The Role of Ownership Structure on Corporate Tax Avoidance: Evidence from Manufacturing Company in Indonesia

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Keywords:
Managerial Ownership;
Institutional Ownership;
Foreign Ownership;
Tax Avoidance;

A B S T R A C T

This research aims to examine the influence of company ownership structure on tax avoidance. The ownership structure in this research uses three types of ownership, namely managerial ownership, institutional ownership and foreign ownership. The sample used is manufacturing companies registered on the IDX during 2021-2022. By using purposive sampling, the final data used for analysis was 176 data. The analytical tool used is SPSS with multiple linear regression analysis. The research results support all hypotheses, showing that managerial ownership, institutional ownership and foreign ownership have a negative effect on tax avoidance. The results of this research conclude that the existence of an ownership structure tends to be reluctant to be involved in tax avoidance, because it is more interested in improving the company's reputation and business continuity in the long term.

A B S T R A K

Penelitian ini bertujuan untuk menguji pengaruh Struktur kepemilikan Perusahaan terhadap penghindaran pajak. Struktur kepemilikan dalam penelitian ini menggunakan tiga jenis kepemilikan, yaitu kepemilikan manajerial, kepemilikan institusional dan kepemilkan asing. Sampel yang digunakan adalah Perusahaan manufakturyang terdaftar di BEI selama tahun 2021-2022. Dengan menggunakan purposive sampling, data akhir yang digunakan untuk analisis adalah sebanyak 176 data. Alat analisis yang digunakan adalah SPSS dengan analisis regresi linier berganda. Hasil penelitian mendukung semua hipotesis, yang menunjukkan bahwa kepemilikan manajerial, kepemilikan institusional, dan kepemilikan asing berpengaruh negative terhadap penghindaran pajak. Hasil penelitian ini menyimpulkan bahwa keberadaan struktur kepemilikan cenderung enggan terlibat dalam penghindaran pajak, karena lebih tertarik pada peningkatan reputasi Perusahaan dan kelangsungan usaha dalam jangka Panjang.

INTRODUCTION

Tax is still a topic that receives attention in research both in developing and developed countries (Hoseini et al., 2019; Alkurdi et al., 2020a; Khan et al., 2017; Dakhli, 2022; Kovermann and Velte, 2019; Kholbadalov , 2012; Benkraiem et al., 2024; Taxes have even become an important issue discussed at the G20 conference because taxes can support funding for the implementation of sustainable development goals (SGDs) (Halim et al., 2022). A survey from (Ernst & Young, 2017) also reveals that corporate taxation has become an intense focus in society and as an ongoing issue over the last few years. As a developing country, Indonesia tends to depend on income from taxes (Sari et al., 2023). Thus, taxes receive special attention not only from governments and policy makers (Alkurdi et al., 2020a) but also from researchers and practitioners (Khelil et al., 2023). This great concern arises partly because taxes are consistently the main source of state income (Lestari et al., 2019). BPS data for 2024 shows that taxes contributed around 70% to 80% of total state revenue in recent years.

Table 1. Data on the Realization of Indonesian State Revenue for 2022-2023 (in Billions of Rupiah)

Sources of State Financial Revenue	2022		2023	
Tax Revenue	2,034,552.50	77.19%	2,118,348.00	80.32%
Non-Tax Revenue	595,594.50	22.60%	515,800.90	19.56%
Grant	5,696.10	0.22%	3,100.00	0.12%
Total Realized State Revenue	2,635,843.10	100.00%	2,637,248.90	100.00%

Based on this data, the largest source of state income is tax revenue. The value is also increasing from 77.19% in 2022 to 82.43%, as of the first trimester of 2024. This data shows how important the role of taxes is in the country's economy (Sari and Nuryanah 2023), especially in funding government activities and fiscal management in Indonesia (Lestari et al., 2019). High state tax revenues can have an impact on increasing state development (Hidayat et al., 2023; Halim et al., 2022). From an economic and fiscal perspective, high tax revenues can improve the quality and quantity of public services, increase infrastructure development, avoid financial crises, and can even reduce poverty levels. Research results (Halim et al., 2022) prove that higher corporate tax rates encourage improvements in SDGs, which helps achieve sustainable development goals. Therefore, several policies were made by the Indonesian government to increase state income through taxes, such as increasing tax rates, expanding tax objects and even implementing a tax amnesty policy.

The government's efforts to increase tax revenues are in fact inversely proportional to the objectives of several taxable companies, which actually seek to minimize corporate tax payments through tax management. From the private sector or taxpayer side, it is necessary to carry out tax management, one of which is by carrying out tax avoidance. Tax avoidance is an action that takes advantage of gaps in tax regulations to benefit oneself by reducing the amount of tax that must be paid. This condition is certainly detrimental to the country, because it reduces national income and can even have a negative impact on the development process in a country. However, in practice many companies engage in tax avoidance to reduce the tax burden and increase profits for the company (Kholbadalov, 2012). The company tries to reduce taxes legally and without violating tax provisions. For companies, taxes are actually considered a burden, because they have an impact on reducing company profits (Hidayat et al., 2023). Therefore, tax avoidance is carried out, among other things, with the aim of reducing company costs, strengthening the Company's finances by increasing the Company's cash flow, as well as increasing profits for shareholders. Taxes are considered a significant burden for shareholders (Khan et al., 2017), because they reduce total income, and have an impact on reducing returns on shareholders' investments. Therefore, companies tend to try to minimize tax payments to maximize profits for shareholders (Sari et al., 2023) and avoid reducing shareholder wealth (Alkurdi et al., 2020a).

There are various risks for companies that practice tax avoidance. The most obvious risk is the risk of the company being subject to sanctions and fines by the tax authorities. In addition, companies have a tendency not to pay taxes fairly which can destroy their reputation as responsible corporations, even though they carry out ethical, social, voluntary and other philanthropic activities (Sarhan, 2024; Khan et al., 2017). For management, there is a risk of reputational damage in the future (Kovermann and Wendt, 2019). Therefore, management tends to only avoid taxes if it is in line with shareholder interests. Management is the party who decides the company's involvement in tax avoidance (Kovermann and Wendt, 2019).

Management decisions in important matters such as tax avoidance are very likely to be influenced by the majority shareholder. Where they have the most votes and are also the parties who will gain the biggest profits or losses from the company. So that the intervention of company owners (shareholders) will be an important consideration in making company business decisions.

Tax avoidance is a major concern not only for governments, policy makers (Alkurdi et al., 2020a) b and even the world community (Kholbadalov, 2012), because it can reduce state income, which ultimately has an impact on reducing national development efforts. However, from the company's perspective, tax avoidance is something that is profitable because it can reduce costs and increase company profits (Armstrong et al., 2015). Apart from that, investors can also benefit from tax avoidance, because they can get bigger returns. The advantage of tax avoidance that can be felt by companies is that it can increase the company's cash flow, making it easier for companies to make investments, both inside and outside the company. The difference in perspective between companies and the government regarding taxes makes this an interesting topic to research how tax avoidance behavior in companies occurs through company share ownership. Company ownership structure is an important component of corporate governance in controlling tax avoidance (Kovermann and Velte, 2019), especially in countries with weak laws, including Indonesia (Alkurdi et al., 2020b; Sari et al., 2023). Where it is possible for majority shareholders to have a strong influence in making company business decisions (Wulandari et al., 2021; Alkurdi et al., 2020a). Therefore, this research will examine how ownership structure influences corporate tax avoidance.

The sample used in this research is a manufacturing company listed on the IDX. Manufacturing companies are one of the hopes for the Directorate General of Taxes in manufacturing tax revenues (Astuti et al., 2016). Manufacturing companies in Indonesia are still the sector that leads the national economy, even when national economic conditions are under pressure from the Covid-19 pandemic. Based on the 2023 Semester I APBN Realization Report by the Ministry of Finance, the processing industry still contributes the highest tax revenue compared to other sectors. In mid-year, the processing industry contributed 27.4% of total tax revenue. However, compared to pre-pandemic conditions, the manufacturing sector's contribution to tax revenues has weakened. This can be seen from tax revenues in 2018 which could reach 30.3%.

The final sample used in this research is manufacturing companies registered on the IDX during 2021-2022, namely 88 companies or 176 observation data. By using SPSS as an analysis and testing tool with multiple linear regression analysis, the results of this study show that managerial ownership, institutional ownership and foreign ownership have a negative effect on tax avoidance. These results indicate that ownership structure has an important role in corporate ethical decision making. Apart from that, the presence of share owners who come from institutions, managers and foreign parties can act as supervisors who can prevent the company from tax avoidance behavior. Even though investors can indirectly benefit from tax avoidance behavior carried out by the Company, if this reduces the Company's reputation, it can actually be a bad assessment for the Company. So it can be concluded that investors from institutions, managers and foreigners are more focused on creating long-term value for the company, namely a good reputation, compared to profits resulting from corporate tax avoidance.

LITERATURE REVIEW

Agency Theory

Agency theory explains that a company can be interpreted as an agency contract between the principal and agent, where in this case the principal is the shareholder, while the agent is the company management who is trusted by the shareholder to maximize their wealth (Jensen et al., 1976). Agency theory sees differences in interests in the agency contract. Management knows all the information and situation of the Company, allowing the emergence of information asymmetry between shareholders and Company management. Thus, it is necessary to have a good monitoring system to increase information transparency and minimize conflicts of interest, namely through Corporate Governance, namely external parties to the Company (Dakhli, 2022; Riguen et al., 2020); (Mediaty et al, 2024); (Rumasukun & Nochh, 2024); (Noch & Rumasukun, 2024); (Nanda & Yunus, 2024); (Putra & Rivera, 2024).

In tax avoidance, Company management may hide some transactions, and tend to provide low transparency thereby allowing them to maximize personal profits through Company resources (Armstrong et al., 2015). According to (Cabello et al., 2019), tax avoidance actually results in greater costs, compared to the benefits for shareholders. This is not in line with the objectives of shareholders, who expect high levels of information transparency and the creation of a good reputation for the company through the company management process. by management. Shareholders are more focused on increasing share value (Evana, 2019) and creating company value in the long term.

According to (Frank et al., 2009), agency conflicts between principals and agents in tax avoidance can be minimized through the presence of third parties, such as ownership structures. The shareholder ownership structure tends to act as a supervisor or controller of management in decision making, thereby preventing the Company from engaging in unethical behavior that impacts the Company's reputation. In other words, the ownership structure can prevent the Company from tax avoidance behavior through the implementation of policies and control over the Company's operations (Alkurdi et al., 2020a).

Tax Avoidance

Tax avoidance by (Khelil et al., 2023; Gaaya et al., 2017) is defined as company management's efforts to reduce tax payments. Tax avoidance according to (Benkraiem et al., 2024) is a strategy and legal practice that companies use to reduce their tax liabilities. Tax avoidance by the Company is carried out by exploiting weaknesses in tax regulations to minimize the Company's tax burden. According to (Duhoon et al., 2023), corporate tax avoidance activities are a privilege and relief resulting from loopholes in the government's tax regulations. In more detail, (Duhoon et al., 2023) concluded from the report (Ernst & Young, 2014) that various techniques are used by companies to minimize corporate tax obligations, such as increasing investment in fixed assets, shifting profits to countries with low tax rates. or countries without taxes, reducing capitalization, etc. In short, tax avoidance can be interpreted as tax savings through strategies for utilizing tax provisions that are carried out legally. This strategy may be an important part of managerial decision making because of the possible risk that the company's tax practices could be challenged by tax authorities (Benkraiem et al., 2024) and could even have an impact on reducing the Company's reputation (Armstrong et al., 2015).

In general, capital owners and investors will be more interested in companies that comply with the law and have a good reputation. So companies will try to build legitimacy in society through compliance with standards set by policy makers. Thus, the Company will strive to achieve legitimacy by complying with tax laws and avoiding tax avoidance, which is considered detrimental to society and is seen as unethical and irresponsible. In addition, failure to comply with tax regulations will encourage a negative image of the company which may damage the company's reputation.

Capital Structure

The ownership structure plays a role in creating an efficient company environment that is oriented towards the company's sustainability in the future (Siswanti et al., 2017). The ownership structure consists of several classes of shareholders. This research focuses on the share ownership classes that are considered the most important and which are likely to have an influence on tax avoidance decisions, namely managerial ownership, institutional ownership and foreign ownership (Richardson et al., 2016). Managerial ownership is a condition when a manager takes a role in the company's capital structure, in other words the manager acts as both a manager and a shareholder of the company. The proportion of ownership of the entity by the manager will influence the similarity of goals between the principle and the agent because the agent will act as the principle at the same time, so that the agent will act more carefully in making decisions. Institutional ownership is the proportion of shares owned by institutions or institutions, such as banks, insurance companies, investment companies, or other institutions. Institutional ownership has the biggest governance role in companies which tends to influence management actions. Institutional ownership of the entity is expected to be able to reduce management actions so as to reduce the risk of agency problems that will occur. Meanwhile, foreign ownership is an individual, corporation, legal entity from abroad that controls a certain percentage of ordinary shares in a company. Increasing investment from foreign parties is a good achievement in efforts to increase national economic growth (Annuar et al., 2014).

Previous Studies and Hypotheses Development

Previous research on tax avoidance provides conclusions about how ownership structure can influence a company's tax avoidance behavior. The results of research (Alkurdi et al., 2020a) which conducted research on Jordanian companies listed on the Amman Stock Exchange, show that managerial ownership and institutional ownership are negatively related to tax avoidance. Meanwhile, foreign ownership has a positive effect on tax avoidance and makes it possible to increase tax avoidance strategies. On the other hand, (Shi et al., 2020) revealed in their research results that companies with a greater presence of foreign directors tend to be more aggressive in tax avoidance. (Hasan et al., 2022) in their research results also found that foreign ownership plays a role in corporate tax avoidance behavior. In more detail, the results of this research differentiate between countries with a high level of tax morality and countries with a low level of tax morality. In countries with a high level of tax morality, it shows that foreign ownership has a negative influence, whereas in countries with a low level of tax morality, it shows that the presence of foreign ownership has a positive but not significant influence. The results of research (Anggreini et al., 2024) which used a sample of 40 manufacturing companies registered on IDX Indonesia, showed that government ownership and political relations had a negative effect on tax avoidance, while institutional ownership, family ownership and foreign ownership had a positive effect on tax avoidance. (Benkraiem et al., 2024). which uses research samples from French companies registered on Cotation Assist ee en Continu (CAC), shows research results that passive institutional ownership is associated with increased tax avoidance. Meanwhile, active institutional ownership can significantly reduce the level of tax avoidance practices in the Company. However, the existence of active institutional investors is not enough to control managerial actions, especially in family companies. This is because family companies tend to dominate and control.

Managerial Ownership and Tax Avoidance

(Alkurdi et al., 2020a) revealed that managerial ownership can reduce tax avoidance behavior. The size of the ownership of the entity by the manager illustrates the similarity of goals between the principle and the agent. The agent will act at the same time as a principle, so he will be more careful in making decisions. The increasing number of share ownership by managers in a company means that the company's tendency to avoid taxes will be lower. The reason is that ownership of shares by managers will tend to make managers consider the continuity of the company so that managers will not want their business to be examined regarding tax issues, so that tax policy will not support tax avoidance. Ownership of shares by managers is expected to align the interests between agent and principle, so that managers will be more careful in making decisions by putting aside personal interests so that tax avoidance does not occur. A survey from (Ernst & Young, 2017) reveals that in global business, effective tax management is the goal for proactive management, and the main goal recently is to minimize tax risks and protect business reputation. Thus, the existence of managers as part of the Company's ownership can minimize the Company's tax avoidance behavior. In addition, in companies with managerial ownership, owner-managers tend to be more risk averse and tolerate lower tax risks (Cabello et al., 2019), so they tend not to want to be involved in tax avoidance. Based on the explanation above, the hypothesis of this research is as follows:

H1: Managerial ownership has a negative effect on tax avoidance.

Foreign Ownership and Tax Avoidance

Foreign ownership in a company can take various forms, either through direct investment, capital ownership by foreign parties or mergers and acquisitions. Looking from the perspective of agency theory, the existence of foreign ownership is also inseparable from the possibility of information asymmetry with company management and between majority and minority shareholders. Thus, these foreign investors are then motivated to monitor managerial behavior intensively (Yoo et al., 2014). Thus, according to agency theory, foreign ownership can reduce agency conflicts within the company. Although foreign ownership may not result in a transfer of controlling power, it can effectively challenge controlling shareholders because foreign institutions can act as major shareholders with significant voting rights and can even elect foreign directors (Hasan et al., 2022). This implies that foreign investors can also influence corporate tax avoidance by suggesting tax strategies.

Consistent with agency theory, (Yoo et al., 2014) studied Korean companies listed on the stock exchange and found that greater foreign ownership significantly reduces corporate tax avoidance. Furthermore, (Hasan et al., 2022) found that foreign ownership was negatively related to corporate tax avoidance in 43 countries. Legitimacy theory also suggests a negative relationship between foreign ownership and tax avoidance. Companies want to be seen as legitimate and socially responsible members of society (Annuar et al., 2014). Therefore, they will choose to be tax compliant, given that paying taxes is considered an important means for companies to fulfill their civic responsibilities, and any action that leads to tax evasion is considered an act of social irresponsibility. According to (Hasan et al., 2022), foreign ownership will bear greater relational costs if they invest in companies that are involved in tax avoidance activities. In an uncertain environment, foreign investors will engage in government and mass media scrutiny. Therefore, foreign investors and directors have incentives to promote compliance with tax regulations, rather than tax avoidance, among management (Shi et al., 2020). Thus, the hypothesis in this research is as follows:

H2: Foreign Ownership Has a Negative Influence on Tax Avoidance.

Institutional Ownership and Tax Avoidance

The institutional existence in the company's ownership structure has made them have the ability to influence the company's decision-making process, including tax avoidance decisions (Benkraiem et al., 2024). The existence of active institutional investors has a strong incentive to create company value so that their existence can be interpreted as monitoring management. According to (Huang et al., 2022) institutional investors are part of a good corporate governance mechanism which can effectively reduce agency costs and opportunistic management. Thus, institutional investors tend to avoid tax avoidance behavior, which can be detrimental to the company through reduced reputation (Armstrong et al., 2015).

Company ownership by institutions or blockholders will make it easier to supervise management compared to non-concentrated ownership. In agency theory, institutional investors as a principle can demand management (agents) to focus on economic performance to maximize company value over the long term (Kim et al., 2019) and minimize tax avoidance. Institutional investors are also often referred to as sophisticated investors, who actively monitor management because of the need for long-term ownership of company shares. Thus, the presence of institutional investors in the ownership structure can reduce the company's tax avoidance practices. So the hypothesis in this research is:

H3: Institutional Ownership Has a Negative Influence on Tax Avoidance.

RESEARCH METHOD

Samples and Data

The sample in this research is manufacturing companies listed on the Indonesia Stock Exchange (BEI) during 2021-2022. By using purposive sampling, this research ultimately used

176 analysis data. The sample criteria used in sample selection are manufacturing companies registered on the IDX during 2021-2022 that did not experience negative profits during the observation year and have complete data required in the research. This research uses secondary data from the company's annual report and financial reports obtained through the official website of the sample company or through the Indonesian capital market website (idx.co.id)

Variables

The research consists of one dependent variable, namely tax avoidance, and three independent variables, namely managerial ownership, institutional ownership and foreign ownership.

Dependent Variable

Tax avoidance in this study was measured using the Cash Effective Tax Rate (CETR) with the following formula:

$$CETR = \frac{tax\ payments}{profit\ before\ tax}$$

Cash ETR is a comparison between cash spent on tax expenses and profit before tax. The greater the Cash ETR indicates the lower the company's level of tax avoidance. Conversely, the smaller the Cash ETR indicates the higher the company's level of tax avoidance.

Independent Variables

The managerial ownership variable in this research is measured by calculating the percentage of shares owned by management out of all outstanding company shares. The managerial ownership formula is as follows:

$$magerial\ ownership = \frac{total\ shares\ owned\ by\ management}{number\ of\ shares\ outstanding}$$

Institutional ownership can be measured by using the percentage indicator of the number of shares owned by the institutional party out of the total number of outstanding shares of the Company. The calculation of institutional ownership is as follows:

$$intitutional\ ownership = \frac{total\ shares\ owned\ by\ intitutional}{number\ of\ shares\ outstanding}$$

Foreign ownership is ordinary company shares owned by individuals, legal entities, governments and their parts that have overseas status. The foreign ownership structure can be measured according to the proportion of ordinary shares owned by foreigners, it can be formulated:

$$foreign\ ownership = \frac{total\ shares\ owned\ by\ foreign}{number\ of\ shares\ outstanding}$$

RESULTS AND DISCUSSION

Using samples from manufacturing companies listed on the IDX during 2021-2022, this research uses 176 analytical data, with descriptive statistics as follows:

Tabel 2. Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Managerial Ownership	176	.000	.711	.087	.167
Institutional Ownership	176	.200	.999	.743	.163
Foreign Ownership	176	.000	.999	.263	.312
Tax Avoidance	176	-.372	.953	.224	.159
Valid N (listwise)	176				

Based on the results of descriptive statistics, from a number of samples in this study, the minimum value for managerial ownership and foreign ownership is 0.00. This value shows that there are no company shares owned by management or foreign parties. Meanwhile, the maximum value for managerial ownership shows that as many as 71.15% of the Company's shares are owned by managers, namely at PT Barito Pacific Tbk (BRPT) in 2022. The maximum value for institutional ownership and foreign ownership is 99.96%, indicating the large number of shares owned by foreign parties and institutions. After fulfilling the classical assumption test, the data in this study was then tested with multiple linear regression using SPSS. The following are the test results:

Table 2. Multiple Linear Regression Test Results

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.131	.075		1.746	.083
	Managerial Ownership	-.301	.102	-.182	-2.934	.004
	Institutional Ownership	-.425	.105	-.251	-4.066	.000
	Foreign Ownership	-.200	.073	-.171	-2.733	.007
a. Dependent Variable: Tax Avoidance						

The results of the multiple linear regression test presented in table 2 show that managerial ownership has a Beta value of -0.182, with a t value of -2.934 and a significance value of 0.004 (<5%), which means that managerial ownership has a negative effect on tax avoidance. Thus Hypothesis 1 is accepted. Increasing the number of share ownership by managers can reduce the company's tendency to avoid taxes. These results indicate that the existence of managers as company shareholders can play a role in preventing companies from unethical behavior, namely tax avoidance. The results of this research are in line with research (Alkurdi et al., 2020a), that the existence of managerial ownership can reduce corporate tax avoidance behavior. Managerial ownership indicates management's responsibility for the sustainability of its business (Alkurdi et al., 2020a), so that management will tend to act more carefully in making decisions, including decisions to avoid taxes. (Cabello et al., 2019) also explained that when company ownership is concentrated in a small number of policy makers, managerial shareholders are likely to be more risk averse and less willing to invest in risky projects. In addition, managerial shareholders, who participate in company management decisions, tend to maximize net profits and make decisions that can maximize company profits.

In line with managerial ownership, institutional ownership has a Beta value of -0.251, with a t value of -4.066 and a significance of 0.000 (<5%), which means that institutional ownership has a negative effect on tax avoidance (Hypothesis H2 is accepted). Institutional ownership is one of the parties that has the greatest influence when a company wants to adopt a policy, including a tax avoidance policy, in addition to playing an important role as a supervisor of the company's operations. This is because institutional shareholders have greater incentives to monitor company performance due to their large share ownership (Kholbadalov, 2012). Companies with a high institutional ownership structure will have a positive impact on the company's operational activities because institutional parties are involved in supervising the company's operations, so that the company's performance is more effective and efficient. With institutional supervision, company management will be more careful, thereby reducing the possibility of tax avoidance practices. (Kovermann and Velte, 2019) also explained that companies whose tax avoidance was high before involving institutional investors experienced a decrease in tax avoidance after institutional ownership of the company. So, when the level of institutional ownership is high, monitoring of managerial performance also becomes very high. As a result, conflicts of interest between managers and shareholders will be reduced. Therefore, institutional investors may reduce the opportunities to use tax avoidance techniques (Kholbadalov, 2012). (Duhoon et al., 2023) also revealed that institutional investors put some of their money into other businesses in the hope of obtaining dividends and profits, which shows a positive attitude towards tax management decisions. The results of this research support research (Alkurdi et al., 2020a), that institutional shareholders tend to focus on obtaining more benefits by avoiding potential costs from the tax authority, so they are reluctant to get involved in tax avoidance. The test results for foreign ownership show a Beta value of -0.171, with a t value of -2.733 and a significance of 0.007 (<10%) which means that at a significance level of 10% (0.01) foreign ownership has a negative effect on tax avoidance which means that Hypothesis 3 accepted. Foreign capital owners have strict considerations regarding the costs that will arise due to tax avoidance practices. Apart from that, there are legal risks that could be detrimental to the company and affect the company's overall reputation. According to (Yoo et al., 2014) the information asymmetry faced by foreign shareholders tends to be higher due to cultural and institutional barriers and difficulties in accessing the company's internal information. therefore, foreign shareholders have strong incentives and actively monitor the Company's behavior. The results of this research are in line with (Hasan et al., 2022), that foreign shareholders who come from countries with high tax morality or good corporate governance, play a dominant role in preventing tax avoidance of companies where they invest. (Shi et al., 2020) also revealed that the presence of foreign shareholders will closely monitor the company's behavior because of the possibility of opportunistic behavior by company managers that is not in line with shareholder goals. Apart from that, the presence of foreign shareholders also encourages tax compliance among the Company's management in order to create a good reputation for the Company.

CONCLUSION

This research aims to examine the influence of company ownership structure on tax avoidance practices. Based on agency theory, conflicts of interest between the principal (shareholder) and the agent (management or company manager) can give rise to information asymmetry, which in the end can be detrimental to shareholders. Therefore, it is necessary to have a third party who can act as a supervisor, thereby minimizing information asymmetry between Company management and shareholders. The ownership structure which is part of corporate governance can play a role as supervisor of the company and can influence the company's business decisions. The ownership structure in this research consists of managerial ownership, institutional ownership and foreign ownership. Using samples from manufacturing companies registered with DEI during 2021-2022, the research used secondary data from 176 analysis data. Data analysis uses SPSS and shows that the company's ownership structure plays a role in the company's tax avoidance behavior. Through multiple linear regression analysis, the results of this study show that managerial ownership, institutional ownership and foreign ownership have a negative effect on tax avoidance. The high proportion of shareholders who come from company management, from institutions and from foreign parties can actually reduce the practice of tax avoidance in companies. Institutional and managerial ownership structures may assume that the costs of tax avoidance practices outweigh the benefits that can be obtained. It is hoped that the results of this research can be utilized by investors in the investment decision making process, by looking at the Company's tendency to practice tax avoidance. For the Company, the results of this research can be used as material for evaluation and improvement in the future. However, there are several limitations in this research, namely the limitation of the sample which only uses manufacturing companies in 2021-2022. This research also only looks at the influence of ownership structure and does not consider the possibility of differences in the characteristics of the same shareholder. Therefore, further research can expand the sample both in terms of company type and year of analysis, and can see in more detail the differences in shareholder characteristics, which could possibly provide different results.

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