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# MANAGERIAL OWNERSHIP AND TAX AVOIDANCE IN INDONESIA

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## ABSTRACT

Tax avoidance is a scheme designed to reduce the tax liability of an individual or entity by avoiding the payment of taxes. Tax avoidance, in contrast, involves the transfer of transactions that are not subject to taxation. This study intends to investigate the impact of debt policy, audit committee, and company size on tax avoidance, and to investigate whether managerial ownership exerts a moderating influence on the relationship between these three variables. This study implemented quantitative data with a purposive sampling technique, and obtained 32 observation data from 8 companies of information between 2019 and 2022 Indonesia Stock Exchange financial statements of real estate and property enterprises. A methodology for analysing data is Structural Equation Modelling (SEM), which uses the SmartPLS application. The novelty of this study is to add managerial ownership as a moderating variable on tax avoidance and test the data using regression analysis with the PLS approach. The percentage of a company's shares that the management owns is known as managerial ownership. Ownership by managers pushes them to exercise greater caution when making choices that may directly affect the business and their interests as shareholders. Lowering the amount of tax evasion is important for reduced personal interests. This study's findings show that managerial ownership can moderate the effect of debt policy on tax avoidance. At the same time, Debt Policy, Audit Committee, and Company Size do not affect Tax Avoidance, and Managerial Ownership is unable to moderate the effect of Audit Committee and Company Size on Tax Avoidance.

*KEYWORDS: TAX AVOIDANCE, DEBT POLICY, COMMITTEE AUDIT, FIRM SIZE, MANAGERIAL OWNERSHIP*

## ABSTRAK

Pencegahan cukai adalah skim yang direka untuk mengurangkan kewajipan cukai individu atau entiti dengan mengelakkan bayaran cukai. Elakkan cukai, sebaliknya, melibatkan pemindahan transaksi yang tidak tertakluk kepada cukai. Tujuan kajian ini ialah untuk menyiasat kesan dasar hutang, jawatankuasa audit, dan saiz syarikat pada penghindaran cukai, dan untuk menyelidiki sama ada kepemilikan pengurusan memainkan pengaruh yang mengawal hubungan antara ketiga-tiga variabel ini. Kajian ini mengimplementasikan data kuantitatif dengan kaedah pengambilan sampel yang bertujuan, memperoleh 32 data pengamatan daripada 8 syarikat maklumat antara tahun 2019 dan 2022 laporan kewangan Bursa Saham Indonesia syarikat-syarikat hartanah dan perusahaan

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hartanah. Satu kaedah untuk menganalisis data ialah Struktural Equation Modelling (SEM) menggunakan aplikasi SmartPLS. Perkara baharu dalam kajian ini ialah menambah kepemilikan pengurusan sebagai variabel moderasi pada penghindaran cukai dan menguji data menggunakan analisis regresi dengan pendekatan PLS. Peratusan saham syarikat yang dimiliki oleh pengurusan dikenali sebagai kepemilikan pengurusan. Pemilikan oleh pengurus mendorong mereka untuk lebih berhati-hati apabila membuat pilihan yang boleh memberi kesan langsung kepada perniagaan dan kepentingan peribadi mereka sebagai pemegang saham. Mengurangkan jumlah penghindaran cukai adalah penting untuk mengawal kepentingan peribadi. Temuan kajian ini menunjukkan bahawa kepemilikan pengurusan mampu memoderasi kesan dasar hutang pada penghindaran cukai, manakala Dasar Hutang, Jawatankuasa Audit, dan Saiz Syarikat tidak mempunyai kesan pada Penghindaran Cukai, dan Pemilikan Pengurusan tidak dapat menyederhanakan kesan Jawatankuasa Audit dan saiz Syarikat pada Pencegahan Cukai.

*KATA KUNCI: PENCEGAHAN CUKAI, DASAR HUTANG, JAWATANKUASA AUDIT, SAIZ SYARIKAT, PENGURUSAN PEMILIKAN*

## 1. INTRODUCTION

Taxation represents a source of revenue for the government, whereas, from the taxpayer's perspective, taxation is a burden that can reduce company profits (Jaka Pamungkas & Fachrurrozie, 2021). This results in taxpayers to minimize tax payments, one of which is by avoiding taxes (Sarasmita & Ratnadi, 2021). Tax avoidance is a strategy to avoid taxes by using a strategy that meets the requirements and is not harmful to taxpayers because it does not oppose the applicable tax regulations (Pohan, 2014, p. 14). The effective tax rate is a comparison of the tax rate paid by the company with the applicable tax rate in Indonesia. In 2019, the tax rate was 25%, and since 2022, it has been 22%. A reduced Effective Tax Rate suggests that the business is evading taxes (Suranta *et al*., 2020).

Property and real estate companies are businesses that facilitate the buying and selling of land and buildings, as well as leasing land or similar properties. Additionally, property and real estate companies represent a significant economic sector, capable of employing a large number of workers. Consequently, their activities have a ripple effect on other economic sectors. Thus, using management ownership as a moderating variable, this study looks at the impact of debt policy, audit committee, and firm size on tax avoidance through the use of information between 2019 and 2022 Indonesia Stock Exchange financial statements of real estate and property enterprises.

Several factors influence tax avoidance, including debt policy, audit committee, and company size. In this study, the company's debt policy is analysed using the Debt to Equity Ratio (DER). DER indicates the company's activity in obtaining financing. A higher DER value indicates a greater reliance on loans, which can result in higher interest costs. Consequently, it is utilised for tax avoidance. Considering earlier studies, the findings on the connection between debt policy and tax avoidance are not consistently consistent. Previous researchers explained that debt policies work to prevent tax avoidance (Jaka Pamungkas & Fachrurrozie, 2021; Paramita *et al*., 2023; Sumartono & Wahyu Tri Puspitasari, 2021) while other studies provide a statement that debt policy is unaffected by tax avoidance (Emanuel *et al*., 2023; Soelistiono & Adi, 2022; Subadriyah *et al*., 2022).

Ensuring accountability in financial reporting is the responsibility of a committee of audit. This effectiveness is important given the audit committee's role as an influence on financial reporting. The goal is to increase the committee of audit to efficacy in lowering the incidence of corporate tax avoidance (Suyanto *et al*., 2021). The committee of audit findings on tax avoidance are contradictory, according to earlier studies. Previous research declares that tax avoidance is negatively impacted by the committee of audit (Chandra & Cintya, 2021; Karuniasari & Noviari, 2022) while other studies it is asserted that the committee of audit has no bearing on the avoidance of taxation (Nailufaroh *et al*., 2022; Pratomo & Rana, 2021; Srimindarti *et al*., 2022).

Firm size can be used to describe the total asset value of a company. The more assets a corporation has overall, the heightened company's level of production. This will increase profits and affect the level of tax payments. Based on previous research, there are inconsistent results regarding firm size and tax avoidance. Previous research explains that firm size has a positive effect on tax avoidance (Srimindarti *et al*., 2022; Wulandari & Purnomo, 2021) while other studies have indicated that firm size does not influence the prevalence of tax avoidance (Jaka Pamungkas & Fachrurrozie, 2021; Stawati, 2020; Subadriyah *et al*., 2022; Sumartono & Wahyu Tri Puspitasari, 2021).

In this study, management ownership has been included as a moderating variable. The percentage of a company's shares that the management owns is known as managerial ownership. Ownership by managers pushes them to exercise greater caution when making choices that may directly affect the business and their interests as shareholders. Management to lower the amount of tax evasion due to the propensity to lower personal interests (Ridhawati & Mulyani, 2022).

## 2. LITERATURE REVIEW

This research employs the theoretical framework of agency theory. Agency theory elucidates the legal arrangement between the principal, or business owner, and the agent, or business manager, which serves as the main actor in this situation. The manager (agent) is obliged to act by the principal's instructions (Jensen & Meckling, 1976). The issues that arise are a consequence of the difficulty of the owner (principal) in supervising and controlling the manager. To balance and control agency conflicts, the agent must be subject to control. With the proportion of managerial ownership that is only part of the company, Managers frequently operate in their self-interest rather than to maximise the interests of the company (Jatiningrum & Marantika, 2021). To minimise conflicts, managers need to be given the option of owning company shares. This is expected to align the interests of the manager (agent) with the principal.

*Effect of Debt Policy on Tax Avoidance*

A company's debt policy is defined as the extent to which the company utilises borrowed funds. A company with a higher debt policy will increase the effective tax rate value, which indicates that the corporation might be more inclined to avoid taxation. The more debt financing the company uses, the higher the interest expenditure generated by the debt. Interest expenses resulting from the use of debt are included in costs that can reduce taxable income (deductible expense) (Sidik & Suhono, 2020). Research from (Jaka Pamungkas & Fachrurrozie, 2021; Paramita *et al*., 2023; Sumartono & Wahyu Tri Puspitasari, 2021) proves the positive effect of debt policy on tax avoidance. Agency theory has the involvement of a company, where management prefers to use debt in the company's operational activities, debt will grow interest costs that can be used to minimise corporate tax costs. Thus, debt policy shows a positive influence on tax avoidance. Thus:

$H_1$: Debt Policy has a positive effect on tax avoidance.

*Effect of Audit Committee on Tax Avoidance*

The audit committee holds the responsibility of scrutinizing the financial statements that management plans to publish before their utilization by other entities, including investors (Martha & Jati, 2021). A crucial duty for the audit committee is to monitor the accounting rules applied in the company and ensure that each report is by accounting standards so that the company can avoid fraudulent treatment that may be practised by managers to effectively reduce tax avoidance (Chandra & Cintya, 2021). Studies by (Chandra & Cintya, 2021; Karuniasari & Noviari, 2022; Sopiyana, 2022; Sulaeman, 2021) pointed out a negative relationship that exists between the committee of audit and tax avoidance. The company needs the existence of an audit committee that can help the Board of Independent Commissioners to improve the ability to control the management of the company related to management procedures, financial information and corporate taxes (Karuniasari & Noviari, 2022). Hence, the audit committee hurts tax avoidance. Any two studies that could be added here? Hence:

$H_2$: Audit Committee hurts tax avoidance.

*Effect of Firm Size on Tax Avoidance*
Companies are divided into big and small categories by looking at one of them depending on the overall assets of the business. The entire assets of a firm could be an indicator of its wealth or profit of the existing business. Tax avoidance is a strategy employed by companies when they earn large and fixed profits. This is because the profits generated by the company result in a high tax expense. Meanwhile, small-scale companies have not been able to optimise the existing tax burden, because small companies do not have many experts in the field of taxation (Jaka Pamungkas & Fachrurrozie, 2021). In agency theory, large corporations typically have more skilled and qualified human resources to carry out the management of taxation. In this way, large corporations will have more opportunities to get involved in tax avoidance (Ulfa *et al*., 2021). Research by Srimindarti *et al*. (2022) and Wulandari and Purnomo (2021) proved the positive effect of firm size on tax avoidance.

$H_3$: Firm Size has a positive effect on tax avoidance.

*Managerial Ownership in Moderating the Effect of Debt Policy on Tax Avoidance*
Managerial ownership will make management prefer to obtain profits at the expense of other parties, namely by encouraging corporate funding through debt. So with the debt used by the company in a large amount and continues to increase, the company's potential for tax avoidance increases to avoid losses for the company through optimal debt utilisation (Sumartono & Wahyu Tri Puspitasari, 2021). This will increase the debt policy and cause interest expense which is used as a tax deduction to be paid, thus encouraging tax avoidance (Jaka Pamungkas & Fachrurrozie, 2021). Consequently, managerial ownership has the potential to moderate the impact of debt policy on tax avoidance. For other studies, give me two at least.

$H_4$: Managerial Ownership can moderate the effect of debt policy on tax avoidance.

*Managerial Ownership in Moderating the Effect of Audit Committee on Tax Avoidance*
The prevalence of managerial ownership in the company exerts a substantial influence on the level of managerial engagement in decision-making processes. The establishment of a committee of audit is essential for the effective evaluation of financial statements, thereby facilitating the formulation of informed decisions. The proliferation of audit committees has the potential to enhance economic policy oversight, which in turn can reduce managerial behaviour related to tax avoidance (Yuliani & Prastiwi, 2021). Consequently, managerial ownership can serve to moderate the impact of the audit committee on tax avoidance.

$H_5$: Managerial Ownership can moderate the effect of the audit committee on tax avoidance.

*Managerial Ownership in Moderating the Effect of Firm Size on Tax Avoidance*
A high managerial share ownership will encourage managers to strive for optimal personal performance, to achieve greater profits. This, in turn, will facilitate the company's rapid growth and expansion. According to (Stawati *et al*., 2022), It has been observed firms with higher overall assets are more likely to get involved in legitimate tax avoidance. This is because large companies usually have greater space and the ability to do better tax planning, which allows them to ensure optimal tax savings. So that the corporation will pay smaller taxes in reducing the effective tax rate (Sumartono & Wahyu Tri Puspitasari, 2021). Therefore, managerial ownership can moderate the effect of firm size on tax avoidance. Hence, this study was conducted to see that the existence of managerial ownership can encourage companies to develop quickly which in turn can make optimal tax savings. Hence:

$H_6$: Managerial Ownership can moderate the effect of firm size on tax avoidance.

## 3. METHODOLOGY

The research type is quantitative descriptive. The quantitative method is a method for researching specific populations or samples, through the use of research tools for data acquisition, and statistical/quantitative data analysis to test the hypothesis set. The present study employs secondary data derived from annual reports. Purposive sampling was the sampling strategy used in this study.

**TABLE 1. SAMPLE CRITERIA**

| No. | Description | Total |
|---|---|---|
| **Total Population** | | **86** |
| **1.** | Companies that are not listed and do not publish financial reports during the observation period | (34) |
| **2.** | Companies that incurred losses during the observation period | (33) |
| **3.** | Companies that have no tax expense during the observation period | (5) |
| **4.** | Companies that were observed and did not have managerial ownership during the observation period | (6) |
| **Number of Property and Real Estate companies sampled** | | **8** |
| **Total Sample x 4 Years** | | **32** |

Source: Data Processed (2024)

Table 1 describes this study implemented quantitative data with a purposive sampling technique, obtained 32 observation data from 8 companies of information between 2019 and 2022 Indonesia Stock Exchange financial statements of real estate and property enterprises.

In this study, the variables of debt policy, audit committee and company size are independent, while tax avoidance is the dependent variable and managerial ownership is a moderating variable. Based on the previous explanation, a conceptual framework can be prepared as follows:

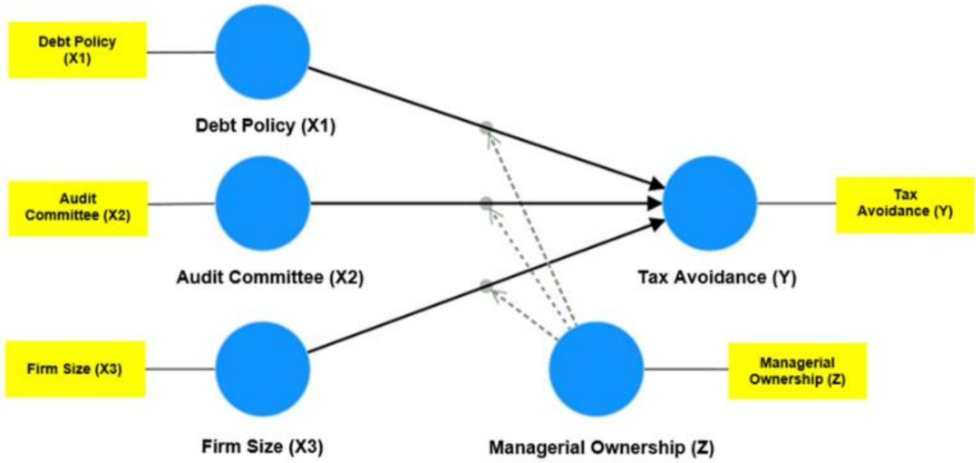


**FIGURE 1: CONCEPTUAL FRAMEWORK**

Source: Data Processed (2024)

*Operational Definition*

Tax Avoidance

Tax avoidance is defined as an arrangement designed to lower tax payments by avoiding the imposition of taxes (Pohan, 2014). Effective Tax Rate (ETR) is a genuine tax percentage that must be paid by the taxpayer by comparing the taxpayer's income. The ETR for each company is relative due to the difference between commercial records and tax records (fiscally) (Septiawan *et al*., 2021):

$$\text{Effective Tax Rate (ETR)} = \frac{\text{Tax Expense}}{\text{Net Income before Tax}}$$

Debt Policy

Debt policy is a policy set by the company regarding the extent to which the company utilises funding using debt (Hertina *et al*., 2019). In this study, the Debt to Equity Ratio indicator was used to measure debt policy. The ratio of debt to equity represents the balance between debt and own capital (Muslichah & Bahri, 2021, p. 277):

$$\text{Debt to Equity Ratio} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

Audit Committee

The Board of Commissioners forms an audit committee to oversee management activities within the company (Pratomo & Rana, 2021). By agency theory, the committee of audit helps supervise the compilation of the business's financial statements and thwart management fraud. The more audit committees, the more difficult it is for companies to avoid tax (Wijayanti & Ayem, 2022). The following are the measurements used to calculate the audit committee (Effendi, 2021, p. 29):

$$\text{Audit Committee} = \frac{\text{Total Audit Committee Members}}{\text{Total Directors Members}}$$

Firm Size

Firm size reflects the large or small scale of a company by looking at total assets. The following are the measurements used to calculate the firm size (Effendi, 2021, p. 29):

$$\text{Firm Size} = \text{Ln Total Asset}$$

Managerial Ownership

Stock held by managers or the company's management is known as managerial ownership. This ownership demonstrates the dual role of the manager, who simultaneously acts as a shareholder. The following are the measurements used to calculate the managerial ownership (Rusdiyanto *et al*., 2019, p. 81):

$$\text{Managerial Ownership} = \frac{\text{Total Shares owned by Management}}{\text{Total Shares Outstanding}}$$

*Data Analysis Technique*

The following methods were used to analyse the data is two-stage approach test using the SmartPLS application. The two-stage approach test is a method used to test moderation effects using formative constructs. At least explain the procedures for how the moderation is done using PLS. The PLS evaluation model is carried out by assessing the outer model and inner model.

a. Outer Model Evaluation

The outer model is carried out to assess the validity and reliability of the model. When using the SmartPLS program for path analysis with observed variables, there is no need to measure the model (measurement model) to test validity and reliability.

b. Inner Model Evaluation

The inner model or structural model can be evaluated by looking at the stability of the estimates assessed using the t-statistic test seen through the bootstrapping procedure. The Structural Model in PLS is evaluated using R-Square ($R^2$).

**TABLE 2. R-SQUARE CRITERIA**

| R-Square | Category |
|---|---|
| ≤ 0,19 | Weak |
| ≥ 0,33 | Moderate |
| ≥ 0,67 | Strong |

Source: SmartPLS (2021)

c. Hypothesis Testing
Hypothesis testing is done with the t-test. If in this test the p-value < 0.05 (α = 5%) it means that the test is significant.

## 4. FINDINGS

*Descriptive Statistics Analysis*
Descriptive statistics provide a brief of the amount of data used in the study, which also displays the standard deviation, minimum, maximum, and average values. The SmartPLS software was used to analyse the data. The following is a statistical data display:

**TABLE 3. DESCRIPTIVE STATISTICS**

| Indicators | N | Mean | Min | Max | Std. Dev |
|---|---|---|---|---|---|
| Tax Avoidance (Y) | 32 | 0,036 | 0,000 | 0,402 | 0,075 |
| Debt Policy ($X_1$) | 32 | 0,806 | 0,143 | 2,313 | 0,573 |
| Audit Committee ($X_2$) | 32 | 0,637 | 0,250 | 1,000 | 0,242 |
| Firm Size ($X_3$) | 32 | 30,260 | 29,411 | 31,366 | 0,663 |
| Managerial Ownership (Z) | 32 | 0,016 | 0,000 | 0,057 | 0,018 |

Source: Data Processed (2024)

Table 3 shows the mean of tax avoidance is 0.036 or 3.6%, meaning that of the 32 samples of analysis and observation data during the 2019-2022 periods, the average tax avoidance is 3.6%. The mean of debt policy is 0.806 or 80.6%, meaning that of the 32 samples of analysis and observation data during the 2019-2022 periods, the average debt policy is 80.6%. The mean of the audit committee is 0.637 or 63.7%, meaning that of the 32 samples of analysis and observation data during the 2019-2022 periods, the average audit committee is 63.7%. The mean firm size is 30.260, meaning that of the 32 samples of analysis data and observations during the 2019-2022 periods; the average firm size is large. The mean of managerial ownership is 0.016 or 1.6%, meaning that of the 32 samples of analysis and observation data during the 2019-2022 periods, the average managerial ownership is 1.6%.

*Inner Model Evaluation (Structural Model)*

The results of testing the inner model:

**TABLE 4. TABLE R-SQUARE ($R^2$)**

| | R-Square | R-Square Adj. |
|---|---|---|
| **Tax Avoidance (Y)** | 0.522 | 0.382 |

Source: Data Processed (2024)

Table 4 shows that Debt Policy, Audit Committee, Company Size, and Managerial Ownership can explain Tax Avoidance by 38.2%. The remaining 61.8% is explained by factors that are beyond the scope of this study.

*Hypothesis Test Results*
The bootstrapping results are shown in Table 5.

**TABLE 5. HYPOTHESIS TEST**

| | ***β*** | ***t*-value** | ***p*-value** |
|---|---|---|---|
| Debt Policy (X1) -> Tax Avoidance (Y) | 0.505 | 1.013 | 0.311 |
| Audit Committee (X2) -> Tax Avoidance (Y) | -0.017 | 0.073 | 0.941 |
| Firm Size (X3) -> Tax Avoidance (Y) | -0.154 | 0.263 | 0.793 |
| Managerial Ownership (Z) x Debt Policy (X1) -> Tax Avoidance (Y) | 1.669 | 1.988 | 0.047 |
| Managerial Ownership (Z) x Audit Committee (X2) -> Tax Avoidance (Y) | 0.213 | 0.648 | 0.517 |
| Managerial Ownership (Z) x Company Size (X3) -> Tax Avoidance (Y) | -0.832 | 0.995 | 0.320 |

Source: Data Processed (2024)

## 5. DISCUSSION

*Effect of Debt Policy on Tax Avoidance*

The findings revealed that debt policy does not affect tax avoidance. This means that in this study, although the average company has a high level of debt, which is 0.806, the implementation of a debt policy does not appear to have any impact on the phenomenon of tax avoidance. The more debt financing the company uses, the higher the interest expenditure generated by the debt. Interest expenses arising from the use of debt are included in costs that can reduce taxable income (deductible expense). The utilisation of a substantial quantity of debt can potentially elevate the probability of the company bearing a greater degree of risk. So the management will try to be careful in taking risks to increase the debt used in tax avoidance.

The present research's findings are consistent with earlier examinations carried out by (Dianawati & Agustina, 2020; Sidik & Suhono, 2020) which prove that debt policy does not affect tax avoidance. Companies that have a high level of debt will be supervised by the lender, so companies tend to be more obedient to the awareness of their tax obligations by applicable laws. Nevertheless, this research is not by the findings of the aforementioned research (Jaka Pamungkas & Fachrurrozie, 2021) which states that debt policy influences tax avoidance. The management prefers to use debt for company operations because debt will incur interest costs which can help to ease the company's tax payments.

*Effect of Audit Committee on Tax Avoidance*

The findings revealed that tax avoidance was unaffected by the committee of audit. The existence of a committee of audit is considered an important element because it has a function to monitor the accounting rules applied in the company and ensure that each report is by accounting standards. This also shows that the committee does not have the authority to interfere in the company's tax rate policy. So the audit committee is less effective in reducing tax avoidance.

The present research's findings are consistent with earlier examinations carried out by (Nailufaroh *et al*., 2022; Stawati *et al*., 2022) which state that the committee of audit has no bearing on tax evasion. The presence of an audit committee in the company does not increase the level of supervision and this is related to the limitation of the authority of the committee of audit by the board of commissioners. The lack of supervision enables management to engage in tax avoidance activities. That being said, this research differs from that of (Chandra & Cintya, 2021) it claims that tax avoidance is influenced by the audit committee. The audit committee functions as a supervisor of financial reports to avoid fraudulent treatment that may be carried out by management also an important task for the audit committee is to monitor the accounting rules applied in the company, and ensure that each report is by the rules of accounting standards can effectively reduce the occurrence of tax avoidance.

*The Effect of Firm Size on Tax Avoidance*

The findings revealed that tax avoidance cannot be influenced by a firm size. The firm does not carry out tax planning because it has large enough assets so that there is a possibility of becoming the government's attention and target. In this case, paying taxes is an obligation of the company as a corporate taxpayer. It is therefore, the size of the company becomes the focus of government attention, and generally companies with a large scale will receive greater attention from the government because they have the potential to be taxed more.

The present research's results match with the findings of previous research undertaken by (Rahayu & Suryarini, 2021) which claims that company size does not influence tax avoidance. When the firm's size increases, the firm will improve its good name and avoid various things that can worsen the company's good name. The bigger a company is, of course, the company is not only concerned with profits but also considers its business continuity (going concern). One of the efforts that companies can make to maintain their good name is to minimise tax avoidance because tax avoidance is despicable behaviour in the eyes of stakeholders and this may seriously damage the company's good name. However, this research does not support the findings of the study undertaken by (Stawati *et al*., 2022), which states that firm size influences tax avoidance. Companies with higher total assets are observed to have a higher tendency to perform legal tax avoidance due to their ability to manage taxation through plans made to ensure optimal tax savings. They usually pay less tax to get a smaller effective tax rate.

*Managerial Ownership in Moderating the Effect of Debt Policy on Tax Avoidance*

The findings revealed that managerial ownership can moderate the effect of Debt Policy on Tax Avoidance. This implies that managerial ownership exerts an influence on the impact of debt policy on tax avoidance. In other words, managerial ownership can either reinforce or mitigate the effect of debt policy on tax avoidance. This is because, by raising the number of outstanding shares of the corporation, the company will get an injection of fresh funds that do not come from loans or debt but from investors. These funds can be used to pay off the company's debt so that the interest expense of the company's debt can be reduced. This of course can have an impact on tax payments.

*Managerial Ownership in Moderating the Effect of the Audit Committee on Tax Avoidance*

The findings revealed that managerial ownership was unable to moderate the effect of the audit committee on tax avoidance. This implies that managerial ownership is unable to either enhance or diminish the impact of the audit committee on tax avoidance. This is due to the following reasons, the presence or absence of managerial ownership in a company does not affect the ability of a committee of audit to enhance the level of supervision. This is due to the limitations on authority imposed by the board of commissioners. This also shows that the audit committee does not have the authority to interfere in the company's tax rate policy. So the audit committee cannot carry out the function of controlling company management related to management procedures, financial information and corporate taxes which in turn can effectively reduce managerial behaviour related to tax avoidance.

*Managerial Ownership in Moderating the Effect of Firm Size on Tax Avoidance*

The findings revealed that managerial ownership is unable to moderate the effect of company size on tax avoidance. This implies that having managerial ownership does not increase or decrease the effect of firm size on tax avoidance. The reason is due corporations with large total assets can increase the amount of company productivity, thereby generating large and fixed profits. Large companies are unlikely to engage in tax avoidance, as this would negatively impact the company's reputation and attract the attention of the government. Managerial ownership is unable to influence the company's decision to implement more effective tax planning strategies to ensure optimal tax savings. It is worth noting that the small percentage of managerial ownership can limit management's authority in decision-making.

## 6. CONCLUSION AND FUTURE RESEARCH

This implies that managerial ownership exerts an influence on the impact of debt policy on tax avoidance. This is because, by increasing the number of company shares outstanding, the company will get an injection of fresh funds that do not come from loans or debt but from investors. These funds can be used to pay off the company's debt so that the interest expense of the company's debt can be reduced. This of course can have an impact on tax payments. At least explain the novelty of this work here. The novelty of this study is to use managerial ownership as a moderating variable on tax avoidance and tests the data using regression analysis with the PLS approach.

The limitation of this study is that it only uses data available in the sub-sector of property and real estate listed on the Indonesia Stock Exchange. Therefore, the implications of the results of this study for further research can re-test this research by expanding the object of research by using the service company sector and can add several other variables such as earnings management, fixed asset intensity and others. Implications for management who also acts as a shareholder, should consider the risk in making decisions to increase debt even though it can affect the level of tax payments. Importantly, it can cause the company to experience financial difficulties which also endangers the position of management who have a dual role as shareholders.

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