrimental to the company because it is more concerned with personal desires. Hanum & Zulaikha (2013) stated that any activities carried out by institutional shareholders tend to help reduce the effect of tax avoidance for the benefit of private shareholders. Because institutional shareholders can intervene in company management, it is assumed that company management behaves opportunistically, aiming to minimize the amount of company tax debt to increase their wealth.

Cahyono et al. (2016) and Mahulae et al. (2016) found that institutional ownership significantly affects tax avoidance behavior. However, the results of this study contrast with research published by Annisa & Kurniasih (2012) and Diantari & Ulupui (2016), which state that institutional ownership does not significantly affect tax avoidance behavior. In this study, institutional ownership is proxied as:

$$\text{Institutional Ownership} = \frac{\text{Total Institutional Share}}{\text{Total Shares Outstanding}}$$

The company has various ownership structures, including the family ownership structure. A company can be categorized as having a family ownership structure if there are shareholders with controlling power, either one or several individuals still in the same family.

Morck and Yeung (2004) define a family company as a company run by descendants or inheritance from people who have previously run the company or families who openly pass ownership to the next generation. There are fewer agency problems in family firms than in non-family firms. It is because the risks borne by the company will be taken by the family who acts as manager of the company.

The majority of companies operating in Indonesia have a family ownership structure. It is evidenced by a survey conducted by PwC in 2014, which revealed that more than 95 percent of companies in Indonesia are family businesses. Gaaya et al. (2017) showed that family-owned firms have unique economic and organizational arrangements. Two arguments explain the relationship between family firms and tax avoidance. The first argument explains that family companies care about the company's continuity and reputation, which causes them to be more tax aggressive than non-family companies. The second argument shows a conflict of interest between majority and minority shareholders, where majority shareholders want more benefits from less aggressive tax actions. In the research of Chen et al. (2010), family ownership chooses to pay more taxes than having to bear tax penalties and damage to the company's reputation.

In the research of Komang & Putu (2016) and Dianing (2016), it is stated that family ownership does not significantly affect tax avoidance. It is different from the research conducted by Praptidewi & Sukharta (2016) and Rusydi & Martani (2014), which state that family ownership positively influences tax avoidance. In this study, the indicator in measuring the variable of family ownership uses a dummy variable. The value of 1 if the proportion of family ownership is $> 5\%$, and a value of 0 if otherwise.

In minimizing the occurrence of tax avoidance in the company, it is necessary to have a governance mechanism to prepare financial statements. According to Jihene & Moez (2019), audit quality is one of the effective governance mechanisms to safeguard shareholders' interests against managers' opportunistic behavior. DeAngelo (1981) defines audit quality as the probability that an auditor can find and report a violation in the client's accounting system. His research also concludes that large KAPs will try to present more excellent quality than small KAPs.

Audit quality will provide confidence in the information submitted in the financial statements because the auditor has examined the information. An audit report can be of high quality if the auditor can assess the fairness and detect indications of fraud on the company's financial statements (Krisna, 2019).

According to Dewi & Jati (2014), good audit quality is when the auditor's audit report finds fraud or errors in the financial statements and the auditor's ability to convey the irregularities he finds in the audited financial statements. During the audit period, an auditor must adhere to the principle of transparency, which is part of good corporate governance. In this case, the transparency that the auditor can show shareholders by conveying sensitive matters relating to income and expenses presented in the financial statements will ultimately affect the company's tax debt.

The financial statements audited by the Big Four KAP auditors, according to several references, are of higher quality. So they show the company's actual value; therefore, it is suspected that the companies audited by The Big Four KAP have a lower level of fraud than the non The Big Four KAP audited companies. (Annisa and Kurniasih, 2012).

Audit quality is the opposite of audit failure, which occurs when the auditor is not independent or incorrectly issues an audit report because it does not collect sufficient competent evidence. The auditor is expected to find errors or deviations that are not following applicable accounting standards or principles in the financial statements prepared by the client and the auditor and can report such errors or deviations to provide good audit quality. The higher the audit quality that an independent auditor can produce, the higher the confidence of users of the information to use financial statements. The auditor must carry out his duties by predetermined professional standards to achieve audit quality as expected.

In this study, audit quality is measured through the proxy of KAP size. The larger the KAP size, the higher the audit quality produced. To measure audit quality, researchers used a dummy variable. The dummy variables in this study to determine audit quality are Big Four and non-Big Four KAPs. Auditors from Big Four KAPs and colleagues are given a value of 1. Non-big four are given a value of 0.

PT. Toyota Manufacturing Indonesia is a company that avoids tax in Indonesia. Several findings indicate that TMMIN sells products to Singapore with transaction prices that are not reasonable. This finding was obtained from examining the SPT of PT Toyota Motor Manufacturing Indonesia (TMMIN) for the 2007 fiscal year, which showed that throughout 2007, PT Toyota Motor Manufacturing Indonesia (TMMIN) exported 17,181 units of cars with the Fortuner brand to Singapore. DGT also found that the vehicle's cost of goods sold (HPP / COGS) was Rp. 161 million per unit. And in the company's internal document, the exported Fortuner brand car was sold at 3.49% cheaper than the HPP value. It can be concluded that the TMMIN company bears the loss from selling vehicles to Singapore. Similar findings were also found in the sales of Innova diesel and gasoline Innova brands which were sold at a lower price than the cost of goods sold per unit. Then, on exporting Terios and Rush brand cars, the TMMIN company made a profit, but only 1.15% and 2.69% of the production cost per unit. This finding further strengthens the allegation because PT Toyota Motor Manufacturing Indonesia (TMMIN) sells its products to local buyers in Indonesia at different prices. On domestic sales, the company earned a gross profit of 3.43% to 7.67% for cars with the same brand as above.

Based on the background exposure and the results of previous researchers, it shows that there is still a research gap. The researchers are interested in testing and determining the

research title, "The Effect of Executive Compensation, Capital Intensity, Institutional Ownership, and Family Ownership on Tax Avoidance with Audit Quality as a Moderating Variable in Companies Manufacturers Listed on the Indonesia Stock Exchange 2016-2020."

Framework

Following the description of the background of the problem, literature review, and previous research, a conceptual research framework is prepared as follows:

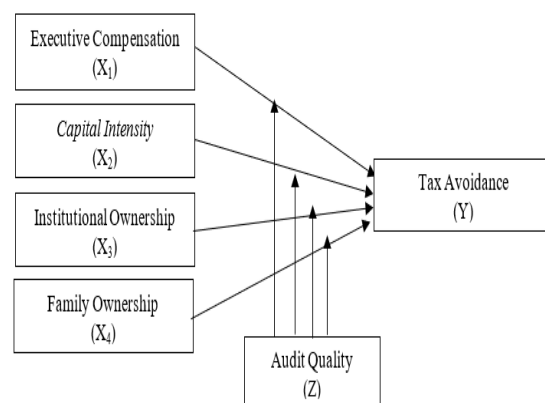


Figure 1. Conceptual Framework

- H1: Executive compensation has a significant effect on tax avoidance.
- H2: Capital Intensity has a significant effect on tax avoidance.
- H3: Institutional ownership has a significant effect on tax avoidance.
- H4: Family ownership has a significant effect on tax avoidance.
- H5: Audit quality has a significant effect on moderating the relationship between Executive Compensation and tax avoidance.
- H6: Audit quality has a significant effect on moderating the relationship between Capital Intensity and tax avoidance.
- H7: Audit quality has a significant effect on moderating the relationship between institutional ownership and tax avoidance.
- H8: Audit quality has a significant effect on moderating the relationship between family ownership and tax avoidance.

RESEARCH METHODS

This research was designed by researchers using causal research. Causal research is research with identified causal relationships between various variables (Sugiyono, 2016). This study uses causal research to see the effect of executive compensation, capital intensity, institutional ownership, and family ownership as independent variables on tax avoidance as the dependent variable, with audit quality as a moderating variable. This study uses secondary data. Secondary data is data obtained indirectly through intermediary media. The data used is secondary data, namely financial statements for 2012 to 2020, obtained through the official website of the Indonesia Stock Exchange (IDX) www.idx.co.id.

The population in this study are manufacturers listed on the Indonesia Stock Exchange (IDX) for the period 2016 to 2020. The sample is part of the population to be studied or part of the number of characteristics possessed by the population (Sugiyono, 2016). This study uses a purposive sampling technique which is a sampling technique based on specific considerations. The criteria for sampling are as follows:

1. Publication of financial statements using rupiah currency units; and
2. Has complete data for tax avoidance, executive compensation, capital intensity, institutional ownership, family ownership, and audit quality.
3. Have annual report data for the 2016-2020 reporting year.

Based on these criteria, a research sample of 12 companies was obtained from the total population of manufacturing companies listed on the IDX in 2016-2020, so the total observations for five years were 60 (12 companies x 5 years).

The data analysis technique used in this research is quantitative data analysis using R Studio.

RESULT AND DISCUSSION

Table 2. List of Manufacturing Companies as Research Sample

NO	CODE	COMPANY NAME
1	ASII	ASTRA INTERNASIONAL TBK
2	ETWA	ETERINDO WAHANATAMA TBK
3	IMPC	IMPACT PRATAMA INDUSTRI TBK
4	INDF	INDOFOOD SUKSES MAKMUR TBK
5	KLBF	KALBE FARMA TBK
6	LMSH	LIONMESH PRIMA TBK
7	PICO	PELANGI INDAH CANINDO TBK
8	SKBM	SEKAR BUMI TBK
9	SRSN	INDO ACIDATAMA TBK
10	TCID	MANDOM INDONESIA TBK
11	ULTJ	ULTRA JAYA MILK INDUSTRY TBK
12	VOKS	VOKSEL ELECTRIC TBK

Source: Research Results (2022)

Research Result

1. Descriptive Statistical

Descriptive statistical analysis in this study is used to provide an overview or description of the research variables. The tools used to describe the variables in this study are the average (mean), minimum, maximum, and standard deviation values. The table below presents a descriptive analysis of the research variables:

Table 3. Descriptive statistics Result

	MEAN	MEDIAN	MIN	MAX	SD
Y	2.010335	1.995601	1.772022	2.324744	0.1099801
X1	3.180417	3.154	3.008	3.871	0.1591397
X2	0.5449	0.557	0.209	0.792	0.1359272
X3	0.6495833	0.626	0.314	0.958	0.1840332
X4	0.583333	1	0	1	0.4971671
Z	0.66667	1	0	1	0.4753827

Source: Results Processed by Researchers with R Studio (2022)

From the test results of the descriptive statistics table above, it can be seen that:

1. The minimum value for tax avoidance is found in Impack Pratama Industri Tbk in 2018. Meanwhile, the maximum value was at Eterindo Wahanatam Tbk in 2018.
2. The minimum value for executive compensation was Sekar Bumi Tbk in 2016. Meanwhile, the maximum value was at Voksel Electric Tbk in 2017.
3. The minimum value of capital intensity was found in Eterindo Wahanatama Tbk in 2016. Meanwhile, the maximum value of 0.792 was found in Voksel

- Electric Tbk in 2017.
4. The minimum value for institutional ownership is Sekar Bumi Tbk in 2020. Meanwhile, the maximum value was at Impack Pratama Industri Tbk in 2018.
 5. The minimum value of family ownership is in Impack Pratama Industri Tbk, Indofood Sukses Makmur Tbk, Kalbe Farma Tbk, Mandom Indonesia Tbk and Voksel Electric Tbk. As for the maximum value, there are Astra International Tbk, Eterindo Wahanatama Tbk, Lionmesh Prima Tbk, Pelangi Indah Canindo Tbk, Sekar Bumi Tbk, Indo Acidatama Tbk and Ultra Jaya Milk Industry Tbk.
 6. The minimum value of audit quality is found in Eterindo Wahanatama Tbk, Pelangi Indah Canindo Tbk, Indo Acidatama Tbk and Voksel Electric Tbk. As for the maximum value, there are Astra International Tbk, Impack Pratama Industri Tbk, Indofood Sukses Makmur Tbk, Kalbe Farma Tbk, Lionmesh Prima Tbk, Sekar Bumi Tbk, Mandom Indonesia Tbk and Ultra Jaya Milk Industry Tbk.

2. Classic Assumption Test

a) Normality Test

The normality test was carried out on each research variable to determine whether the research variables met the normality assumption. Statistical analysis was performed with the non-parametric One-Sample Kolmogorov-Smirnov test. In the Kolmogorov-Smirnov test, the residual data is normally distributed if the significance value is greater than 0.05. On the other hand, if the significance value is less than 0.05, then the residual data is not normally distributed.

Table 4. Kolmogorov-Smirnov Test Result

Lilliefors (Kolmogorov-Smirnov) normality test
D = 0.10526, p-value = 0.09557

Source: Results Processed by Researchers with R Studio (2022)

The table above shows that the probability value obtained is greater than 0.05 or

0.09557 > 0.05, which means that the residual data is normally distributed.

b) Multicollinearity Test

The multicollinearity test aims to test whether the regression model found a correlation between independent variables. So if the Variance Inflation Factor (VIF) calculation is less than ten, then the regression model is free from multicollinearity (Ghozali, 2006). Then the results of the multicollinearity test can be seen in the following table:

Table 5. Multicollinearity Test Result

X1	X2	X3	X4	X5
1.245526	1.367051	1.176973	1.199751	1.560391

Source: Results Processed by Researchers with R Studio (2022)

The table above shows no symptom of multicollinearity between research variables. It is indicated by the VIF (Variance Inflation Factor) < 10.

c) Heteroscedasticity Test

Heteroscedasticity problems can be detected using the Breusch Pagan Godfrey (BPG) test. Where is the Prob value Chi-Square < 0.05, it is concluded that heteroscedasticity problems are indicated. If the value of Prob. Chi-Square > 0.05, it is supposed that there is no indication of a heteroscedasticity problem.

Table 6. Heteroscedasticity Test Results

Breusch-Pagan Test
BP = 9.6801, df = 5, p-value = 0.08482

Source: Results Processed by Researchers with R Studio (2022)

The table above shows no heteroscedasticity problem, based on a probability value of 0.08482 > 0.05. So it is concluded that there is no heteroscedasticity.

d) Autocorrelation Test

The autocorrelation test aims to test whether, in the linear regression model, there is a correlation between the confounding error in period t and the

confounding error in period t-1 or the previous period. Autocorrelation can be tested using the Durbin Watson test.

Table 7. Autocorrelation Test Results

Durbin-Watson test
DW = 1.7566, p-value = 0.09107

Source: Results Processed by Researchers with R Studio (2022)

Table 7 above shows the Durbin Watson value of 1.7566 and p-value of 0.09107 > 0.05, which means that the results do not occur autocorrelation in this study.

3. Hypothesis Test

In this study, two regression analyses were performed: simple Simple linear regression analysis was used to test the effect of one independent variable on one dependent variable. In comparison, multiple linear regression analysis was used to analyze the impact of several independent variables on one dependent variable.

a) Simple Linear Regression Analysis

The first hypothesis (H1), second hypothesis (H2), third hypothesis (H3), and fourth hypothesis (H4) were tested using simple linear regression analysis.

1. Effect of Executive Compensation on Tax Avoidance.

Table 8. Results of Simple Linear Regression Analysis I

Coefficients:				
	Estimate Std.	Error	t value	Pr(> t)
(Intercept)	-2.327	1.739	-1.338	0.1861
X1	2.206	1.278	1.726	0.0898

Source: Results Processed by Researchers with R Studio (2022)

The table above shows that the significance value is 0.0898 > 0.05. So the conclusion is that partially executive compensation does not affect tax avoidance.

2. Effect of Capital Intensity on Tax Avoidance.

Table 9. Results of Simple Linear Regression Analysis II

Coefficients:				
	Estimate Std.	Error	t value	Pr(> t)
(Intercept)	0.3043	0.1333	2.282	0.0262
X2	0.3622	0.1238	2.926	0.0049

Source: Results Processed by Researchers with R Studio (2022)

The table above shows that the significance value is 0.0049 < 0.05. So the conclusion is that capital intensity partially affects tax avoidance.

3. The Effect of Institutional Ownership on Tax Avoidance.

Table 10. Results of Simple Linear Regression Analysis III

Coefficients:				
	Estimate Std.	Error	t value	Pr(> t)
(Intercept)	0.670355	0.075497	8.879	2.1e-12
X3	0.006344	0.148483	0.043	0.966

Source: Results Processed by Researchers with R Studio (2022)

The table above shows that the significance value is 0.966 > 0.05. So the conclusion is that partially institutional ownership does not affect tax avoidance.

4. The Effect of Family Ownership on Tax Avoidance.

Table 11. Results of Simple Linear Regression Analysis IV

Coefficients:				
	Estimate Std.	Error	t value	Pr(> t)
(Intercept)	0.81279	0.06829	11.902	< 2e-16
X4	-0.23983	0.08941	-2.682	0.00951

Source: Results Processed by Researchers with R Studio (2022)

The table above shows a significance value of 0.00951 < 0.05. So the conclusion is that partially family ownership affects tax avoidance.

b) Moderation Test

Moderating variables are independent variables that strengthen or weaken the relationship between other independent variables on the dependent variable (Ghozali, 2013). The following are the

results of the MRA (Moderated Regression Analysis) test:

1. The role of Audit Quality as a moderating of the relationship between Executive Compensation and Tax Avoidance.

Table 12. Partial Significance MRA I Test Results

Coefficients:				
	Estimate	Std. Error	t value	Pr(> t)
(Intercept)	-6.550	6.688	-0.979	0.332
X1	5.207	4.933	1.056	0.296
Z	4.957	6.910	0.717	0.476
X1 : Z	-3.483	5.095	-0.684	0.497

Source: Results Processed by Researchers with R Studio (2022)

The table of partial hypothesis testing results (t-test) shows that the executive compensation variable provides a parameter coefficient value of 5.207 with a significance level of 0.296 (> 0.05). The audit quality variable as a moderating variable provides a parameter coefficient of 4.957 with a significance level of 0.476 (> 0.05). The moderate variable I, the interaction between executive compensation and audit quality, gives a parameter coefficient value of -3.483 with a significance level of 0.497 (> 0.05). The significance value of the moderate variable I is $0.497 > 0.05$, so it can be concluded that the moderating variable, audit quality, cannot moderate the relationship between executive compensation and tax avoidance.

2. The role of audit quality as a moderating of the relationship between capital intensity and tax avoidance.

Table 13. Partial Significance MRA II Test Results

Coefficients:				
	Estimate	Std. Error	t value	Pr(> t)
(Intercept)	-0.01549	0.14586	-0.106	0.91579
X2	0.51154	0.12573	4.068	0.00015
Z	0.94706	0.29109	3.254	0.00193
X2 : Z	-0.68594	0.27441	-2.500	0.01539

Source: Results Processed by Researchers with R Studio (2022)

The table of partial hypothesis testing results (t-test) shows the capital intensity variable provides a parameter coefficient value of 0.51154 with a significance level of

0.00015 (< 0.05). The audit quality variable as a moderating variable provides a parameter coefficient of 0.94706 with a significance level of 0.00193 (< 0.05). Moderate variable II, the interaction between capital intensity and audit quality, gives a parameter coefficient value of -0.68594 with a significance level of 0.01539 (< 0.05). The significance value of the moderate variable II is $0.01539 < 0.05$, so it can be concluded that the moderating variable, audit quality, can moderate the relationship between capital intensity and tax avoidance.

3. The role of audit quality as a moderating of the relationship between institutional ownership and tax avoidance.

Table 14. Partial Significance MRA III Test Results

Coefficients:				
	Estimate	Std. Error	t value	Pr(> t)
(Intercept)	0.50150	0.15719	3.190	0.00233
X3	0.02804	0.50502	0.056	0.95592
Z	0.30981	0.18136	1.708	0.09312
X3 : Z	-0.14997	0.52836	-0.284	0.77758

Source: Results Processed by Researchers with R Studio (2022)

The table of partial hypothesis testing results (t-test) shows the institutional ownership variable provides a parameter coefficient value of 0.02804 with a significance level of 0.95592 (> 0.05). The audit quality variable as a moderating variable provides a parameter coefficient of 0.30981 with a significance level of 0.09312 (> 0.05). Moderate variable III, the interaction between institutional ownership and audit quality, provides a parameter coefficient value of -0.14997 with a significance level of 0.77758 (> 0.05). The significance value of the moderate variable III is $0.77758 > 0.05$, so it can be concluded that the moderating variable, audit quality, cannot moderate the relationship between institutional ownership and tax avoidance.

4. The role of audit quality as a moderating of the relationship between family ownership and tax avoidance.

Table 15. Partial Significance MRA IV Test Results

Coefficients:				
	Estimate	Std. Error	t value	Pr(> t)
(Intercept)	0.69984	0.14948	4.682	1.85e - 05
X4	-0.25434	0.17260	-1.474	0.146
Z	0.14118	0.16712	0.845	0.402
X4 : Z	0.08186	0.20239	0.404	0.687

Source: Results Processed by Researchers with R Studio (2022)

The table of partial hypothesis testing results (t-test) shows the family ownership variable provides a parameter coefficient value of -0.25434 with a significance level of 0.146 (> 0.05). The audit quality variable as a moderating variable provides a parameter coefficient of 0.14118 with a significance level of 0.402 (> 0.05). Moderate variable IV, the interaction between family ownership and audit quality, gives a parameter coefficient value of 0.08186 with a significance level of 0.687 (> 0.05). The significance value of moderate variable IV is $0.687 > 0.05$, so it can be concluded that the moderating variable, audit quality, cannot moderate the relationship between family ownership and tax avoidance.

CONCLUSION

Based on the results of research and discussion, the following conclusions can be drawn:

1. Executive compensation partially has no significant effect on tax avoidance.
2. Capital intensity partially has a significant positive effect on tax avoidance.
3. Partial institutional ownership has no significant effect on tax avoidance.
4. Family ownership partially has a significant negative effect on tax avoidance.
5. Audit quality can not significantly moderate the relationship between executive compensation and tax avoidance.
6. Audit quality can moderate the relationship between capital intensity and tax avoidance.

7. Audit quality can not significantly moderate the relationship between institutional ownership and tax avoidance.
8. Audit quality can not significantly moderate the relationship between family ownership and tax avoidance.

RESEARCH LIMITATIONS

Weaknesses or deficiencies that were found after analyzing and interpreting the data were as follows:

1. The researcher only examines some of the variables that may affect tax avoidance. Still, there are other variables such as company age, company size, and company value that may significantly affect tax avoidance.
2. There is a significant limitation on the moderating variable, namely audit quality. It is better to add other moderating variables, such as an independent board of commissioners, audit committee, and earnings management, to reduce the limitations of the significance of the moderating variable.

SUGGESTION

Based on the results of the research, discussion and conclusions obtained, the following suggestions can be given:

1. Further researchers are advised to conduct research outside of the independent variables used in this study or combine one of the variables in this study with other variables outside the variables in this study.
2. Future researchers are expected to be able to look for other moderating variables to see which moderating variables significantly affect the relationship between the independent variables tested on tax avoidance.
3. Further researchers are advised to use a sample of companies operating in other sectors.

4. Further researchers are advised to add a long research period to obtain a better picture in the long term.

Acknowledgement: None

Conflict of Interest: None

Source of Funding: None

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How to cite this article: Marwan Faiz Hilmi, Idhar Yahya, Khaira Amalia Fachrudin. The effect of executive compensation, capital intensity, institutional ownership, and family ownership on tax avoidance with audit quality as a moderating variable in manufacturing companies listed on the Indonesia stock exchange of 2016-2020. *International Journal of Research and Review*. 2022; 9(7): 72-84. DOI: <https://doi.org/10.52403/ijrr.20220709>
