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Original Research Article

The Effect of Institutional Ownership, Leverage, and Liquidity on Tax Avoidance with Company Size as a Moderating Variable

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Abstract

This research aims to provide empirical evidence on the influence of institutional ownership, leverage, and liquidity on tax avoidance with company size as a moderating variable. The sampling method used was simple random sampling, resulting in 132 sample data. The data analysis techniques used were multiple linear regression analysis and Moderated Regression Analysis (MRA). The results of this study indicate that institutional ownership, leverage, and liquidity do not have a significant impact on tax avoidance. Company size as a moderating variable strengthens the relationship between institutional ownership and leverage with tax avoidance. Meanwhile, the company size variable as a moderating variable weakens the relationship between liquidity and tax avoidance. This research considers the effectiveness of company size involvement as a moderating factor in the influence of institutional ownership, leverage, and liquidity on tax avoidance in property and real estate companies.

Keywords: Institutional Ownership, Leverage, Liquidity, Company Size, and Tax Avoidance.

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INTRODUCTION

The Indonesian government obliges its citizens to comply with taxes. Taxes are the largest mandatory contribution that contributes to state revenue. The government's efforts to optimize tax revenue have actually had an impact, especially since most tax collections in Indonesia use a self-assessment system, where individual and corporate taxpayers are obliged to calculate, pay, and report the amount of tax they must pay in accordance with applicable tax laws and regulations (Yuni & Setiawan, 2019). Thus, this becomes an opportunity that can be utilized by taxpayers to engage in tax avoidance practices. This is a task for the government to continue educating and optimizing tax collection for the public. Additionally, tax revenue continues to decline and it is difficult to achieve tax revenue targets due to the Covid-19 pandemic which was officially declared on March 9, 2020 in Indonesia and has had a huge impact on Indonesia. This is evidenced by the government's inability to achieve tax revenue targets in the period 2017-2021, as presented in Table 1 below.

Table 1: Realization of Tax Revenue Targets for the Period 2017-2021 (In Trillion Rupiah)

Years	Tax Revenue Target (Rp)	Tax Revenue Realization (Rp)	Realization Percentage (%)
2017	1283,6	1147,5	89%
2018	1424,0	1315,9	92%
2019	1577,6	1332,1	84%
2020	1198,8	1072,1	89%
2021	1229,6	1277,7	104%

Based on Table 1, it can be seen that the percentage of tax revenue has increased every year, except for a significant decrease of 8% in tax revenue in 2018-2019. However, after that year, the percentage of actual tax revenue also increased. In 2017-2018, the percentage of actual tax revenue increased by 3%. Then, in 2019-2020, the actual tax revenue also increased by 5%. Furthermore, in 2020-2021, the

percentage of actual tax revenue increased by 14%. Based on the above data, it shows that the government has been successful in increasing the actual tax revenue every year. However, from 2017-2020, the government still failed to achieve the set targets. This indicates that tax revenue in Indonesia has not been maximized, even though Indonesia has a high potential for tax revenue due to its large population and business activities (Dewi & Noviari, 2017). There are three factors that cause the actual tax revenue to not meet the tax revenue targets. Firstly, the taxpayer compliance is very low. Secondly, there are leaks in tax revenue, especially from tax refunds. Lastly, the taxpayer base is small. This has an impact on the reduction of the state budget expenditure, resulting in the inability to realize programs that should have been implemented by the state.

Not only that, the decline in economic conditions due to the Covid-19 pandemic also includes the impact of decreasing tax revenues in recent years and the continued implementation of preventative measures such as the imposition of community activity restrictions (PPKM) as well as orders to work from home and school from home, which can cause economic issues resulting in income deviating from its potential earnings. The Tax Justice Network reported that there are impacts from efforts to avoid taxation, with Indonesia estimated to suffer losses of up to US$ 4.86 billion per year or equivalent to Rp 68.7 trillion at that time's exchange rate. In the Tax Justice Network's report entitled "The State of Tax Justice 2020: Tax Justice in the Time of Covid-19," it stated that at that value, US$ 4.78 billion or Rp 67.6 trillion at that time's exchange rate is considered to involve corporate tax avoidance practices in Indonesia. Meanwhile, the remaining US$ 78.83 million or equivalent to Rp 1.1 trillion comes from individual taxpayers (Kontan.co.id, 2020). Therefore, in connection with the report, it can be concluded that tax avoidance is still prevalent in various industries in Indonesia.

One of the companies that has been detected to engage in tax avoidance practices is a property and real estate sector company. The phenomenon of tax avoidance can be seen from the "Panama Papers" case. The Panama Papers refer to 11.5 million leaked confidential financial documents owned by Mossack Fonseca, a law firm based in Panama. The existence of these documents allowed the public to learn about the world of offshore and the methods of avoiding tax obligations. PT Ciputra Development Tbk is one of the Indonesian property and real estate companies that was implicated in the Panama Papers case. According to a report made by the Panama Papers services, this company engaged in tax avoidance by hiding wealth with the aim of avoiding state taxes. The wealth owned and successfully hidden by PT Ciputra Development Tbk amounts to US$ 1.48 million or the equivalent of IDR 19.7 trillion. This was done to ensure that the hidden currency could not be detected by taxes in their country (Hanifah, 2022).

Another phenomenon in the property and real estate sector in Indonesia is tax avoidance through property transactions carried out by housing developers. This is exemplified by the case of the sale of luxury homes in Semarang by Perumahan Bukit Semarang Baru, developed by PT Karyadeka Alam Lestari, where the selling price was stated to be Rp 7.1 billion, but the notary declared it to be only Rp 940 million, resulting in a price discrepancy of Rp 6.1 billion. In this transaction, the Value Added Tax (VAT) of 10% that should have been paid amounts to Rp 300 million when multiplied by the Rp 6.1 billion price discrepancy, resulting in a total tax loss of Rp 910 million. If the housing developer sells hundreds of luxury homes, the Indonesian government could potentially suffer losses of tens of billions of rupiah due to the construction of such projects (Tribun News Jateng, 2018). Based on this phenomenon, it can be concluded that companies in the property and real estate sector are engaging in house sales transactions that conceal the true nature of the transaction. In this transaction, the developer only uses a price below the Tax Object Sales Value (NJOP). However, according to tax regulations, the sale and purchase of houses should use the NJOP price. This tax avoidance practice is done by using a selling price below NJOP, resulting in a deficiency in Value Added Tax (PPN) and final income tax in accordance with article 4 paragraph (2) paid to the Republic of Indonesia (Adnyani & Astika, 2019).

The phenomenon occurring in the property and real estate sector companies indicates that there are still many companies engaging in tax evasion due to the loopholes that exist to conceal actual transactions, and the growth of property and real estate sector companies has been continuously expanding in Indonesia for several years. This is obviously detrimental to the country in terms of receiving state revenue for national development. Furthermore, property and real estate sector companies are expected to have a bright future in the coming years. With the increasing population, there will be a need for more development in the property and real estate sector, such as apartments, hotels, housing, shopping centers, and offices. This can attract investors to make decisions in investing their funds in these companies. Therefore, good financial reporting that includes being free from tax avoidance is crucial for investors to make decisions in investing their funds in property and real estate sector companies so that the reported financial statements do not contain elements that could harm the company.

Tax avoidance is an effort to reduce tax obligations to minimize tax payments that should be made by taking advantage of all the loopholes in tax regulations. The reduction of tax obligations according to this law can be beneficial for companies (Pohan,

2017:35). On the other hand, tax avoidance is a problem for the state. On one hand, it is allowed as long as it is within the limits of taxation, and on the other hand, this practice can reduce tax revenues (Fitria, 2018). The proxy measurement of company tax avoidance can be indicated by using the Effective Tax Rate (ETR). Effective Tax Rate (ETR) is often used for decision-making and stakeholders to establish company policies and draw conclusions about the company's tax system (Darsani & Sukartha, 2021). Based on previous research that closely relates to tax avoidance, there are various factors that influence tax avoidance, including institutional ownership, leverage, and liquidity. Additionally, company size is assumed to moderate the effects of institutional ownership, leverage, and liquidity on tax avoidance.

Institutional ownership refers to the ownership of company stock by institutions that can play a crucial role in overseeing, disciplining, and influencing managers, thereby forcing management to avoid selfish behavior. Therefore, it can be concluded that a high percentage of institutional equity ownership will strengthen corporate management's compliance with tax regulations, and institutional ownership can reduce tax avoidance efforts by corporate management (Darsani & Sukartha, 2021). Based on the research conducted by Darsani & Sukartha (2021); Rosalia & Sapari, (2017); Yuni & Setiawan, (2019), it is stated that institutional ownership has a negative effect on tax avoidance. However, the study conducted by Ariawan & Setiawan, (2017) indicates that institutional ownership has a positive effect on tax avoidance. In contrast, the research conducted by Faizah, (2022); Fitria, (2018); Wijayanti & Merkusiwati, (2017) states that institutional ownership has no effect on tax avoidance.

According to Kasmir (2017:113), leverage is a ratio used to measure the extent to which a company's assets are financed with debt. If a company uses debt to raise financing, then there is an interest burden that must be paid. Based on the research conducted by Alam, (2019); Oktamawati, (2017); Wijayanti & Merkusiwati, (2017), it is stated that leverage has a positive effect on tax avoidance. The higher the leverage, the more a company will reduce its tax payments, resulting in the company being unable to pay its taxes and leading to high debt and lower ETR values for the company. However, research conducted by Dewi & Noviari, (2017), Faizah, (2022), Irianto *et al.,* (2017), and Prabowo & Sahlan, (2021) stated that leverage has a negative effect on tax avoidance. On the other hand, research conducted by Apriatna & Oktris, (2022), Darsani & Sukartha, (2021), Nibras & Hadinata, (2020), Safitri & Muid, (2020), and Sriyono & Andesto, (2022) stated that leverage has no effect on tax avoidance.

Liquidity is a ratio that shows a company's ability to meet short-term obligations that must be fulfilled by the company in analyzing the company's financial statements. The obligations that must be immediately fulfilled are short-term debt. Thus, with this ratio, it can be used to measure the level of short-term creditor security and to measure the company's operations will be disrupted if these short-term obligations are immediately settled (Novita & Herliansyah, 2019). Based on the research conducted by Hanifah, (2021), it was stated that liquidity has a positive effect on tax avoidance. Meanwhile, research conducted by Sarasati & Asyik, (2018) stated that liquidity has a negative effect on tax avoidance. However, it is different from research conducted by Alam, (2019), Novita & Herliansyah, (2019), Rosalia & Sapari, (2017) which stated that liquidity has no effect on tax avoidance.

The size of a company is assumed to moderate the institutional ownership, leverage, and liquidity on tax avoidance. The company size is categorized into large and small companies and assessed based on the number of assets owned by a company. The size of the company is determined through the logarithm of total assets, which is considered more stable than other proxies over a certain period (Dewi & Noviari, 2017). Large companies always pay attention to ensuring that company managers are compliant and transparent when presenting financial statements. Large companies will consider risks more when managing taxes. Large companies tend to generate more stable profits compared to small companies. Large companies also tend to have excellent resources in tax management. According to research conducted by Irianto *et al.,* (2017) and Nibras & Hadinata, (2020), company size has a positive effect on tax avoidance. However, research conducted by Dewi & Noviari, (2017) and Oktamawati, (2017) showed that company size has a negative effect on tax avoidance. However, this is different from research conducted by Apriatna & Oktris, (2022), Novita & Herliansyah, (2019), Safitri & Muid, (2020), Saputro *et al.,* (2021), Sarasati & Asyik, (2018), and Wijayanti & Merkusiwati, (2017), which stated that company size has no effect on tax avoidance.

The difference in this research compared to previous studies lies in the fact that the author associates it with the economic conditions during the Covid-19 pandemic (2019-2021). The researcher also added variables from previous studies, namely three independent variables, namely institutional ownership, leverage, and liquidity. In addition, company size was used as a moderating variable in the relationship between institutional ownership, leverage, and liquidity towards tax avoidance, where this moderating variable could either strengthen or weaken the relationship between institutional ownership, leverage, and liquidity towards tax avoidance. Moreover, the proxy for tax avoidance in this study used Effective Tax Rate (ETR). The research focused on property and real estate

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companies listed on the Indonesia Stock Exchange in 2019-2021.

LITERATURE REVIEW

Agency Theory

According to Jensen & Meckling (1976) cited in Darsani & Sukartha (2021) and Yuni & Setiawan (2019), agency theory is a contract-based interaction between a principal as the delegator and an agent as the authorized party. The relationship between agency theory and tax avoidance occurs when management has an interest in manipulating the company's earnings to reduce the amount of tax burden, resulting in information bias towards shareholders. This also indicates that the higher the liquidity of the company, the higher the action to reduce earnings, as there are also high tax payments involved (Hanifah, 2022). Companies consider taxes as a burden, so they want to pay as little tax as possible to the government. Therefore, managers will try to arrange the amount of tax that must be paid by the company to maximize profits. On the other hand, the principal or government wants to maximize tax revenue from each taxpayer. Thus, institutional ownership is needed to monitor management activities, so that transparent information disclosure can minimize tax avoidance practices and ensure maximum tax payments.

Stakeholder Theory

According to Donaldson & Preston (1995), stakeholder theory states that a company's performance is influenced by stakeholders. It is the responsibility of a company's management to provide benefits to stakeholders who can affect a company's performance. The stakeholder theory states that parties involved in a company's activities are the responsibility of the company. One of the company's stakeholders is the government, which acts as a regulator. Therefore, the company must pay attention to the government's interests, and one way to do so is by being responsible in complying with tax policies and avoiding tax avoidance practices (Safitri & Muid, 2020). Stakeholders are generally interested in companies that have high net profits. The relationship between stakeholders and tax avoidance is that if a company engages in tax avoidance practices by taking advantage of government-provided facilities, the company's burden becomes smaller. As a result, the company's net profit increases (Saputro *et al.,* 2021). This has a positive impact on the relationship between stakeholders and the company, as the higher net profit that is distributed to stakeholders will attract more stakeholders to invest in the company's stocks.

Institutional Ownership

Institutional ownership can affect tax avoidance that can be conducted by a company. According to Hery (2017:30), institutional ownership is the proportion of shareholders owned by institutional owners such as insurance, banks, investment companies, and other institutional ownership. Share ownership represents a source of power that can be used to support or oppose management. Institutional investors have a stake in the decision-making process, which will encourage management to comply with government regulations and be tax-compliant.

Leverage

According to Agusfianto *et al.,* (2022:162), leverage is the use of assets or funding sources where a company must bear fixed costs or pay fixed expenses for such use. Meanwhile, according to Kasmir (2017:113), leverage indicates the ratio used to measure the extent to which a company's assets are funded by debt. Leverage can be defined as an explanation of a company's ability to use assets or funding sources that have fixed costs to increase the level of income for the company owners. Therefore, leverage is the use of external funding in the form of debt to finance the company's investments and assets. Financing through debt, especially long-term debt, will generate interest expenses that reduce the tax burden that the company must pay.

Liquidity

According to Kieso *et al.,* (2017:213), liquidity is an indicator of a company's ability to meet obligations due within less than one year. To fulfill short-term obligations that will come due, a company must have a level of availability in both cash and other current assets that can be easily converted into cash (Hanifah, 2022:2). Meanwhile, according to Fahmi (2017:121), liquidity ratio is a company's ability to meet its short-term obligations on time. A company's ability to pay off all its obligations is a measure of maintaining operational continuity (Urrahmah & Mukti, 2021). A company can be considered liquid based on its ability to meet obligations on time (Saputro *et al.,* 2021). With a high liquidity ratio, it indicates the company's ability to meet its short-term obligations, which signifies a healthy financial condition and no problems regarding cash flow, thus being able to bear costs that arise such as taxes and easily sell its assets (Rosalia & Sapari, 2017).

Company Size

Company size is a scale that categorizes companies into large and small companies based on various criteria such as total assets, market value of stocks, average sales rate, and total sales (Hery, 2017:97). Company size is generally divided into three criteria, namely large companies, medium-sized companies, and small companies. Therefore, the maturity of a company can be determined by its total assets, so the larger the total assets, the better the prospects of the company in the long run (Fauzan *et al.,* 2019). Companies that have large and stable profits tend to encourage companies to engage in tax avoidance practices because large profits will result in a large tax burden. This condition causes an increase in the amount

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of tax burden, thus encouraging companies to engage in tax avoidance practices (Apriatna & Oktris, 2022).

Tax Avoidance

Tax avoidance is the effort of taxpayers to avoid tax burdens through legal and safe means that are not contrary to tax regulations. This is in accordance with tax laws, as the methods and strategies used tend to exploit weaknesses (grey areas) in tax laws to reduce the amount of tax owed (Pohan, 2017:35). Meanwhile, according to Mardiasmo (2018:11), tax avoidance is an effort to reduce the tax burden without violating the law. However, tax avoidance can pose risks to companies, including sanctions, fines, and a negative reputation in the eyes of the public, which can result in a decrease in state tax revenue (Hanifah, 2022).

HYPOTHESIS

The Effect of Institutional Ownership on Tax Avoidance

Institutional ownership as an external supervisor of a company plays an important role in overseeing management. This is because institutional ownership encourages more optimal supervision of company management to generate profits based on applicable rules, as institutional investors fundamentally play a role in determining how far management complies with rules in generating profits. Institutional ownership supports agency theory, which explains that institutional ownership can solve agency problems. This condition can occur because institutional ownership is highly needed to monitor the activities of company management (Darsani & Sukartha, 2021). Therefore, institutional investors tend to comply with government regulations. In addition, institutional investors as external supervisors will oversee company management in managing taxes because institutional investors fundamentally tend to avoid the risks of tax avoidance activities that can damage the company's reputation. This is in line with research conducted by Darsani & Sukartha, (2021); Rosalia & Sapari, (2017); Yuni & Setiawan, (2019), which states that institutional ownership has a negative effect on tax avoidance. This means that the existence of institutional ownership plays a role in setting policies related to tax avoidance actions. Based on the explanation that has been presented, the research hypothesis can be formulated as follows:

H1: Institutional ownership has a negative effect on tax avoidance in property and real estate sector companies listed on the Indonesia Stock Exchange.

The Effect of Leverage on Tax Avoidance

Leverage is a parameter of a company to determine its ability to use debt in managing business activities to generate maximum profits. Thus, the company can pay all short-term and long-term debts. Funding sources obtained are from internal and external financing. According to research conducted by Alam, (2019), leverage is proxied by the Debt- to-Equity Ratio (DER). DER is a ratio used to measure the extent to which a company's assets are financed with debt, where the company uses debt to meet its operational and investment needs. Based on agency theory, which explains the relationship between agents and principals who have different interests, leverage is an independent variable affecting tax avoidance. The agent is the manager and the principal is the government. The government wants to generate more revenue from taxation, but the manager wants to minimize tax payments to gain more profits by utilizing leverage. One way to minimize the tax payments owed is by increasing interest costs, which will reduce the company's profits and result in a lower effective tax rate (ETR). This is in line with research conducted by Alam, (2019), Oktamawati, (2017), and Wijayanti & Merkusiwati, (2017) which states that leverage has a positive effect on tax avoidance. This means that the relationship between leverage and tax avoidance is positively related, and the higher the company's debt in obtaining loans for operational activities, the greater the interest burden it bears. This interest burden affects the tax burden borne by the company, resulting in a decrease in tax burden. Therefore, the company will choose to rely on funding from debt so that the tax burden paid does not significantly reduce profits. Based on the description that has been presented, the research hypothesis can be formulated as follows: **H2:** Leverage has a positive effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange.

The Effect of Liquidity on Tax Avoidance

Liquidity is a measure of a company's ability to meet its short-term obligations. Companies with high liquidity usually reflect good financial conditions, enabling them to fulfill all of their obligations, including tax payments. However, if a company has low liquidity, it will prioritize maintaining cash flow over paying tax burdens to secure the company's finances. Therefore, there is a relationship between liquidity and tax avoidance. The agency theory suggests that liquidity has a positive effect on tax avoidance. This is because a company's performance is optimized by minimizing costs, including tax costs, and increasing efficiency. Companies with high liquidity ratios are able to meet their short-term obligations, indicating that the company is in a healthy state and does not have cash flow problems, and is able to fulfill its tax obligations. Therefore, the lower the indication of a company to engage in tax avoidance. However, if the liquidity ratio is low, the indication of tax avoidance is higher because the company has problems with liquidity and is unable to meet its large tax payment obligations. Thus, the company tends to engage in tax avoidance to reduce its tax burden (Hanifah, 2022). Based on the description that has been presented, the research hypothesis can be formulated as follows:

H3: Liquidity has a positive effect on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange.

The Effect of Institutional Ownership on Tax Avoidance Moderated by Firm Size

Institutional ownership refers to stock ownership by parties outside the company that can help principals control agent behavior in the company, so that deviant behavior such as tax avoidance practices can be avoided or minimized (Wijayanti & Merkusiwati, 2017). The existence of a large company size will cause more parties to oversee the company, both internally and externally. The larger the company size, the greater the potential tax on the company, so there is an opportunity to manipulate taxation. With the presence of institutional ownership in the company, the company will manage taxes carefully and minimize the occurrence of tax avoidance practices to comply with applicable tax regulations in managing financial statements. Based on the statement, it is supported by research conducted by Dewi & Noviari, (2017), Fauzan *et al.,* (2019), Fitria, (2018), Irianto *et al.,* (2017), Nibras & Hadinata, (2020), Oktamawati, (2017), Safitri & Muid, (2020), Yuni & Setiawan, (2019) which states that company size affects tax avoidance. Based on the explanation that has been presented, the following research hypothesis can be formulated:

H4: Company size can strengthen the effect of institutional ownership on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange.

The Effect of Leverage on Tax Avoidance Moderated by Company Size

According to Alam, (2019) research, leverage is a financial ratio that describes a company's ability to use available capital to pay back existing debt, and the higher the debt-to-equity ratio (DER), the greater the total liability composition compared to total equity. As a result, the company's external burden increases, and interest charges levied on the company can reduce its profits, resulting in a decrease in its tax burden. Large companies tend to require significant funding to operate and increase their production. Among many companies, debt is still used to finance company assets. Large companies tend to have an easier time obtaining external funding in the form of debt (Dewi & Noviari, 2017). Therefore, the larger the company, the higher its leverage ratio. Based on this statement, it is reinforced by research conducted by Dewi & Noviari, (2017); Fauzan *et al.,* (2019); Fitria, (2018); Irianto *et al.,* (2017); Nibras & Hadinata, (2020); Oktamawati, (2017); Safitri & Muid, (2020); Yuni & Setiawan, (2019) which states that company size affects tax avoidance. Based on the description that has been presented, the research hypothesis can be formulated as follows:

H5: Company size can strengthen the effect of leverage on tax avoidance in property and real estate companies listed on the Indonesia Stock Exchange.

The Effect of Liquidity on Tax Avoidance Moderated by Company Size

According to the study by Alam, (2019), liquidity is a measure of a company's ability to meet its short-term obligations reflected by its current assets relative to its current liabilities. The size of the company strengthens the relationship between liquidity and tax avoidance. This occurs when a company has a good level of sales that provides profits for the company, categorizing it as a large company. Good sales will increase cash and receivables, so the company's liquidity level will also be high. The higher the company's profits, the higher the tax burden, so the company will reduce its tax burden by engaging in tax avoidance practices (Hanifah, 2022). Based on the statement, it is strengthened by research conducted by Dewi & Noviari, (2017); Fauzan *et al.,* (2019); Fitria, (2018); Irianto *et al.,* (2017); Nibras & Hadinata, (2020); Oktamawati, (2017); Safitri & Muid, (2020); Yuni & Setiawan, (2019) stating that the size of the company has an effect on tax avoidance. Based on the description that has been presented, the research hypothesis can be formulated as follows:

H6: Company size can strengthen the effect of liquidity on tax avoidance in the property and real estate sector companies listed on the Indonesia Stock Exchange.

Based on the above theoretical framework, it can be illustrated in the conceptual framework as follows:

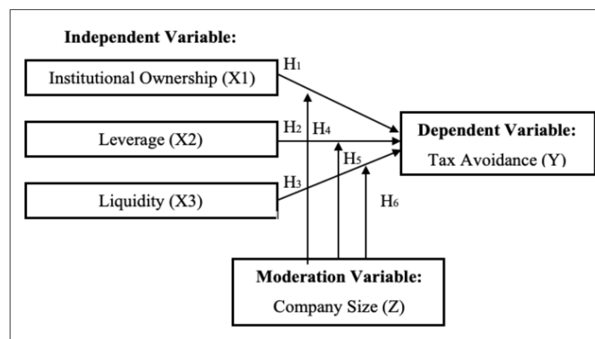

Figure 1: Conceptual Framework Model

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RESEARCH METHODS

Population and Sample

The population used in this research consists of property and real estate companies listed on the Indonesia Stock Exchange (BEI) during the period of 2019-2021. The sampling technique used was simple random sampling with the Slovin formula. Based on this sampling technique, there were 44 property and real estate companies listed on the Indonesia Stock Exchange (BEI) during the years 2019-2021. With a total of three years of observation data (2019-2021) for the 44 companies, a sample of 132 was obtained and will be used in this research.

Research Analysis Method

The data analysis method used in this research is quantitative analysis, which involves testing of theories through secondary data analysis using descriptive statistical procedures, multiple linear regression analysis, and Moderated Regression Analysis (MRA) with IBM SPSS software version 25. The researcher conducted classic assumption tests and hypothesis tests based on the multiple linear regression model.

Table 2: Variable Operationalization

Variable Names	Indicators	Scale
Dependent Variable		
Tax Avoidance	$\text{ETR} = \frac{\text{Total Tax Expense}}{\text{Pre Tax Income}}$	Ratio
Independent Variable		
Institutional Ownership	$\text{KI} = \frac{\text{Proportion of Shares Owned by Institutions}}{\text{Number of Shares Issued}}$	Ratio
Leverage	$\text{DER} = \frac{\text{Total Liability}}{\text{Total Equity}}$	Ratio
Liquidity	$Current\ Ratio = \frac{\text{Current Assets}}{\text{Current Liabilities}}$	Ratio
Moderation Variable		
Company Size	$SIZE = Ln\ (\text{Total Aset})$	Ratio

Source: Previous Research (Processed), 2022

RESULTS AND DISCUSSION

Descriptive Statistics

This research used data taken from the annual financial reports of 132 sample data of property and real estate companies listed on the Indonesia Stock Exchange (IDX). (Table 3) below shows the descriptive statistics, which include the research variables, sample size, minimum and maximum values of each variable, as well as the mean and standard deviation of the research variables.

Table 3: Descriptive Statistics Test Result

	N	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*
Institutional Ownership	132	-2.98	-.01	-.5945	.55224
Leverage	132	-2.48	1.41	-.6600	.85721
Liquidity	132	-1.92	2.28	.6558	.76816
Company Size	132	3.25	3.46	3.3595	.05358
Tax Avoidance	90	-6.91	2.05	-3.3850	1.81820
Valid N (listwise)	90				

Source: Data Processed by SPSS 25, 2022

Based on the results of descriptive statistical tests in (Table 3) above, it shows that during the observation period from 2019-2021, companies engaged in tax avoidance (Y) as proxied by using ETR, with a minimum value of -6.91 held by PT Mega Manunggal Property Tbk (MMLP) in 2020, PT Roda Vivatex Tbk in 2020, and PT Suryamas Dutamakmur Tbk in 2019. The maximum value of 2.05 was held by PT Fortune Mate Indonesia Tbk (FMII) in 2020. The average value of tax avoidance was -3.3850 and the standard deviation was 1.81820.

The corporate governance variable (institutional ownership) (X1) has a minimum value of -2.98 held by PT Bakrieland Development Tbk (ELTY) from 2019-2021. The maximum value of -0.01 was held by PT Diamond Citra Propertindo Tbk (DADA) in 2019. The average value of institutional ownership was -0.5945 and the standard deviation were 0.55224.

The leverage variable (X2) as proxied by DER has a minimum value of -2.48 held by PT Plaza Indonesia Realty Tbk in 2019. The maximum value of 1.41 was held by PT Pollux Properti Indonesia Tbk in

2021. The average value of leverage was -0.6600 and the standard deviation were 0.85721.

The liquidity variable (X3) as proxied by the Current Ratio has a minimum value of -1.92 held by PT Duta Anggada Realty Tbk in 2021. The maximum value of 2.28 was held by PT Natura City Developments Tbk in 2021. The average value of liquidity was 0.6558 and the standard deviation was 0.76816.

The firm size variable (Z) as proxied by Ln(Total Asset) has a minimum value of 3.25 held by PT Puri Global Sukses Tbk (PURI). The maximum value of 3.46 was held by PT Bumi Serpong Damai Tbk (BSDE). The average value of firm size was 3.3595 and the standard deviation was 0.05358.

Classical Assumption

Classical Assumption Test consists of normality test, heteroscedasticity test, multicollinearity test, and autocorrelation test. The results of the classical assumptions are presented in (Table 4) as follows:

Table 4: Classical Assumption Test Result

Classical Assumption Test	Method	Results	Requirements	Description
Normality	Kolmogorov Smirnov	0.200	Sig > 0.05	Normally distributed
Multicollinearity	VIF dan Tolerance		Tolerance > 0.10 Dan VIF < 10	No multicollinearity
	Institutional Ownership	0.978		
	Leverage	0.780		
	Liquidity	0.758		
	Company Size	0.956		
Heteroscedasticity	Uji Glejser:			
	Institutional Ownership	0.435	Sig > 0.05	No heteroskedasticity
	Leverage	0.559		
	Liquidity	0.334		
	Company Size	0.318		
Autocorrelation	Durbin Watson	1.973	du<DW<4-du	No autocorrelation

Source: Data Processed by SPSS 25, 2022

This research used the Kolmogrov-Smirnov method. A variable is normally distributed if the significant value (sig>0.05), while it is not normally distributed if the significant value (sig<0.05) (Ghozali, 2018). This research has performed a normality test by transforming the data into the natural logarithm (Ln) model, so that the data is normally distributed with a significant value of 0.200. The multicollinearity test aims to examine whether a regression model is found with a correlation between independent variables. This research used the Variance Inflation Factor (VIF), with a tolerance value > 0.10 and a VIF value < 10, thus it can be concluded that there is no multicollinearity. A good regression model should not have a correlation between independent variables.

The heteroscedasticity test aims to examine whether there is inequality of variance of the residuals in the regression model from one observation to another. The Glejser test did not find any heteroscedasticity problems in this model, as all independent variables have a significant value > 0.05. Then, the autocorrelation test is used to see if there is a correlation between disturbance errors in one period and the previous period in the linear regression model. This study used the Durbin-Watson test, with criteria of du < DW < 4-du. No autocorrelation problems were found in this study.

Hypothesis Testing Linear and Absolute Difference

The results of the multiple linear regression and absolute difference hypothesis test are presented in (Table 5) as follows:

Table 5: Multiple Linear Regression Hypothesis Test

Variable	Coefficient	t-Statistic	*Sig.*
Institutional Ownership	-0.173	-0.554	0.582
Leverage	0.409	1.367	0.177
Liquidity	0.351	0.967	0.338
Adj. R^2	0.268		
Adj. R^2 (*Moderated*)	0.216		
F-Statistics	5.547		
F-Statistics (*Moderated*)	5.093		
Sig.	0.000		
N	132		

Source: Data Processed by SPSS 25, 2022

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The institutional ownership significance value of 0.582 > 0.05, with a t-value of -0.554 and a B-value of -0.173, indicates that institutional ownership does not have a significant effect on tax avoidance. Thus, H1, which states that institutional ownership has a negative effect on tax avoidance, is rejected. The results of this study are in line with the findings of previous studies conducted by Faizah, (2022), Fitria, (2018), and Wijayanti & Merkusiwati, (2017), which stated that institutional ownership does not have an effect on tax avoidance. This is because institutional owners have an incentive to ensure that management makes decisions that can maximize the welfare of institutional owners, so they only focus on earnings management. Therefore, the magnitude of institutional ownership does not affect a company's behavior in attempting to avoid taxes (Fitria, 2018).

The significance value of leverage is 0.177 > 0.05, with a t-value of 1.367 and a coefficient of 0.409, indicating that leverage does not affect tax avoidance. Thus, H2, which states that leverage has a positive effect on tax avoidance, is rejected. These findings are consistent with the results of previous studies conducted by Apriatna & Oktris, (2022), Darsani & Sukartha, (2021), Nibras & Hadinata, (2020), and Sriyono & Andesto, (2022), which have stated that leverage does not have a significant effect on tax avoidance. This is because the use of leverage management will obtain an optimal capital structure in the company, so the company must be able to manage leverage management itself so that the company's operations can run smoothly and expected returns can be achieved compared to higher equity values. Therefore, leverage does not affect tax avoidance (Apriatna & Oktris, 2022).

The significance value of liquidity is 0.338 > 0.05, with a t-value of 0.967 and a coefficient of 0.351, indicating that liquidity does not affect tax avoidance. Thus, H3, which states that liquidity has a positive effect on tax avoidance, is rejected. These findings are consistent with the results of previous studies conducted by Alam, (2019), Novita & Herliansyah, (2019), and Rosalia & Sapari, (2017), which have stated that liquidity does not have a significant effect on tax avoidance. The higher the liquidity of the company, the higher the ETR value, meaning that tax avoidance efforts are small. This is because if the company has high liquidity, it will be able to pay its short-term debts, including tax debts, so investors trust the company to repay loans (Alam, 2019).

Table 6: Moderation Regression Test Results Equation 1

Model		*Unstandardized Coefficients*		*Standardized Coefficients*		
		B	***Std. Error***	***Beta***	***t***	***Sig.***
	(*Constant)*	-0.018	17.953		-0.001	0.999
1	X1_Institutional Ownership	-54.532	26.554	-17.267	-2.054	0.043
	Z_Company Size	-1.122	5.322	-0.035	-0.211	0.834
	KIxCompany Size	16.000	7.843	17.177	2.040	0.044
a. *Dependent Variable*: Y_Tax Avoidance						

Source: Data Processed by SPSS 25, 2022

The results of moderation regression analysis in (Table 6) show that the interaction variable of institutional ownership and firm size has a calculated t-value of 2.040 with a significance value of 0.044. This result indicates that the significance value of 0.044 is lower than the predetermined alpha value of 0.05 (5%). This indicates that firm size significantly moderates or strengthens the effect of institutional ownership on tax avoidance, and therefore H4 is accepted. This suggests that the larger the firm size, the greater the potential tax liability, which may lead management to maximize tax avoidance by minimizing reported earnings that serve as the basis for calculating taxable income. These findings are consistent with the results of a study conducted by Yuni & Setiawan, (2019), which found that firm size can strengthen the relationship between institutional ownership and tax avoidance.

Table 7: Moderation Regression Test Results Equation 2

Model		*Unstandardized Coefficients*		*Standardized Coefficients*		
		B	***Std. Error***	***Beta***	***t***	***Sig.***
	(*Constant)*	16.070	11.401		1.410	0.162
1	X2_Leverage	-41.131	14.603	-18.335	-2.817	0.006
	Z_Company Size	-5.671	3.389	-0.176	-1.673	0.098
	LeveragexCompany Size	12.418	4.349	18.582	2.856	0.005
a. *Dependent Variable*: Y_Tax Avoidance						

Source: Data Processed by SPSS 25, 2022

From the results of moderation regression analysis in (Table 7), the interaction between leverage and firm size produced a calculated t-value of 2.856 with a significance value of 0.005. This result indicates that the significance value of 0.005 is smaller than the predetermined alpha value of 0.05 (5%). This indicates that the firm size variable significantly moderates or strengthens the effect of leverage on tax avoidance, thus it can be concluded that H5 is accepted. This shows that shareholders will continue to want lower taxes paid, so the company can minimize the amount of taxes that will be paid. This is deliberately done so that the company can reduce the tax burden. However, on the other hand, companies with high debt can optimize funds as a measure of company performance. Then, companies use debt from external funding sources which results in interest costs, where the interest expense will be used by the company as a tax incentive that affects the taxable income, meaning that the higher the external debt, the higher the interest expense that must be paid by the company, indicating that the company is making efforts towards tax avoidance. The results of this study are also in line with research conducted by Dewi & Noviari, (2017); Fauzan *et al.,* (2019); Fitria, (2018); Irianto *et al.,* (2017); Nibras & Hadinata, (2020); Oktamawati, (2017); Safitri & Muid, (2020); Yuni & Setiawan, (2019) which state that the company size influences tax avoidance.

Table 8: Moderation Regression Test Results Equation 3

Model		*Unstandardized Coefficients*		*Standardized Coefficients*		
		B	*Std. Error*	*Beta*	*t*	*Sig.*
	(*Constant)*	6,192	17,773		0,348	0,728
1	X3_Liquidity	32,146	18,314	12,034	1,755	0,083
	Z_Company Size	-2,800	5,272	-0,087	-0,531	0,597
	LiquidityxCompany Size	-9,653	5,451	-12,098	-1,771	0,080
a. *Dependent Variable*: Y_Tax Avoidance						

Source: Data Processed by SPSS 25, 2022

From the results of moderation regression analysis in (Table 8), the interaction between liquidity and firm size produced a calculated t-value of -1.771 with a significance value of 0.080. This result indicates that the significance value of 0.080 is greater than the predetermined alpha value of 0.05 (5%). This indicates that the firm size variable significantly cannot moderate or weaken the effect of liquidity on tax avoidance, thus it can be concluded that H6 is rejected. This shows that the larger the company, the more agency conflicts can arise, especially in relation to profits for principals by shareholders. This can be seen that companies with high liquidity and supported by a large firm size do not make the company more eager to reduce its tax obligations. The size of a company is often associated with the amount of debt it has. Thus, the larger a company is, the more likely it is to choose to finance itself with its operational resources and be more compliant in paying its tax obligations. This research is in line with the findings of Hanifah, (2022) who stated that company size cannot strengthen the relationship between liquidity and tax avoidance.

CONCLUSIONS

Based on the results of data analysis and discussion that have been conducted, the following conclusions can be drawn: institutional ownership variables do not have an effect on tax avoidance. The leverage variable does not have an effect on tax avoidance. The liquidity variable does not have an effect on tax avoidance. Company size as a moderating variable can strengthen the relationship between institutional ownership and leverage towards tax avoidance. Meanwhile, company size as a moderating variable can weaken the relationship between liquidity and tax avoidance.

SUGGESTION

Based on the analysis, discussion, and conclusions that have been presented, there are several recommendations for further research, namely examining other proxies of corporate governance variables such as managerial ownership or audit quality to better demonstrate the influence of corporate governance on tax avoidance in companies. Future researchers can expand the sample size and add more observation years by studying companies in other sectors such as manufacturing, mining, or finance. In measuring tax avoidance, other proxies such as CETR (Cash Effective Tax Ratio) can be used in addition to ETR.

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